



China's Dairy Sector

Market, Technical
Requirements &
Opportunities for
EU Producers

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This report is partly based on two training sessions organised in April and May 2023, in collaboration with external experts and partners. The recordings are available at:

Introducing Polish Dairy to the Chinese Market (19 April 2023):

<https://www.eusmecentre.org.cn/publications/introducing-polish-dairy-to-the-chinese-market/>

The Cream of the Crop: Exporting Dairy to China (24 May 2023):

<https://www.eusmecentre.org.cn/publications/the-cream-of-the-crop-exporting-dairy-to-china/>

This EU SME Centre report is an update of: *Exporting Dairy Products to China* (2016):

<https://www.eusmecentre.org.cn/publications/exporting-dairy-products-to-china/>

UPDATE – JULY 2023

On 10 July 2023, SAMR released the revised Administrative Measures of Product Formulation Registration of Infant Formula Milk Powder, which will enter into force on 1 October 2023. Compared to the previous version which had been illustrated in the EU SME Centre report, the revised guidelines:

- Expand the legal basis for rejecting the registration of infant formula products, e.g. when the application materials submitted are untrue or fraudulent, when the scientific and safety basis of the product formula is deemed as not sufficient, or when the applicant is considered not to have the R&D, production or supervision capabilities necessary for ensuring the product quality and safety.
- Expand, from 6 to 9, the elements that cannot be specified on product labels and instructions, such as the use of vague and fuzzy statements such as “imported milk source”, “derived from foreign pastures”, “ecological pasture”, “imported raw materials”, “original ecological milk source”, “pollution-free milk source”, etc; the image of babies and women cannot be used, together with wording such as “human emulsification” or “mother emulsification”.
- Include cases in which on-site inspection of production establishments may be required, including in case of major changes in the product formula, in the address of the production facility, or in any case further verification is required by the technical evaluators.

Access the revised measures in Chinese on SAMR's website: https://www.samr.gov.cn/zw/zfxxgk/fdzdgknr/fgs/art/2023/art_3a5f8aa921ac4d9e85c2dffe93b05955.html

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EXECUTIVE SUMMARY

China is one of the world's largest dairy markets – and certainly the **largest importer of dairy products**. Although the sector was affected by a series of demand and price disruptions in 2022, it is expected to stabilise in 2023 until returning to growth in the following years. A key driver is the **increased health awareness** of Chinese people – one of the few positive outcomes of the COVID-19 pandemic.

This offers opportunities to EU dairy producers, although the competition from other traditional dairy exporters regions is fierce; furthermore, the image of domestically-produced dairy products has gradually recovered after having suffered from various incidents and scandals that occurred in the past. At the same time, EU dairy producers will need to navigate through a series of complex technical requirements – and barriers – in order to be allowed to export to China. This report was produced to guide EU dairy producers in the process, while highlighting elements that can be leveraged on. Specifically:

- The first chapter provides an **overview of the Chinese dairy market**. It highlights how Chinese people's increased health awareness and the initiatives of Chinese authorities are driving the development of the market, and in particular domestic production. Detailed analysis of dairy imports into China will be provided for various dairy segments: EU dairy products lead in some categories, while suffering significantly in others. An overview of retail channels is also provided.
- The second chapter provides a detailed overview of the **regulatory and technical requirements for importing dairy products into China**. It focuses in particular on issues such as country protocols and eligibility, GACC/CIFER registration for production establishments, as well as heightened requirements for infant formula. Details on food safety standards as well as labelling standards are also provided. Failure to comply with these will lead to customs rejection when importing into China: the last section of this chapter provides an analysis of rejected imports and reasons in the last year.

- The third chapter summarises a series of tips and recommendations that EU dairy exporters should keep firmly in mind when approaching the Chinese market. It also includes some **unique elements that EU producers can leverage**, including the EU-China Geographical Indication Agreement, as well as funding opportunities at the EU level. Considerations on intellectual property protection will also be provided.
- The last chapter illustrates the **key findings from interviews conducted with 8 dairy industry professionals in China**, including local importers, distributors, producers, as well as retailers.

This report will focus on the following categories of dairy products – including their subheadings:

HS Heading	Product category
0401	<i>Milk and cream, not concentrated</i>
0402	<i>Milk and cream, concentrated (milk powder)</i>
0403	<i>Yoghurt</i>
0404	<i>Whey and modified whey</i>
0405	<i>Butter</i>
0406	<i>Cheese and curd</i>
190110	<i>Infant formula</i>

These categories follow **similar requirements and procedures for being imported into China** – the only exception being infant formula which has even tighter requirements than the others. Other products that may contain dairy ingredients but are traded under other HS headings are not covered in this report, including ice cream, probiotics, as well as bakery products and confectionary. Nonetheless, these remain important segments which should not be neglected by European dairy exporters.

1. MARKET OVERVIEW

The Chinese dairy market in 2022 witnessed a **decrease in demand and prices** – predominantly as a result of strict COVID-19-related containment policies adopted in the country, supply chain disruptions, and the overall sentiment of uncertainty that affected consumer confidence. Yet, the pandemic has also further **increased the health awareness of Chinese people**, while deepening their understanding of the nutritional value of milk and dairy products. At the same time, domestic dairy production has reached unprecedented levels – and is expected to continue growing as the fall of prices stabilises. With the reopening of the country in January 2023, the overall situation of the Chinese dairy market looks positive for the medium and long term.

1.1 CONSUMPTION DRIVERS AND TRENDS

The average consumption per capita is significantly lower than in the EU or other markets, but it has been growing significantly in recent years. Part of the reason behind low average consumption relates to Chinese (and overall Asian) people's widespread **intolerance to lactose**: dairy and its derivatives are not common ingredients of Chinese cuisine. Online sources claim that the percentage of lactose-intolerant people exceeds 90% of the population,¹ though it is improving for younger generations as Chinese parents increasingly use milk as staple food for their infants.

Overall, the **growth of Chinese dairy consumption** is driven by two main factors:

- **Government policies and initiatives.** Since the early 2000s, the Chinese government has actively encouraged milk consumption: the flagship "School Milk Programme" was launched to nurture milk drinking habits in Chinese primary and secondary schools; followed by various educational promotion activities nationwide. Improving the intake of dairy – and in particular milk and yoghurt – are key elements of the *Healthy China Initiative (2019-2030)*.² Government regulation and supervision of dairy

products – both domestically produced and imported – has been significantly enhanced, contributing to trust and confidence of Chinese consumers.

- **Growing awareness of the health benefits of dairy products.** One of the few positive outcomes of the COVID-19 pandemic is the increased people's awareness of health and healthy lifestyles. Dairy plays a key role in this regard thanks to its positive effects on the immune system. The consumption of dairy products was encouraged since the outset of the pandemic in early 2020 – official guidelines of China's National Health Commission³ or domestic dairy giants such as Mengniu⁴ promoted the prevention through more healthy food consumption, especially for vulnerable groups such as the elderly.

At the same time, **three main trends** can be identified within China's dairy market:

Rising diversity

While milk and yoghurt are the most popular products, many Chinese consumers, especially in first- and second-tier cities, are starting to have greater demand for:

- **Diversification of products**, especially cheese and butter
- **Innovations** in terms of flavours, nutrition, packaging and promotions – such as cheese with fruit and herbal flavour, or liquid butter.

Preference for high quality

Stronger awareness and upgraded consumption levels increase the attention to **ingredient lists** and **efficacy claims**. In practice, this translates into a higher willingness to pay more for quality products, thus going beyond the average market price. This is especially the case in larger cities, as well as for dairy products targeting children.

1 E.g.: <https://www.bbc.com/future/article/20201016-why-china-developed-a-fresh-taste-for-milk> (accessed: 25 May 2023).

2 http://www.gov.cn/xinwen/2019-07/15/content_5409694.htm (accessed: 25 May 2023).

3 <http://www.nhc.gov.cn/xcs/fkdt/202002/a69fd36d54514c5a9a3f456188cbc428.shtml> (accessed: 25 May 2023).

4 http://regional.chinadaily.com.cn/cn/2020-02/15/c_452315.htm (accessed: 25 May 2023).

Increasing local competition

Local companies have significantly increased their presence and investment in the dairy sector. Their image, which in the past suffered from serious scandals and incidents, has recovered thanks to increased quality management and effective marketing: many consumers, especially young ones, **increasingly prefer domestic brands and products**.

The **Chinese dairy market is extremely competitive**: market players are constantly changing while bigger brands are solidifying their positions in many segments. Further, the growing participation of local companies is increasing competition even further, nevertheless, Chinese consumers still see imported dairy products as representing higher quality – particularly those from traditional exporting countries which are strongly associated with a healthy environment and agriculture, such as New Zealand, Australia, Netherlands, etc. From a series of interviews conducted with relevant industry players in China (including importers, distributors, producers and retailers), and summarised in chapter 4 of this report, the **categories expected to offer new opportunities for foreign dairy exporters** are:

- **High-end products**, for instance, include special nutritional features such as added protein content. For such products, consumers may be willing to pay higher prices, while competition will mostly be limited to other imported products. For mid- to low-end products, price sensitivity is more pronounced, and competition comes mainly from local and big brands.
- **Products specifically targeting children** with distinctive nutritional attributes. Chinese families are generally willing to spend more for their kids; at the same time, parents adapt to the implemented dietary change and increase their own intake. But it should be noted that, depending on the ingredients and claims, products may fall into categories subject to additional special requirements to access the market, such as health food or food for special medical purposes.
- **Cheese and butter**, the government is encouraging production and consumption,

particularly for those that meet the preferences and tastes of Chinese consumers.⁵ Therefore, a three-year action plan (2023-2025) for the development of the cheese industry was issued in China.⁶ Rapidly emerging segments are bakery products, where a lot of cheese and butter are consumed; as well as cheese snacks for children.

At the same time, the following findings emerged from the interviews for specific dairy categories:



Milk

The Chinese market for liquid milk is largely occupied by big, well-established brands, thus it is very **difficult to enter as a new player**. B2B competition is mostly based on price, with an advantage for bigger players with stable supply.



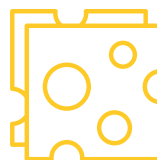
Whey

Isolated whey protein consumption is mostly limited to sports enthusiasts – which popularity has been growing since the pandemic in China. But whey powder can also be used as an **ingredient for other dairy-based goods**. B2B competition is almost entirely based on price, with an advantage for bigger players with stable supply. New players can step into this segment if their prices are significantly competitive.



Butter

Even though local players are increasingly entering the butter and light cream sector, foreign brands and imported products dominate. **European products enjoy a strong reputation**, though Eastern European ones comparably less. A key emerging segment, especially during the pandemic-induced lockdowns, is bakery.



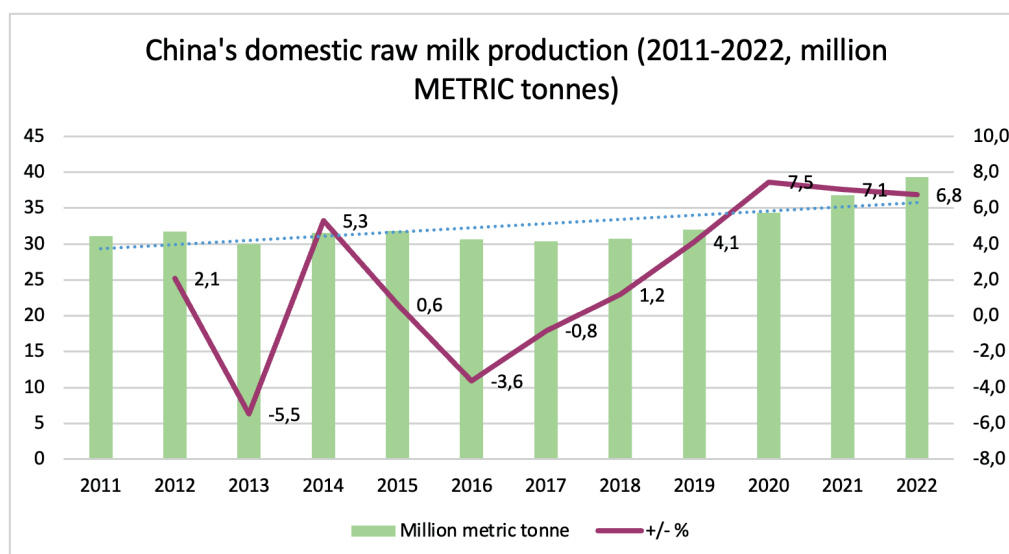
Cheese

Imported cheese dominates the cheese segment, particularly processed products used for baking. European products have a strong reputation; however, they suffer from competition from other non-EU actors producing typical European cheese such as mozzarella; at the same time, many traditional types of European cheese are considered to be **too “strong” or “smelly” for Chinese consumers**.

⁵ For instance, many Australian brands have gained significant market share in China by adjusting flavours to suit the taste of Chinese consumers, such as cheese with fruits and herbal flavours.

⁶ http://food.china.com.cn/2022-12/05/content_78551164.htm (accessed: 25 May 2023).

1.2 DOMESTIC PRODUCTION



Source: National Bureau of Statistics, elaboration by EU SME Centre

Over the past decade, China has emphasised the importance of increasing domestic dairy production as a means to achieve **self-sufficiency – and thus food security**. This has taken place through four main lines of action:

- **Government efforts** to increase the safety and quality of domestically-produced products, through the development of farm and product quality management and evaluation standards;⁷ as well as supportive policies such as subsidies to farmers building or expanding dairy farms.
- **Boosting national herd while increasing feed supply.** In the past five years, China imported more than 1.2 million heads of quality cattle, nearly 350,000 in 2022 alone, mainly from New Zealand and Australia, 80% of which is exclusively for dairy production.
- **Sustained investment of dairy producers** in expanding cattle yield, creating new farms, and planting high-quality fodder grass. Currently, Mengniu Dairy – one of China's largest dairy producers – owns more than 100 farms and 250,000 cows across the country.

level were launched exclusively for the food and farming industry.

The results are impressive: in 2022, China produced 39,32 million metric tonnes of raw milk. The objective is to **reach 41 million metric tonnes by 2025**, as indicated in the *Action Plan to Enhance the Competitiveness of the Dairy Industry during the 14th Five-year Plan*.⁸ However, the reduced demand in that year, resulted in oversupply, falling prices and even cases of raw milk dumping or slaughtering of cows.⁹

The absolute majority of raw milk is used for **pasteurised or ultra-pasteurised (UHT) milk and yoghurt**; contrary, fresh milk and fresh yoghurt only account for a limited share of production, estimated to be around 15%, as they partly still suffer from non-optimal cold-chain logistics.¹⁰ At the same time, the share of **domestically-produced infant formula** has recently surpassed, for the first time, that of imported infant formula products, reaching 53% (and expected to exceed 60% according to government planning),¹¹ thus signalling regained confidence of Chinese consumers following years of mistrust in response to various scandals.

⁷ E.g., in 2016 China introduced a pre-market entry product registration procedure that all infant formula producers – domestic and foreign alike – must complete in order to be able to sell products. The procedure, supervised by SAMR, is lengthy and costly and involves multiple safety tests and a technical review with experts – usually taking up several months.

⁸ http://www.moa.gov.cn/govpublic/xmsyj/202202/t20220222_6389242.htm (accessed: 18 May 2023).

⁹ See, for instance: <https://www.yicaglobal.com/news/china-milk-producers-feel-the-pinch-as-supply-glut-drives-prices-down> (accessed: 19 May 2023).

¹⁰ <https://www.yicai.com/news/101043310.html> (accessed: 19 May 2023).

¹¹ http://www.gov.cn/zhengce/zhengceku/2019-09/27/content_5434220.htm (accessed: 19 May 2023).

Company	Description
Mengniu 蒙牛 https://www.mengniu.com.cn/	Headquartered in Inner Mongolia, produces milk and yoghurt products (mostly UHT milk), milk powder and ice creams. It is the main competitor of Yili; together, the two companies are China's largest dairy producers.
Yili 伊利 https://en.yili.com/	Headquartered in Inner Mongolia, produces milk and yoghurt products, milk powder, ice cream, as well as cheese. It is the main competitor of Mengniu; together, the two companies are China's largest dairy producers.
Sanyuan 三元 https://www.sanyuan.com.cn/	Headquartered in Beijing, it mainly offers milk powder, yoghurt, & milk-based drinks, and is the main actor involved in fresh milk and yoghurt – together with Guangming.
Guangming 光明 https://www.brightdairy.com/	Headquartered in Shanghai, it mainly offers fresh milk and yoghurt (competing with Sanyuan), as well as room-temperature yoghurts, & infant and elderly milk powder.
Yantang 燕唐 https://www.yantangmilk.com/	Headquartered in Guangzhou, it mainly produces pure milk, fresh milk, lactobacillus drinks and yoghurt.
Feihe 飞鹤 https://www.feihe.com/	Headquartered in Beijing, Feihe is China's leading producer of domestic infant formula, aggressively advertising its products as being "more suitable for the body of Chinese babies".
Junlebao 君乐宝 http://en.junlebaoruye.com/	Headquartered in Hebei, producing mostly infant formula, fresh yoghurt, milk-based beverages, and probiotics.
Tianrun 天润 http://www.xjtry.com/	Headquartered in Xinjiang, mostly produces various types of yoghurt, as well as fresh milk, UHT milk, pasteurized milk, and other milk-based beverages, especially based on lactoderm.
Wondersun 完达山 http://www.wondersun.com.cn/	Headquartered in Heilongjiang, it mostly produces baby formula, milk-based beverages, as well as health food.

The largest Chinese dairy companies

Finally, **goat and sheep milk** is gaining popularity among domestic producers; other forms of milk, such as camel, horse and yak milk, are also widely produced and consumed in China's border regions, especially Xinjiang, Inner Mongolia and Tibet.

China's northern regions dominate domestic production, with three regions in particular: Inner Mongolia, Hebei and Heilongjiang. Efforts are however being made by the authorities to expand production in southern regions as well, particularly in upstream segments such as feed. In terms of the scale of producers, the landscape has shifted significantly over the years. Small household farms have been gradually phased out, merged or acquired by **large companies**. In 2022, more than two-thirds

of cattle farms had at least 100 cattle heads; the objective is to increase this percentage to 75% by 2025. See in the above table the **largest Chinese dairy companies**.

In addition to milk, yoghurt and infant formula, China has also indicated its intention to **support domestic production of cheese**, particularly products suiting the taste of Chinese consumers. This is to be achieved by upgrading production technology and equipment, while increasing the yield of domestically-produced cheese. Currently, however, domestic cheese production is very low (22 thousand metric tonnes in 2022), but growing, focusing on **processed cheese**, especially cheese slices, sticks and toppings. It is also noteworthy that a number of foreign players have partnered up with local companies to produce cheese in China.¹²

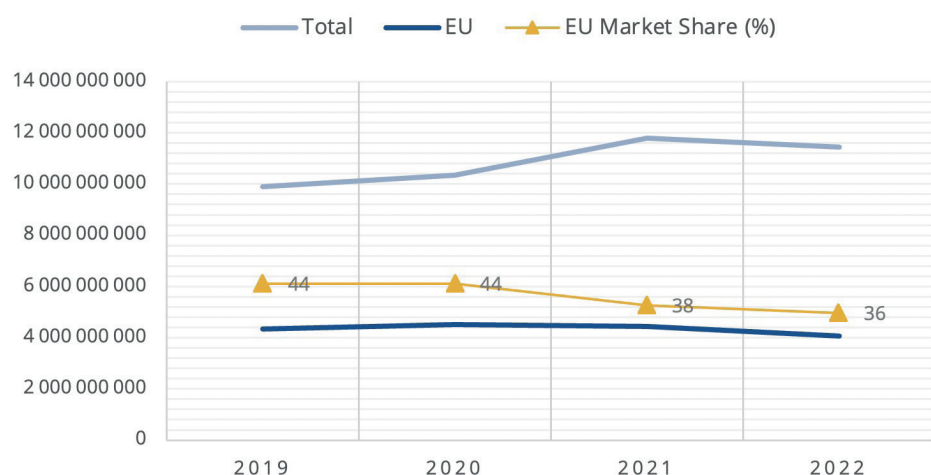
¹² See, for instance, a case study made by the EU SME Centre in 2018 focusing on Brazzale, a family-owned Italian company, which has set up a production facility in Beijing and regularly supplies local supermarkets: <https://www.eusmecentre.org.cn/publications/brazzale-group-jikang-food-co-ltd-cheese-production-in-china/> (accessed: 19 May 2023).

In conclusion, thanks to large investments in R&D and marketing, aided by a stricter regulatory and supervision environment, the **image of domestically-produced dairy products has gradually recovered** over the past decade, after a series of incidents and scandals hit the industry, especially for milk and infant formula. The result is that a growing number of Chinese consumers – especially younger ones – are **increasingly favouring domestic brands**.

Yet, **China still needs to rely on imports to meet the dairy demand of Chinese consumers**, making the country the world's largest importer of dairy products. Mid- to low-end imported products will face intense local competition in the coming years, mostly focusing on pricing; this will be less the case for high-end products, which continue to offer opportunities to foreign brands.

1.3 OVERVIEW OF DAIRY IMPORTS

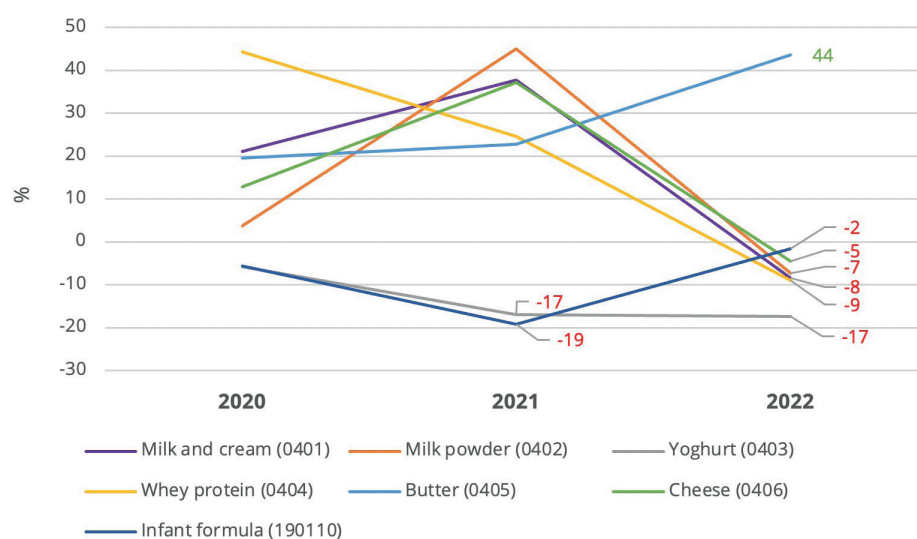
CHINA IMPORTS OF DAIRY PRODUCTS VIA GENERAL TRADE - 2019-2022 (USD\$)



Source: Chinese customs: <http://stats.customs.gov.cn/>

Official statistics from the Chinese General Administration of Customs¹³ show that **imports of dairy products have continued to grow until 2021** – except for yoghurt (0403) and infant formula (190110), whose imports had been decreasing steadily since 2019 due to their loss of market share to domestic producers. In 2022, however, imports of all categories of dairy decreased, suffering from decreasing demand and supply chain disruptions resulting from peaking COVID-19-related restrictions in the country. The only exception was butter, which continued to register growth.

Yearly growth rate of dairy imports (2020-2022)



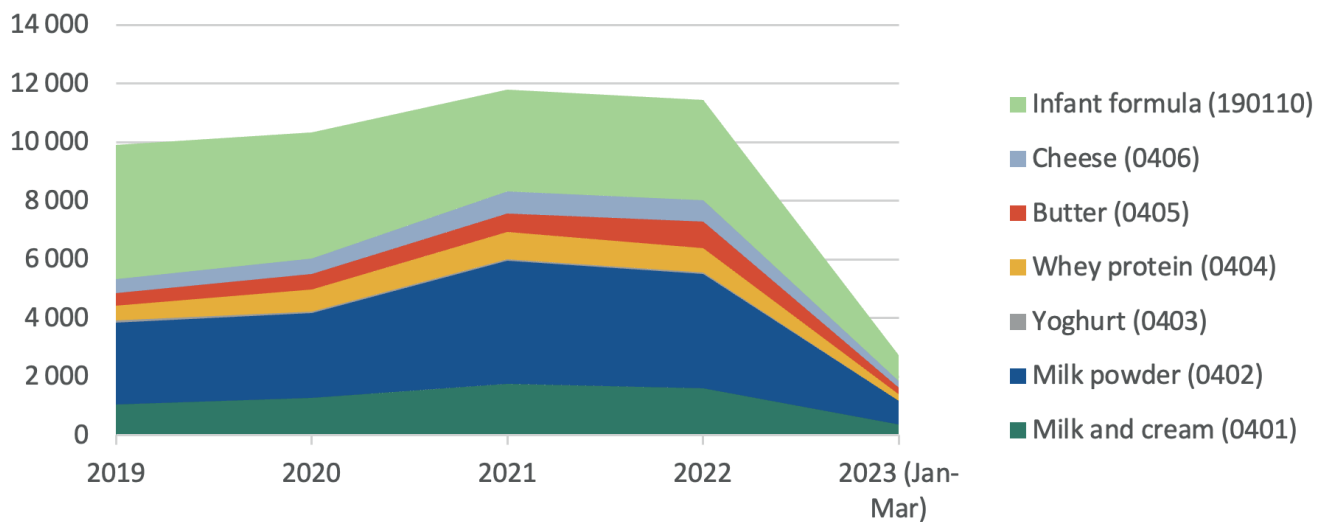
Source: Chinese customs: <http://stats.customs.gov.cn/>

Overall, the **EU has a solid market share** in China's dairy market of 36% overall. While reaching 85% for yoghurt, but plummeting to 10% for milk powder (0402) and butter (0405). Its main competitors are New Zealand and Australia; as well as the United States for certain dairy categories only.

The **most important dairy categories for imports are milk powder** (34% of China's total dairy imports in 2022) and **infant formula** (30%). However, the share of infant formula has decreased dramatically from 2019, when it accounted for 46% of total imports, while milk powder has remained roughly the same.

¹³ <http://stats.customs.gov.cn/> (accessed: 19 May 2023).

CHINA IMPORTS OF DAIRY PRODUCTS VIA GENERAL TRADE 2019-2023Q1 (MILLION USD\$)



Source: Chinese customs: <http://stats.customs.gov.cn/>

The decreased share of imported infant formula got compensated by an **increase in imports of milk and cream** (14% of total dairy imports in 2022), as well as **butter** (8%), **whey protein** (7%), and **cheese** (6%) – their share in 2019 accounted for 4% and 5%. Yoghurt accounts only for a tiny fraction of China's dairy imports: 0.3%.

The following table summarises the **taxes involved when importing dairy products into China**. It is noteworthy that the EU's largest dairy competitors in China's dairy market – New Zealand and Australia – enjoy **preferential customs duties thanks to Free Trade Agreements signed**. For instance, all customs duties are 0% for New Zealand, and 0% to 1.5% for Australia starting from 2024. This significantly contributes, in practice, to lower retail prices and thus stronger competitiveness, as confirmed by import statistics.

Product category		Customs duty	VAT
0404	Whey and modified whey	2%* / 6%	13%
0405	Butter	10%	13%
0406	Cheese and curd	8%* / 10% / 12 %	13%
190110	Infant formula	15%	13%

* Temporary customs duty for 2023

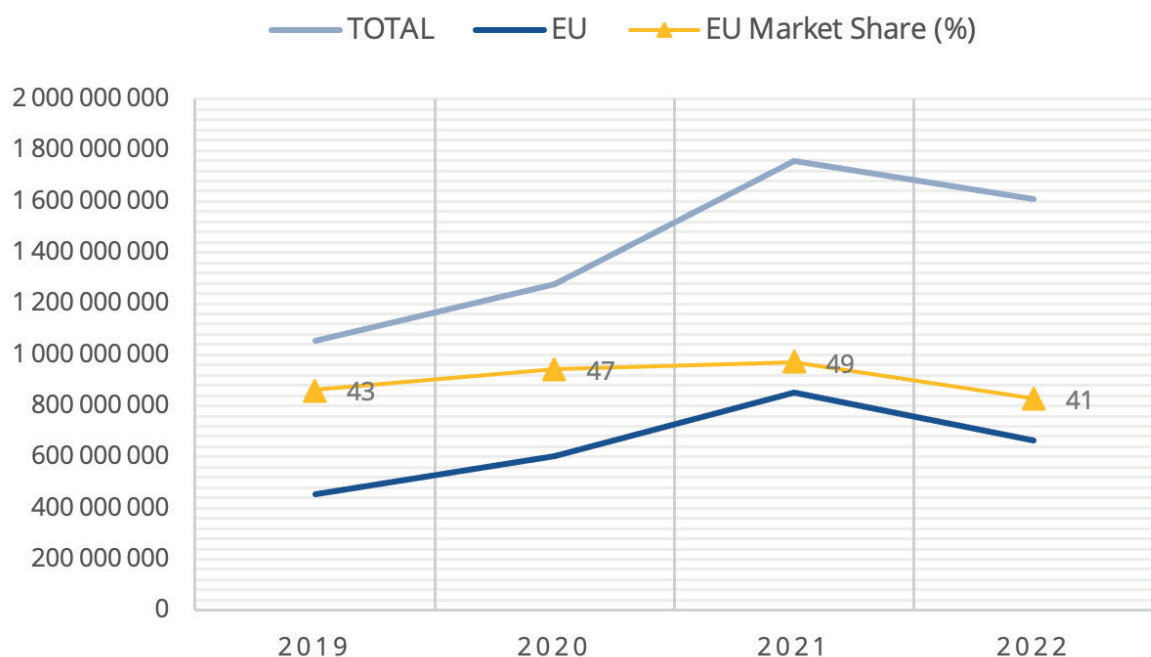
Milk and cream (HS: 0401)

Non-concentrated milk and cream accounted for 14% of China's total dairy imports in 2022. Imports had grown steadily until 2022 when they registered an 8% decrease. Preliminary figures for the first quarter of 2023 do not indicate a rebounding of imports.

Product category		Customs duty	VAT
0401	Milk and cream, not concentrated	15%	9% / 13%
0402	Milk and cream, concentrated (milk powder)	10%	13%
0403	Yoghurt	10% / 20%	13%

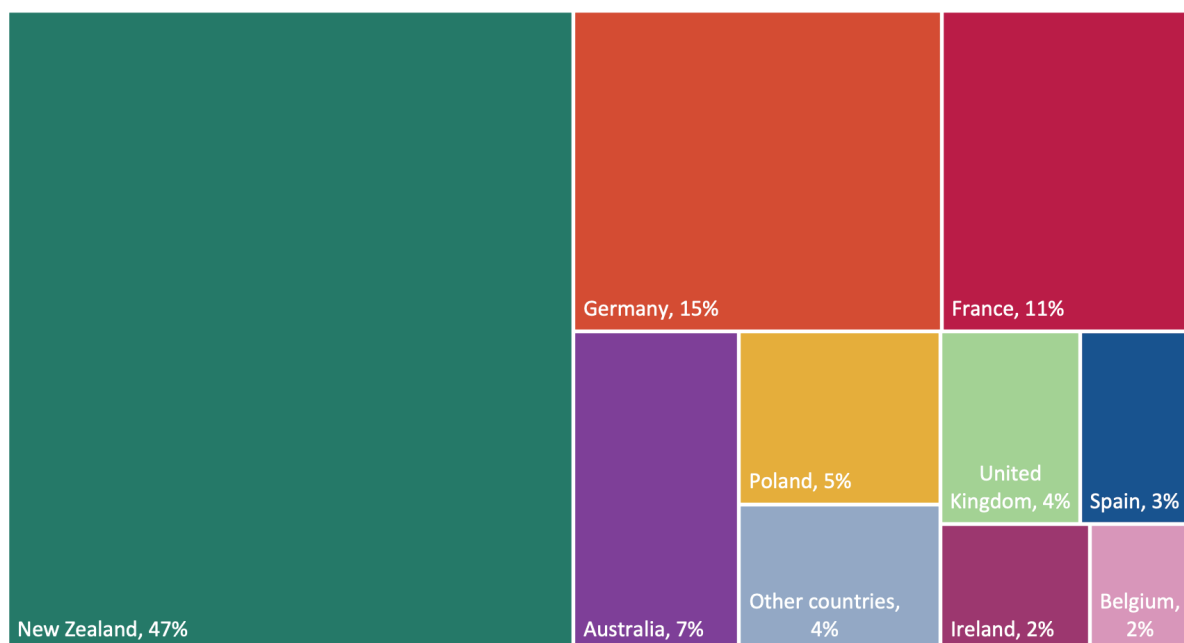
The **top exporting countries** are New Zealand (47% market share in 2022), Germany (15%) and France (11%), followed by Australia (7%), Poland (5%) and the United Kingdom (4%). Combined, these countries account for 89% of China's total imports of non-concentrated milk and cream. Other relevant EU actors are Spain, Ireland, Belgium, Netherlands, Denmark and Austria.

CHINA IMPORTS OF MILK AND CREAM (HS: 0401) 2019-2022 - USD\$



Source: Chinese customs: <http://stats.customs.gov.cn/>

TOP EXPORTERS OF MILK AND CREAM (HS: 0401), 2022, USD\$



Within this category, the most widely imported products are:

- *Milk and cream of fat content, by weight, exceeding 10% (HS: 040150) (59% of total imports).*
- *Milk and thin cream of fat content, by weight,*

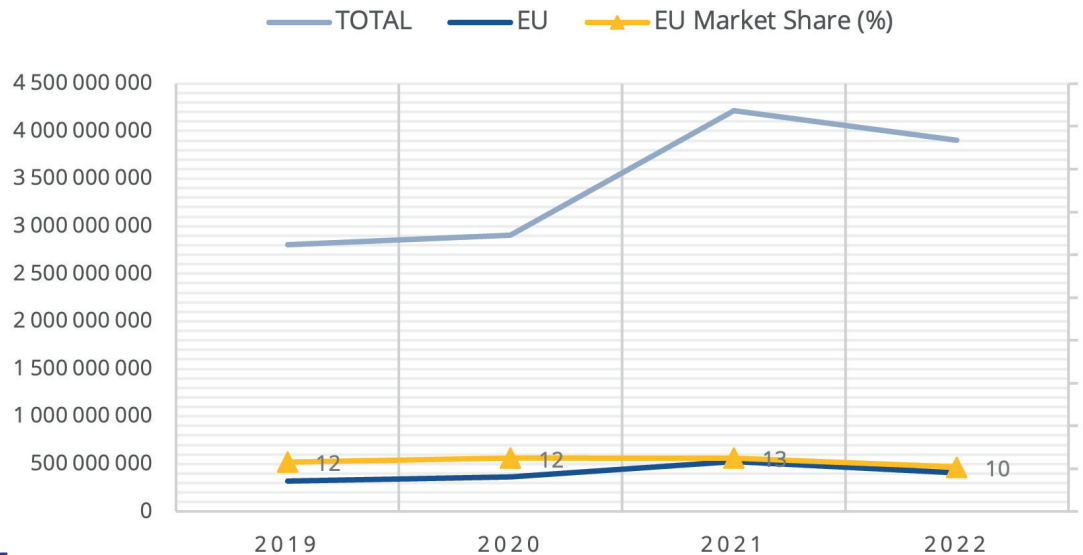
between 1% and 6% (HS: 040120) (36% of total imports).

While imports of milk and thin cream with fat content exceeding 6% but not exceeding 10% are almost inexistent.

Milk powder (HS: 0402)

Milk powder was the largest category of China's dairy imports, accounting for 34% of total imports in 2022. Imports had grown significantly from 2020 to 2021, but decreased by 8% in 2022 in line with other dairy categories. Preliminary figures for the first quarter of 2023 do not hint a rebounding of imports; on the contrary, they suggest a sharper decrease.

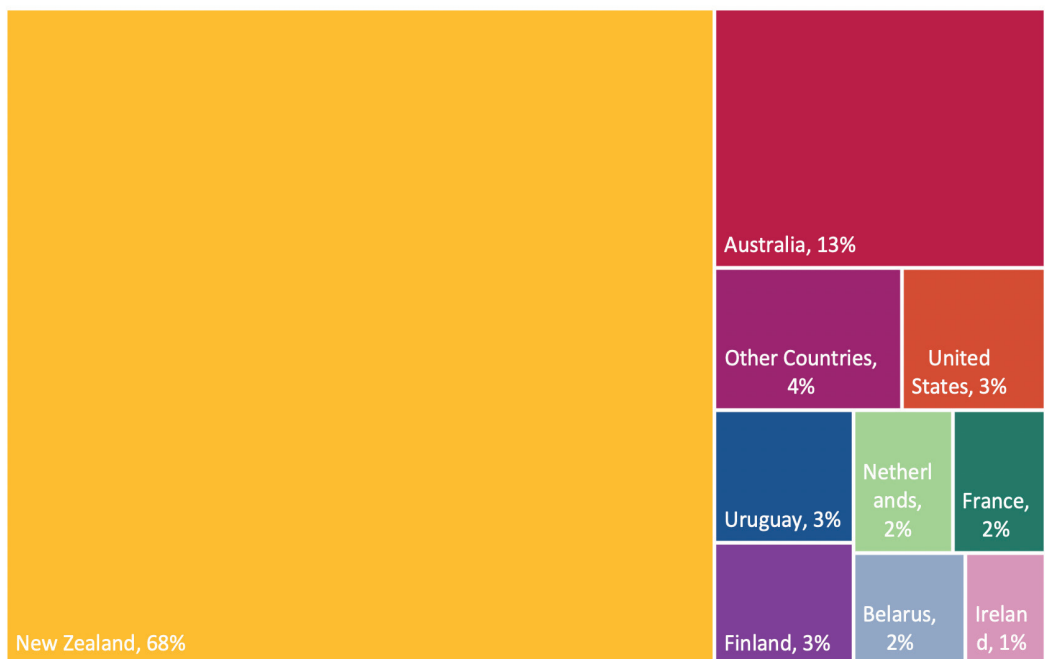
CHINA IMPORTS OF MILK POWDER (HS: 0402) 2019-2022 - USD\$



Source: Chinese customs: <http://stats.customs.gov.cn/>

Chinese imports of milk powder are **dominated by New Zealand**, which alone had a 68% share in 2022. Other key exporters are Australia (13% market share in 2022), the United States and Uruguay (both 3%). Combined, the EU has a 10% share, led by Finland, Netherlands and France (fifth, sixth and seventh largest exporters, respectively). Belarus is also an important player, preceding traditional exporting countries such as Ireland and Germany.

TOP EXPORTERS OF MILK POWDER (HS: 0402), 2022, USD\$



Within this category, the most widely imported products are:

- *Milk and cream, in powder, granules or other solid forms, of fat content, by weight, exceeding 1.5% (HS: 040221) (68% of total imports).*
- *Milk and cream, in powder, granules or other solid forms, of fat content, by weight, not exceeding 1.5% (HS: 040210) (30% of total imports).*

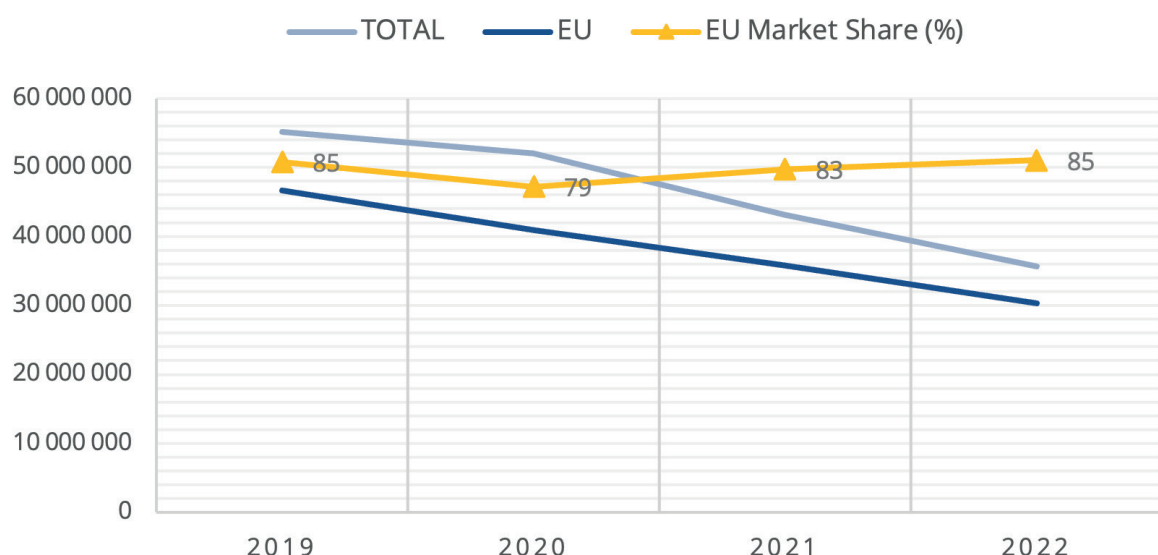
Yoghurt (HS: 0403)

Yoghurt accounts only for a tiny fraction of China's dairy imports: 35,32 million USD in 2022, or 0.3% of total imports. Despite growing consumption in China, imports have been decreasing steadily at least since 2019. Part of the reason relates to strong Chinese domestic production, particularly in regions where yoghurt is a traditional component of the local diet (e.g. Xinjiang and Inner Mongolia). This is also in contrast to all other dairy categories which had seen positive growth at least until 2022.

Preliminary figures for the first quarter of 2023 do not hint a rebounding of imports.

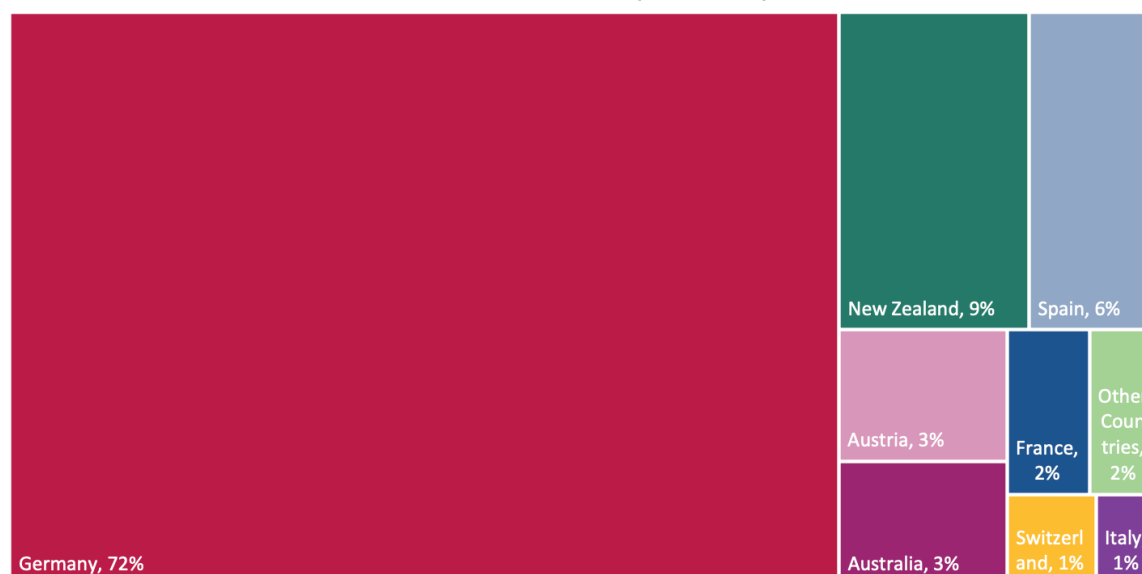
Chinese imports of yoghurt are **dominated by Germany**, which alone had a 73% share of imports in 2022. Other key exporters are New Zealand (9%), Spain (6%), Austria (3%), Switzerland (1%), and Italy (1%).

CHINA IMPORTS OF YOGHURT (HS: 0403) 2019-2022 - USD\$



Source: Chinese customs: <http://stats.customs.gov.cn/>

TOP EXPORTERS OF YOGHURT (HS: 0403), 2022, USD\$



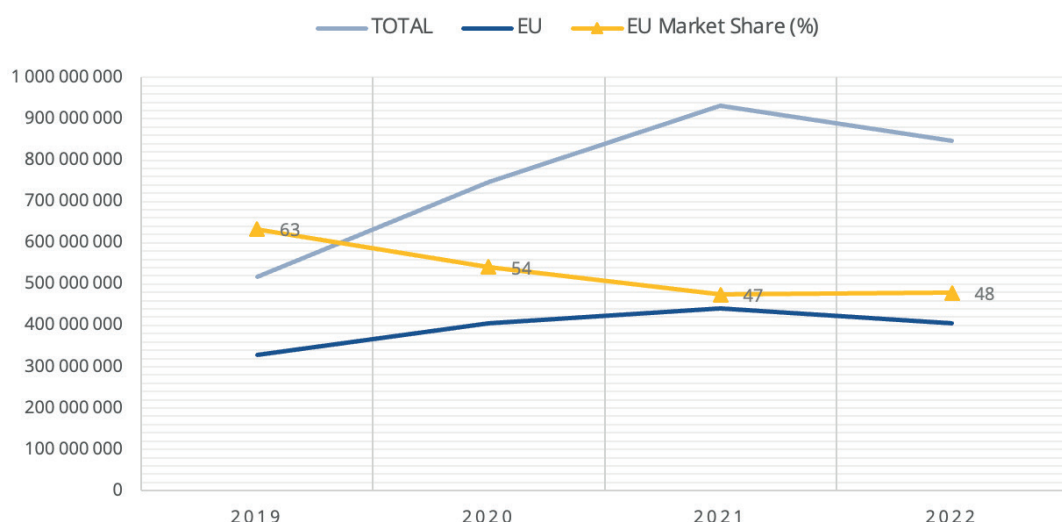
Whey protein (HS: 0404)

Unlike other dairy categories, **whey** is mostly imported by Chinese businesses for further processing, rather than consumption by final consumers. The only exception is isolated whey protein for sports – currently a niche segment, with much potential for growth. Whey protein accounted for 7% of China's total dairy imports in 2022; imports had been growing significantly (+81% from 2019 to 2021), but decreased slightly in 2022 in line with other dairy categories. However, preliminary import statistics for the first quarter of 2023 suggest that imports may return to growth and reach 2021 levels. It is also noteworthy that whey protein for sports is the category of dairy which is **most frequently rejected by Chinese customs upon importation** into China (more details in section 2.7 of this report).

The majority of imports are products listed under the HS code 040410 (*Whey and modified whey, whether or not concentrated or containing added sugar or other sweetening matter*).

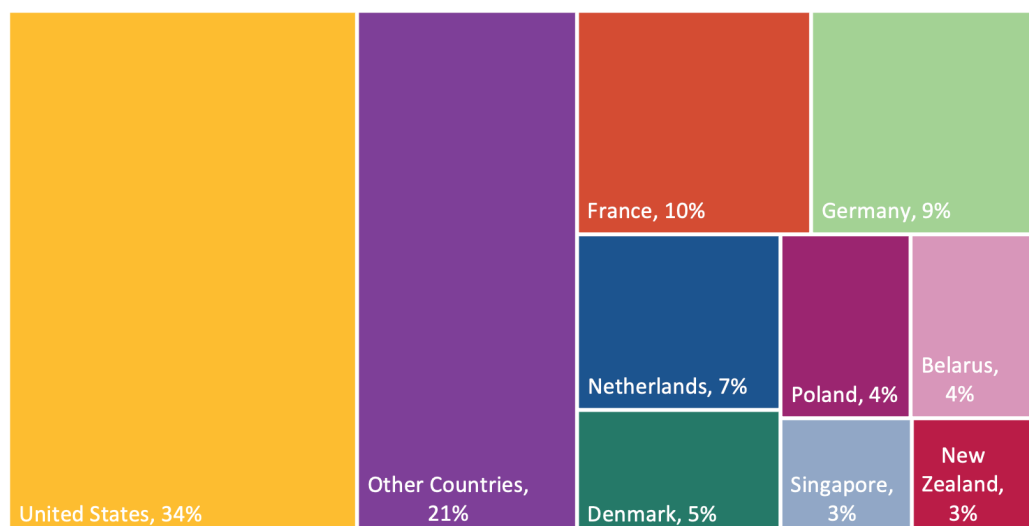
The **top exporting countries** in the past four years were the United States (34% market share in 2022, up from 16% total market share in 2019), France (10%), Germany (9%), Netherlands (7%), Denmark (5%), and Poland (4%). Belarus is also an important player, preceding traditional exporting countries such as New Zealand and Australia. Other relevant EU actors are Finland, Ireland, Spain and Italy.

CHINA IMPORTS OF WHEY PROTEIN (HS: 0404) 2019-2022 - USD\$



Source: Chinese customs: <http://stats.customs.gov.cn/>

TOP EXPORTERS OF WHEY PROTEIN (HS: 0404), 2022, USD\$

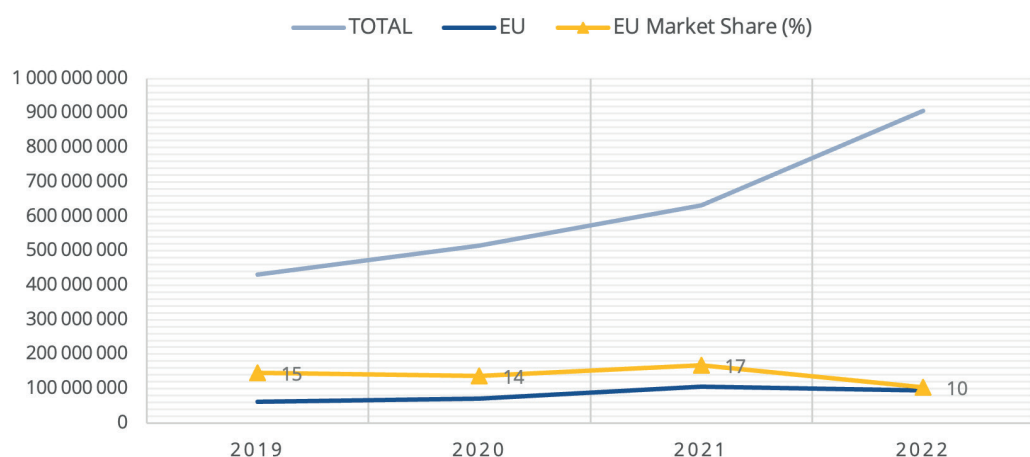


Butter (HS: 0405)

Butter accounted for 8% of China's total dairy imports in 2022. Imports have been growing steadily at least since 2019 (when its share of China's total dairy imports was 4.3%). Butter was the **only dairy category which did not see a decrease in imports in 2022**: on the contrary, in that year imports increased by a stunning 44% year-on-year – confirming the potential of this product category in the short- and medium-term. Preliminary figures for the first quarter of 2023 seem to confirm the growing trend. Butter makes more than two-thirds of imports are product under HS code 040510 (butter), while nearly one-third are imported under HS code 040590 (Other fats and oils derived from milk). Dairy spreads (040520) imports are virtually inexistent.

Similar to milk powder (0402), **New Zealand is the undisputed leader** for imports, with an 87% market share. EU Member States, combined, account for a 10% market share, led by France, Netherlands and Belgium (respectively second, third and fourth largest exporters). Other relevant actors include Australia as well as Argentina.

**CHINA IMPORTS OF BUTTER (HS: 0405)
2019-2022 - USD\$**



Source: Chinese customs: <http://stats.customs.gov.cn/>

TOP EXPORTERS OF BUTTER (HS: 0405), 2022, USD\$



Cheese (HS: 0406)

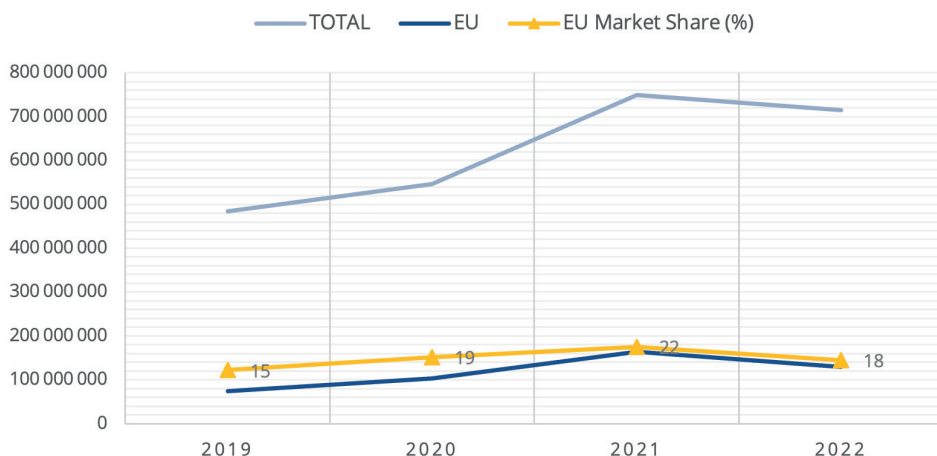
Cheese accounted for 6.3% of China's total dairy imports in 2022. Benefitting from increased awareness and consumption by Chinese consumers, especially urban residents in larger cities, cheese imports have grown steadily in the last few years, with a +37% growth between 2020 and 2021; its market share within the dairy sector has increased from 4.9% in 2019. However, in line with many other dairy categories, imports of cheese decreased in 2022, albeit at a slower rate (-4.4%). Preliminary figures for the first quarter of 2023 indicate a significant rebounding of imports, projected to exceed 2021 levels.

Although European cheese enjoys a strong reputation among Chinese consumers, the **top two exporters of cheese products to China are New Zealand and Australia** (respectively with 60% and 13% market share). It is noteworthy that their main products are mozzarella and cheddar cheese, which are traditional European cheeses, fresh but also in the form of cheese sticks, slices and grated. The EU's market share is 18%, led by Italy, which is the third largest exporter to China (4.5% share), and at the same time has the highest number of **cheese products with geographical indication designation** effectively protected in China (more details in chapter 3.2 of this report). The United States are the fourth largest exporter (4.3% market share), followed by France (3.2% market share), Denmark (3%) and the Netherlands (2.5%).

Within the cheese category, the most widely imported products (38% of total) are *Fresh (unripened or uncured) cheese, including whey cheese, and curd* (HS code: 040610), followed by *Grated or powdered cheese, of all kinds* (040620) and *Other cheese* (040690), both with 24%. *Processed cheese, not grated or powdered* (040630) accounts for 14% of total Chinese cheese imports; while *blue-veined cheese* (040640) accounts for a tiny fraction only (0.2%), mostly due to the fact that the majority of Chinese people are not used to this variety of cheese or find it "too strong".

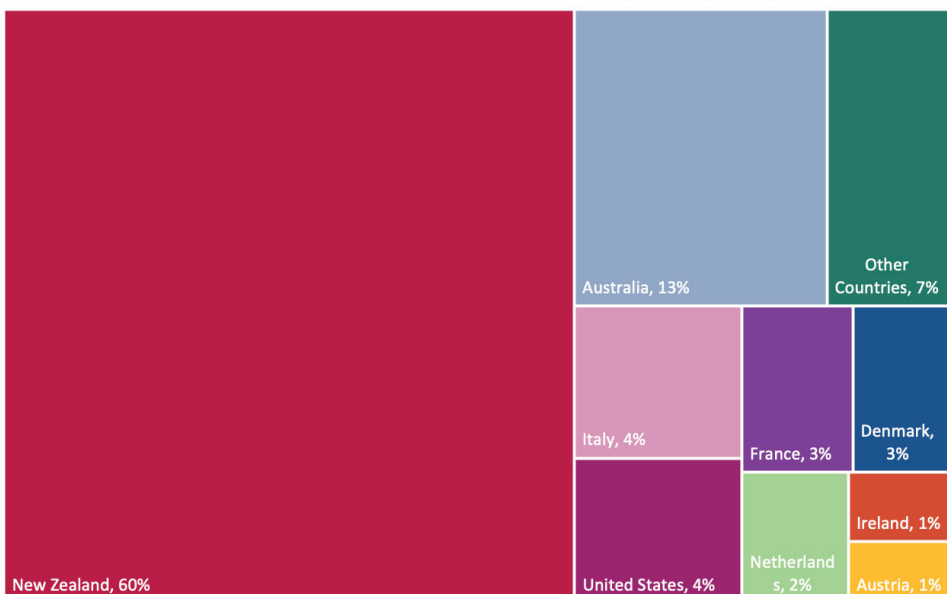
Finally, it is noteworthy that cheese is the category of dairy products most frequently affected by cases of non-compliance or rejection by Chinese customs (more details in section 2.7 of this report).

**CHINA IMPORTS OF CHEESE (HS: 0406)
2019-2022 - USD\$**



Source: Chinese customs: <http://stats.customs.gov.cn/>

TOP EXPORTERS OF CHEESE (HS: 0406), 2022, USD\$

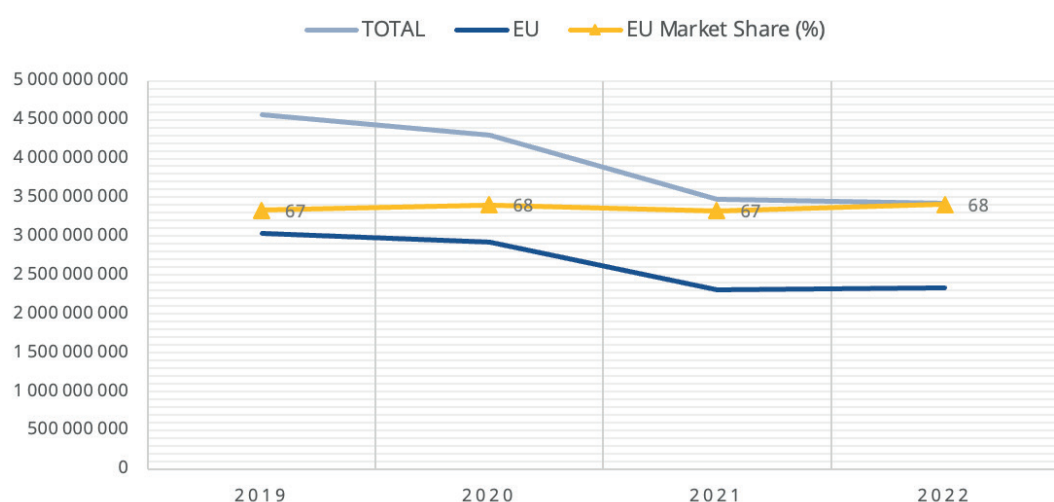


Infant formula (HS: 190110)

Infant formula in 2022 accounted for 30% of China's total dairy imports. Unlike other dairy categories, however, the imports of infant formula have been **decreasing dramatically** for a few years, even if the overall infant formula market has been growing: in 2019 it accounted for 46% of total imports. Reasons largely relate to stronger competition from local brands, especially in lower-tier cities, which have gradually regained the trust of Chinese consumers after several scandals that occurred at the end of the previous decade, as seen in the previous section of this report. Preliminary data for the first quarter of 2023, however, suggest that imports may recover in the year, slightly exceeding 2022 levels.

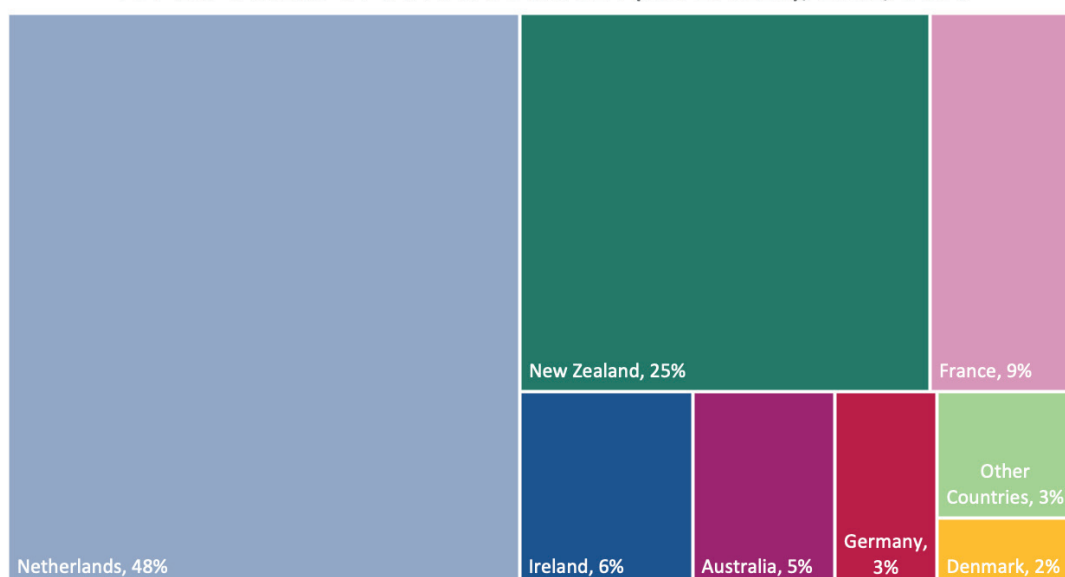
Infant formula is one of those dairy categories characterised by **strong country-related associations among Chinese consumers**. In fact, Chinese consumers almost naturally associate infant formula with the Netherlands and New Zealand – which, not surprisingly, are the top two exporters with 48% and 25% market share, respectively. Other EU Member States perform well, especially France (9% market share), Ireland (6%), and Germany (3%). Australia is also an important player, with 5% market share.

**CHINA IMPORTS OF INFANT FORMULA
(HS: 1901.10) 2019-2022 - USD\$**



Source: Chinese customs: <http://stats.customs.gov.cn/>

TOP EXPORTERS OF INFANT FORMULA (HS: 190110), 2022, USD\$



1.4 RETAIL CHANNELS

There are different retail channels for dairy products. Milk, yoghurt, butter and infant formula can be easily found in traditional offline channels, such as supermarkets and hypermarkets (both international and domestic ones), though usually covering large, well-known brands only. A **wider selection of imported products, including smaller, sophisticated brands, is available in specialised stores** present in all Chinese largest cities: these are smaller supermarkets but feature a larger selection of imported F&B products. The **Ho.Re.Ca sector** (hotel, restaurant and catering), represented by international hotels and high-end restaurants, is fundamental for cheese products, especially traditional ones from Europe: these are often the venues where most Chinese consumers first experience these products. The gift channel is also interesting for high-end, expensive UHT milk, but it is not easy to penetrate as it requires significant packaging and design adaptations to reflect Chinese traditions and elements as they are usually exchanged during Chinese holidays.

In the past years and especially through the pandemic, offline retail channels for dairy products have gradually reduced their importance: **more and more Chinese consumers shifted to online channels**. E-commerce platforms, especially Tmall and JD.com, offer an easy, convenient and often cheaper way to purchase larger varieties of dairy products compared to offline channels – including niche ones, such as traditional cheese, whey protein for sports use and infant formula.¹⁴ E-commerce also allows consumers in lower-tier cities to access these products as offline retail channels featuring imported dairy in such cities are extremely limited. Therefore, **e-commerce is an absolutely essential channel that European dairy exporters should target** – but requires significant marketing efforts and resources, and at the same time should not rule out other offline channels, particularly specialised stores. Some tips in this regard are provided in section 3.1 of this report.

Chinese retail channels for dairy products

Circled in red are those most relevant for smaller, imported brands

SUPERMARKETS

International supermarkets or domestic hypermarkets featuring imported F&B products – as well as domestic ones. Relevant for all categories, but **difficult to enter for new, small brands**.

SPECIALISED STORES

Boutique shops / small markets specialised on imported F&B products, e.g. Jenny Lou, April Gourmet, Corner's Deli. **Very relevant for all categories**.

CONVENIENCE STORES

Limited selection of basic items, mostly ready-to-eat and at low prices, e.g. 7-Eleven, Lawson, Bianlifeng, etc. **Difficult to enter** for new, small brands.

Ho.Re.Ca

Hotels and high-end restaurants, some of which may also directly sell some imported products. **Very relevant** especially for traditional cheese.

E-COMMERCE

E-commerce platforms to use ideally in combination with other channels (only option for CBEC). **Very relevant for all categories, including niche segments** (traditional cheese, whey protein for sports, etc).

GIFT CHANNEL

Requiring nice packaging reflecting Chinese traditions, good marketing. **Relevant for some categories only** (e.g. premium UHT milk).

¹⁴ A detailed overview of Chinese e-commerce platforms is available in a dedicated report produced by the EU SME Centre in March 2023: <https://www.eusmecentre.org.cn/events/cross-border-e-commerce-how-to-open-an-e-shop-in-china/> (accessed: 15 May 2023).

Examples of dairy products found on Tmall

Whey protein (left), Italian and French cheese (centre and right)

The image displays three screenshots of Tmall product listings for dairy products. The left screenshot shows whey protein products, including 'mass gainer' and 'Maxines', with prices ranging from 178 to 508. The center screenshot shows Italian cheeses, including 'casimio' and '618', with prices around 58.60 to 98. The right screenshot shows French cheeses, including '法兰希小奶酪' and 'BRIE AU BLUE', with prices around 24.80 to 33. Each screenshot includes product images, descriptions, prices, and promotional banners.

1.5 OUTLOOK

Although China's dairy market faced several disruptions in demand and pricing in 2022, which led to a decrease in sales and imports, the sector will continue to grow in the mid- to long-term, largely driven by government and industry efforts to expand domestic production and domestic consumption. The end of the country's zero-COVID policy in early 2023 combined with economic recovery and resuming consumers' confidence indicate **at least a stabilisation of the situation – and even a timid growth for certain dairy categories** as preliminary import figures suggest. But **price sensitivity** will likely remain in the short term.

Indisputable is the **removal of barriers to international travel**: European dairy producers are now free to visit China without any restrictions, or invite potential Chinese partners to visit their factories in Europe. Offline trade fairs in China are resuming at full speed. European actors should therefore start planning initiatives to catch up with old partners and meet new ones.

Before initiating these plans, however, it is essential that European actors fully understand the numerous technical requirements they have to comply with, and **initiate relevant product-registration procedures**, which may take several months. **Chinese importers generally prefer working with products already obtained the relevant import requirements for China.**

2. REGULATORY AND TECHNICAL REQUIREMENTS

There are two main pathways to enter the Chinese market: through **general trade** or **Cross-Border E-Commerce (CBEC)**. Each way has its own features, pros and cons, requiring different levels of resources, commitment and preparation.

General trade is the traditional way to export products to China – but simultaneously the **most difficult and time-consuming one**, as it requires several approval procedures. Products imported into China via general trade can be sold on any offline or online channels, either by working with Chinese importers, buyers, distributors, retailers, etc., which sell on behalf of the EU company; or by direct selling of the EU company actively present in China. By contrast, CBEC involves the online sale of certain products across borders and through dedicated online platforms. It enables certain products, including some dairy products, to be sold online directly to Chinese consumers without the need to establish a company in China or to go through costly, complex and time-consuming product registration procedures. Although CBEC also requires significant marketing investment, it is in general **less expensive and faster**: it, thus, can represent a useful first step to enter the Chinese market and obtain initial feedback from consumers, while eventually preparing the paperwork for general trade, which on the long-run will result in fewer constraints and higher margins.

For this reason, this chapter will focus on the regulatory and technical requirements for general trade. For detailed information on CBEC, including case studies from EU companies pursuing this approach, see **dedicated guidelines produced by the EU SME Centre**.¹⁵ Technical questions on the process may also be addressed to the EU SME Centre's team of experts via the EU SME Centre's [Ask the Expert service](#).

2.1 KEY LAWS, DEFINITIONS AND COMPETENT AUTHORITIES

China's *Food Safety Law* – enacted in 2009 and revised

in 2021 – is the **overreaching legislation for food safety**, aimed to protect public health and safety in the country. The law, and its implementing regulation, stipulate prevention, risk management and process control of food safety, outlining a set of scientific and stringent supervision and administration systems.¹⁶

On the basis of the *Food Safety Law*, detailed rules exist to regulate and supervise specific aspects and product categories. In particular, imports are allowed only **if fundamental conditions are met**:

- There is a specific government protocol in place between China and the country where the product is produced (more details in chapter 2.2).
- The establishment producing the dairy product has successfully registered on a dedicated system (called CIPHER, more details in chapter 2.3).
- For infant formula only, even tighter requirements and conditions must be met (more details in chapter 2.4).

At the same time, all products must fully comply with relevant **food safety national standards** applying to specific product categories and types (chapter 2.5), as well as various **labelling and packaging standards** (chapter 2.6). Failure to comply with the above conditions and standards will result in products being rejected by Chinese customs upon importation to China (chapter 2.7).

As initially indicated in the 2013 *Measures for Inspection, Quarantine and Supervision of Import and Export Dairy Products*, which meanwhile have been replaced by GACC Announcement 114 of 2021,¹⁷ the term *dairy* includes:

- **Colostrum**: milk within 7 days after calving of dairy animals
- **Raw milk**: regular milk without any change in composition that is squeezed from the udders of healthy dairy animals that meet the relevant

¹⁵ <https://www.eusmecentre.org.cn/publications/selling-to-china-via-cross-border-e-commerce/>.

¹⁶ The full text, in Chinese, of the Food Safety Law, is available at: <https://flk.npc.gov.cn/detail2.html?ZmY4MDgxODE3YWlyMmUwYzAx-N2FiZDhkODVhMjA1ZjE> (accessed: 2 Jun 2023). An unofficial translation, in English, of the implementing rules, is available at: <https://www.fas.usda.gov/data/china-china-implements-food-safety-law-implementing-regulations> (accessed: 2 Jun 2023).

¹⁷ <http://www.customs.gov.cn/customs/302249/302266/302267/4122618/index.html> (accessed: 2 Jun 2023). An unofficial translation is available at: <https://www.fas.usda.gov/data/china-update-imported-dairy-product-inspection-and-quarantine-requirements> (accessed: 2 Jun 2023).

requirements of China. Raw milk products refer to products that are processed from raw milk without heat treatment and pasteurisation while processing. Colostrum of dairy animals, milk during antibiotic application and drug withdrawal period, and spoiled milk shall not be used as raw milk.

- **Dairy products:** foods processed from milk as the main raw material, such as pasteurised milk, sterilised milk, modified milk, fermented milk, cheese and processed cheese, cream, butter, anhydrous butter, condensed milk, milk powder, whey powder and whey protein powder, milk-based infant formula food and its production raw material-based powder, casein, and other milk and dairy products such as dairy minerals and milk protein concentrate, etc.

The key competent authority responsible for the supervision and management of imported dairy products is the **General Administration of Customs of China (GACC)**. Specifically, GACC performs customs inspection, quarantine, and declaration procedures; it is also in charge of managing the CIFER system through which all foreign dairy producers must register to be allowed to sell in China.

Other responsible authorities include the **State Administration for Market Regulation (SAMR)**, which is especially important for producers of infant formula; as well as the **National Health Commission (NHC)** with regards to the development of national food safety standards and the registration process of new food ingredients.

2.2 COUNTRY ELIGIBILITY: GOVERNMENT PROTOCOL

The Chinese *Food Safety Law* and other relevant regulations stipulate that dairy products, among others such as meat, are subject to a **national risk assessment system for the country or region of origin as a pre-requisite for their import into China**. The assessment refers to an evaluation that the Chinese authorities conduct on the country of origin's food safety and quality management system, as well as the compliance of specific production

establishments with China's corresponding food category regulations – such as Good Manufacturing Practice (GMP) or Hazard Analysis and Critical Control Point (HACCP).¹⁸ The process is initiated by the food safety competent authority of the country/region of origin; upon completion – which may take several years – a **bilateral government protocol** is signed between the foreign competent authority and GACC, stipulating the import, inspection and quarantine requirements as well as the specific types of dairy products allowed to be imported into China. Each protocol is different and may authorise only certain types of dairy products for import: for instance, Germany has signed several agreements covering a variety of dairy products such as milk, milk powder, cheese, butter, whey protein, etc.; but this may not necessarily be the case for other countries.

The **list of the countries** which have successfully signed a bilateral protocol, and the relevant product types authorised, is published on GACC's website.¹⁹ Companies can filter by their respective product category and/or their country of origin to identify the types of dairy products authorised to be imported into China. **All EU Member States with the exception of Romania and Malta have a protocol in place** – although product types authorised differ significantly. Without a valid protocol, producers of that country and dairy type cannot import into China via general trade: their only option could be Cross-Border E-Commerce.

2.3 PRODUCER ELIGIBILITY: CIFER REGISTRATION

If a valid protocol is in place, **individual establishments producing, processing or storing the product to be imported into China will also need to complete a registration on the CIFER system**, managed by GACC.²⁰ Since the entry into force in January 2022 of the *Administrative Provisions on Registrations of Overseas Manufacturers of Imported Foods* (commonly referred to as GACC Decree 248) this requirement has been extended to producers of *any* F&B category, although the procedures differ based on the risk level of the product category: so-called 'low-risk categories' follow a shorter and easier procedure that can be completed independently;

¹⁸ Particular requirements for dairy manufacturing are provided respectively in GB 12693 GMP for Milk Products and in GB/T 27342-2009 HACCP System-Requirements for Dairy Processing Plants; for infant formula: GB 23790-2010 GMP for Powdered Formula for Infants and Young Children (currently under revision).

¹⁹ <http://43.248.49.223/index.aspx> (accessed: 2 Jun 2023).

²⁰ <https://cifer.singlewindow.cn/> (accessed: 2 Jun 2023).

so-called ‘high-risk categories’ follow a lengthy – and invasive – procedure in close coordination with the food safety authority in the country or region of origin. **Dairy and infant formula are considered a ‘high-risk category’.**

The application process starts with **contacting the relevant competent authority overseeing dairy or infant formula products in their country or region of origin.**²¹ The competent authority shall, in turn, conduct a preliminary review of the overseas establishment and its products to be exported to China, inspecting and verifying that the establishment’s qualification is legally valid and controlled in their country/region, and that its safety and health management situation is met. It is noteworthy that food safety authorities in each EU Member State have their own procedures, but always reflect:

- The own food safety requirements of its country/region;
- The requirements of relevant Chinese laws, regulations, and national food safety standards;
- Relevant inspection and quarantine requirements agreed between GACC and the foreign competent authority and included in the bilateral protocol.

After the review of the competent authority, which usually is done through an in-person inspection of the facility, the competent authority will issue a series of documents including a recommendation letter, an inspection report, a stamped health certificate, etc. The **competent authority will then grant the establishment an account and password to log into the dedicated CIFER system;** if the establishment had already created an account on its own on the CIFER system, it will need to certify its account by clicking on the section “account certification” within the menu.

Once logged in, the establishment will then need to submit the documents released by the competent authorities, and additionally **provide a series of information to the system**, relating to food safety, sanitation, and protection systems, as well as factory/workshops/cold-storage floor plans, the processing flow chart, information on raw materials

A **specific checklist** has been produced by GACC to guide food safety officers abroad to carry out the preliminary review of dairy production establishments. See:

附件4_3_1进口巴氏杀菌乳境外生产企业注册条件及对照检查要点 – *Appendix 4-3-1 Registration Conditions and Control Inspection Points of Overseas Manufacturers of Imported Pasteurised Milk*

附件4_3_2进口婴幼儿配方乳品境外生产企业注册条件及对照检查要点 – *Appendix 4-3-2 Registration Conditions and Control Inspection Points of Overseas Manufacturers of Imported Infant Formula Dairy Products*

附件4_3_3 进口乳品（不含巴氏杀菌乳及婴幼儿配方乳品）境外生产企业注册条件及对照检查要点 – *Appendix 4-3-3 Registration Conditions and Control Inspection Points of Overseas Manufacturers of Imported Dairy Products (excluding pasteurised milk and infant formula dairy products)*

<http://online.customs.gov.cn/static/pages/guides/000129012000/000129012000.html>

and suppliers. Some EU producers that went through the process highlight the potential exposure of trade secrets due to the high sensitivity of information required.²² Once the application is submitted, GACC will officially begin reviewing the documentation – a process that may take several months and potentially involves **in-person inspection** of the facilities.

Once the application is approved by GACC, a **Chinese registration code** will be issued, with a validity of 5 years. The code consists of a total of 18 digits. At this stage, the product can be officially exported to China after the Chinese registration code has been added to the **label of the product as well as the outer packaging.**

The names of all the **approved establishments are published on the CIFER system.** At the top of the next page is an overview of the number of dairy production establishments for each EU Member State approved for import into China.

²¹ A full list and relevant contact details of food safety competent authorities in EU Member States is included in dedicated guidelines on the CIFER registration produced by the EU SME Centre: <https://www.eusmecentre.org.cn/publications/mandatory-gacc-registration-for-european-food-beverage-establishments-2/>.

²² See a survey conducted by the EU SME Centre in April-May 2023: <https://www.eusmecentre.org.cn/publications/fb-survey-results-customs-processes-and-the-cifer-system-2/> (accessed: 4 Jun 2023).

AT	BE	BU	CR	CY	CZ	DE	DK	EE	FI	FR	GR	HU	IR	IT	LT	LU	LV	NL	PL	PT	SK	SL	SP	SW
34	27	15	5	13	23	132	54	6	11	289	77	17	51	283	20	1	16	135	90	37	17	5	137	22

Each registration is valid only for products for which detailed information were submitted within the CIFER system; if new products or varieties need to be added, the production establishment will need to apply for **modification of the registration**. This also applies if certain information submitted during the registration process change within the validity period, such as product raw materials/ingredients, or basic information about the establishment.

Production establishments registered before 2022: be careful!

The registration of individual production establishments with GACC has long been a key requirement for producers of dairy products, as well as meat and aquatic products, even before the entry into force of GACC Decree 248.

Production establishments that had successfully registered before January 2022 (on another platform which preceded CIFER) were automatically recorded into the new, CIFER system. However, it is possible that they have to **supplement some missing information, or simply renew their registration**, 3 to 6 months before a certain deadline – usually mid-2023. Failure to do so will result in a completely new registration process of the establishment.

Technical questions on the process may be addressed to the EU SME Centre's team of experts via the free of charge, confidential [Ask the Expert service](#).

Recommendation: start the CIFER registration ASAP!

It is vital for any EU dairy producer interested in exporting to the Chinese market via general trade, to start the CIFER registration process as soon as possible, as the process may take several months. As highlighted during a series of interviews conducted with dairy industry professionals in China (see chapter 4 of this report), **Chinese importers and distributors will hardly consider negotiations with EU producers that have not yet completed the CIFER registration**.

2.4 INFANT FORMULA: SAMR REGISTRATION

In China, **infant formula** food (婴幼儿配方食品 *ying you er peifang shipin*) is regulated as part of special food (特殊食品 *teshu shipin*) - a category that also includes health food and food for special medical purpose.²³ *Milk-based infant formula* refers to products which use milk and milk protein products as the main source of protein, are fortified with appropriate amounts of vitamins, minerals substances and/or other materials, and are produced only with physical methods. China further categorises such products into **three different groups**: (i) Infants (0 – 6 months); (ii) Older infants (6 – 12 months); (iii) Young children (12 – 36 months).

All producers of infant formula milk powder must, in addition to meeting the mandatory country eligibility and producer eligibility requirements, **fulfil additional requirements with SAMR** – i.e. the Chinese government body in charge of supervising this product category.²⁴ Specifically, all products (both imported as well as domestically-produced) must complete a complex, costly **registration procedure with SAMR**, aimed at verifying the quality and safety of infant formula milk powder exported to the Chinese market. Successful completion of SAMR registration is a fundamental prerequisite to start the GACC registration on the CIFER system at a later stage.

The registration requires the involvement of a **domestic responsible agent** (DRA), i.e. a legal entity within the territory of mainland China to handle and assist the applicant with the registration process. The DRA could be either the mainland China-based subsidiary of the producer (recommended, if applicable), or alternatively an entrusted third-party agent. Applicants submit their application through the SAMR website or the website of the Centre for Food Evaluation under SAMR.

The DRA will need to prepare and submit an **application dossier**, covering the items listed on the next page.

²³ For more information on importing health food into China, including technical requirements and registration requirements, see a dedicated report completed by the EU SME Centre in May 2023: <https://www.eusmecentre.org.cn/publications/guidelines-on-exporting-health-food-to-china/> (accessed: 4 Jun 2023).

²⁴ This requirement is stipulated in the Administrative Measures of Product Formulation Registration of Infant Formula Milk Powder: <https://zwfw.samr.gov.cn/guideDetail?id=22d18e7b4dc749fa9d1a52d172c2b1f8> (accessed: 4 Jun 2023)

SAMR registration for infant formula: application dossier

- Application form for infant formula milk powder (downloadable from SAMR website);
- Documents certifying the applicant's qualifications (e.g. legal registration documents, registration documents of the DRA, as well as a notarised copy of the power of attorney);
- Quality and safety standards for raw materials and auxiliary materials;
- Product formula/ingredient list (composition, dosage tables, nutrition tables);
- Product formula R&D report;
- Description of the production process (e.g. flow charts);
- Product inspection report (including three batches of samples);
- Supporting materials for R&D capabilities, production capacity, and inspection capability;
- Samples of labels and instruction manuals, and their claimed explanations and certification materials;
- Production license issued by local SAMR (only for domestic manufacturers);
- Other materials that provide scientific and safe nature of the formula.

For documents issued in countries other than China, the original and the translation into standard Chinese must be provided, except for foreign names and addresses. Besides the application form for registration and the inspection reports issued by a qualified inspection agency, all other application materials must also be stamped with an official seal or signed by the representative of the applicant. More details on each of the items above are provided in official guidelines produced by SAMR, but available in Chinese only.²⁵

In addition, producers must also meet **specific requirements applying to their target group** – stipulated in the following standards:

Mandatory standards for specific infant formula target groups

GB 10765-2021 Infant formula (0-6 months)

Unofficial English translation:

<https://www.fas.usda.gov/data/china-china-notifies-infant-formula-standard>

GB 10766-2021 Older infants formula (6-12 months)

Unofficial English translation:

<https://www.fas.usda.gov/data/china-china-notifies-older-infants-formula-standard>

GB 10767-2021 Formula for young children (12-36 months)

Unofficial English translation:

<https://www.fas.usda.gov/data/china-china-notifies-formula-young-children-standard>

These indicate detailed requirements for materials, the specifications of essential and optional ingredients, certain microbial, contaminant, or mycotoxin limits, and labelling and packaging requirements. The minimum and maximum values for each ingredient are specified as well as necessary testing methods that are required in combination with the respective GB standards. Finally, it is noteworthy that, if the same entity applies for two or more infant formula products targeting the same group, then the formula must present significant differences in nutritional composition. Further, manufacturers are restricted to submitting no more than three brand series, with a total of nine formulas (one brand series for each different target group).

Once the registration is completed and submitted, SAMR will conduct a 20-day-long **administrative review** of the application dossier, verifying the legitimacy of the documentation submitted. Followed by a **technical review** lasting up to 60 days, to verify compliance with technical requirements and quality control systems; eventually, an **on-site inspection** of the manufacturing facility be conducted by the experts,²⁶ as well as a **sampling inspection**,²⁷ lasting 30 and 20 days respectively.

²⁵ <https://zwfw.samr.gov.cn/guideDetail?id=22d18e7b4dc749fa9d1a52d172c2b1f8> (accessed: 4 Jun 2023).

²⁶ Standard operating procedures for the on-site inspection of infant formula producers were formulated by SAMR: https://www.cfe-samr.org.cn/zcfg/bjsp_134/gsgg/zc/202207/t20220729_4391.html (accessed: 4 Jun 2023).

²⁷ General regulations for food safety sampling inspection were produced by SAMR: http://www.gov.cn/zhengce/2022-10/08/content_5723511.htm (accessed: 4 Jun 2023). Additional requirements may also be stipulated in the GB standards for specific types of products, more details in chapter 2.5 of this report.

Upon successful registration, SAMR will issue a **registration certificate**, containing a number formatted as YP + year (4 digits) + sequence number (4 digits). The certificate, which will also need to be submitted during the CIFER registration process, will be valid

for 5 years; application for renewal must be initiated three to six months prior to the expiration date. Finally, if the information provided during the SAMR registration process change, relevant explanations must be submitted to SAMR in a timely manner.

2.5 FOOD SAFETY STANDARDS

National food safety standards specify in detail the definition and mandatory technical requirements of specific types of dairy products, such as the permitted ingredients, physiochemical indicators, microorganism level, etc. **EU dairy producers**

should correctly identify the standard(s) applying to their specific type of product and demonstrate full compliance. The relevant standards for dairy products – all mandatory, with the only exception of ice cream – are:

	Dairy Product	Standard Number	Implementation date
Milk	Raw milk 生乳	GB 19301-2010	1 June 2010
	Pasteurised milk 巴氏杀菌乳	GB 19645-2010	1 December 2010
	Sterilised milk 灭菌乳	GB 25190-2010	1 December 2010
	Modified milk 调制乳	GB 25191-2010	1 December 2010
	Fermented milk (incl. flavoured fermented milk and yoghurt) 发酵乳	GB 19302-2010	1 December 2010
	Evaporated milk and sweetened and formulated condensed milk 炼乳	GB 13102-2010	1 December 2010
	Milk powder 乳粉	GB 19644-2010	1 December 2010
Whey	Whey powder and whey protein powder 乳清粉和乳清蛋白粉	GB 11674-2010	1 December 2010
Butter	Cream, butter and anhydrous milkfat 稀奶油、奶油和无水奶油	GB 19646-2010	1 December 2010
Cheese	Cheese 干酪	GB 5420-2021	22 November 2021
	Processed cheese 再制干酪	GB 15192-2010	1 December 2010
	Added citrate content in cheese and processed cheese 干酪及加工干酪制品中添加的柠檬酸盐	GB 22031-2010	1 June 2010
Infant formula	Infant formula (0-6 month) 婴儿配方食品	GB 10765-2021	22 February 2023
	Older infant formula (6-12 month) 较大婴儿配方食品	GB 10766-2021	22 February 2023
	Young children formula (12-36 month) 幼儿配方食品	GB 10767-2021	22 February 2023
Ice cream	Frozen drinks – ice cream 冷冻饮品冰淇淋	GB/T 31114-2014	1 April 2015
	Frozen drink – ice milk 冷冻饮品雪糕	GB/T 31119-2014	1 April 2015
Other	Lactose 乳糖	GB 25595-2018	21 December 2018

In addition to technical product and safety requirements, the above standards may also include specific labelling requirements that apply to the

corresponding type of dairy product: these will need to be followed, in addition to other general labelling and packaging standards detailed in the next section.

2.6 LABELLING AND PACKAGING REQUIREMENTS

Detailed requirements for the labelling and packaging of dairy products are stipulated in various national standards, based on the *Food Safety Law* and the *Advertisement Law*. These are:

Standard Name	Standard Number	Implementation date
General Principles of the Labelling of Pre-packaged Foods	GB 7718-2011	26 February 2014
Standard for Nutritional Labelling of Pre-Packaged Foods	GB 28050-2011	26 February 2014
Labelling of Pre-packaged Foods for Special Dietary Uses	GB 13432-2013	1 July 2015
General Standard for the Labelling of Food Additives	GB 29924-2013	1 June 2015

All pre-packaged food needs to follow the principles outlined in *GB 7718-2011 General Principles of the Labelling of Pre-packaged Foods*. While requirements relating to the nutritional content and nutritional claims are stipulated in *GB 28050-2011 Standard for Nutritional Labelling of Pre-Packaged Foods*: nutritional labels can adopt one of six types of box charts and indicate certain energy or nutrition amounts as well as the nutrient claims stipulated. For certain dairy products other regulations may also be relevant, especially if they involve food additives or infant formula.

The following is a **list of the key labelling information generally required** for imported dairy products:

- Product name (generic name, attribute, and

trademark name), and specification/type;

- Table of ingredients or formulation;
- Table of nutritional content plus nutritional content claims;
- Net content;
- [Only for infant formula] Chinese registration number obtained by SAMR



- Chinese registration code obtained from GACC through the CIFER system (Decree 248), as shown on the picture above;
- Registration number approved by competent authority in country of origin;
- Name, address, and contact details of the manufacturer and the local distributor;
- Country of origin;

- Shelf life, date of production, and expiration date;
- Storage requirements;
- Code of product standard(s);
- Warning of allergens, appropriate disclaimers and other precautions; (if applicable).

The content of the label must be legal, true, complete, accurate and **consistent with the information provided during the registration process with GACC through the CIFER system**. Standard Chinese characters must be used, with the only exception of trademarks and details regarding the manufacturer and their premises; but the font size of the foreign language cannot be larger than the Chinese characters. Labels might be either printed on an ad hoc packaging realised for the Chinese market, or stuck on the original packaging, with the exception of infant formula for which only the former option is permitted.

It is noteworthy that the GACC registration number obtained through the CIFER system must be displayed also on the **inner and outer packaging of the product**. Inner packaging refers to the separately marketable sales unit containing individual packaging, whereas outer packaging refers to the transportation packaging. At the same time, food packaging materials must also follow relevant standards, such as *GB 31604.8-2021 Food Contacting Materials and their Products Determination of Overall Migration*, as well as *GB 4806.10-2016 Food-contact Coating and Coating Layers*.

At the same time, as seen in the previous section of this report, different types of products may also need to follow **specific labelling requirements stipulated by the relevant food safety standard**; this is the case, e.g. of infant formula, fermented milk and cheese.

Finally, other general requirements from the *Advertising Law (2015)* must be fully taken into consideration. The advertisement **cannot contain false or misleading information or use superior or absolute descriptions**. The claim of therapeutic effects or the use of medical language is not permitted for regular food. Regarding infant formula, claims regarding the substitutability of breast milk with the product in question cannot be used.

Examples of additional labelling requirements for specific types of products

Infant formula:

Additional labelling requirements for different target groups are stipulated in GB 10765-2021, GB 10766-2021 and GB 10767-2021. The categories and characteristics of the product must be clearly specified, e.g. milk-based infant formula powder as well as the age range intended for use. Certain expressions such as “humanised milk” or “modernised milk” cannot be used; images of infants and women are prohibited. Furthermore:

- Formula for infants (0-6 months) should clearly indicate, in Chinese, that “The best feeding for infants of 0 – 6 months old is breast milk. This product may be used to fulfil infant’s needs when breast milk is insufficient or absent”;
- Formula for older infants (6-12 months) should clearly indicate, in Chinese, that: “Complementary foods shall be consumed as an addition”.

Fermented milk:

GB 19302-2010 requires that certain statements need to be printed on the label, in Chinese, specifying the treatment processes. For instance, yoghurt fully made of dry milk shall add the term “reconstituted milk” (复原乳 or 复原奶) close to the name of the product; if the yoghurt is made of raw milk and part of dry milk, the percentage amount of dry milk also needs to be displayed as “contains xx% of reconstituted milk” (含XX% 复原乳 or 含XX% 复原奶). The Chinese characters must be displayed in bold on the main label, in a font size no less than one-fifth of the height of the main display section.

Cheese:

According to GB 5420-2021, cheese can be labelled in China as 干酪 (ganlao) and 奶酪 (naillao), but further naming requirements also need to be considered. Annex A of the standard lists detailed instructions for naming cheese, e.g. soft or hard based on moisture content, or high, medium fat or skim. For instance, cheese is considered soft if the moisture content in non-fat ingredients is higher than 67g per 100g.

2.7 CUSTOMS REJECTIONS OF IMPORTS

Foreign exporters often fail to fully grasp the complexities and strict requirements of the Chinese dairy market. This is the case not only for first-time exporters, even more experienced exporters often struggle to keep pace with rapidly evolving regulatory requirements – and most importantly their implementation across different regions in China. The result is that **imports may be rejected by Chinese customs** when arriving in China.

An analysis of official data released by the General Administration of Customs of China²⁸ shows that, from January 2022 to March 2023, a total of 3,315 batches of food and beverage products were rejected by Chinese customs for being non-compliant. Among these, **228 batches (7%) involved dairy products**, a much lower percentage compared to meat and aquatic products – but still relevant. The absolute majority involved products from the United Kingdom, United States as well as New Zealand and Australia; **only a limited number (21) involved products of EU origin**.

The most frequently rejected product category is whey, imported in the form of **whey protein powder for sports use**, mostly involving brands from the United Kingdom and the United States. The second most frequently rejected category is milk, mostly from Australia and New Zealand. The **EU dairy products frequently rejected fall within the category of cheese** (mostly from Italy and France, and in one case from Bulgaria); and **infant formula** (mostly from the brand Nutricia). Rejections of other dairy categories are low.

The predominant reason for customs rejection relates to “failure to provide certificates or conformity documentation”, or “absence of market entry protocol”. Indeed, as indicated in sections 2.2 and 2.3 of this report, a **protocol between China and the country of origin** must be in place before dairy producers from that country are allowed to export to China; furthermore, they should also complete the **mandatory registration on the CIFER system**. Other frequent reasons for rejection relate to **unqualified labelling** – i.e. wrong information or discrepancy with the label submitted during CIFER registration; as well as product composition not fully compliant with China GB standards – with the most frequent cases involving excessive coliform bacteria,

colonies, yeast, acidity, protein index, as well as vitamin D, iron and copper content.

Finally, **Beijing and Tianjin were the ports of entry with the highest number of rejections** (72 and 66, respectively), followed by Shenzhen (28), Shanghai (23) and Guangzhou (14). Popular ports such as Xiamen, Ningbo and Dalian accounted for a very limited amount of rejections only.

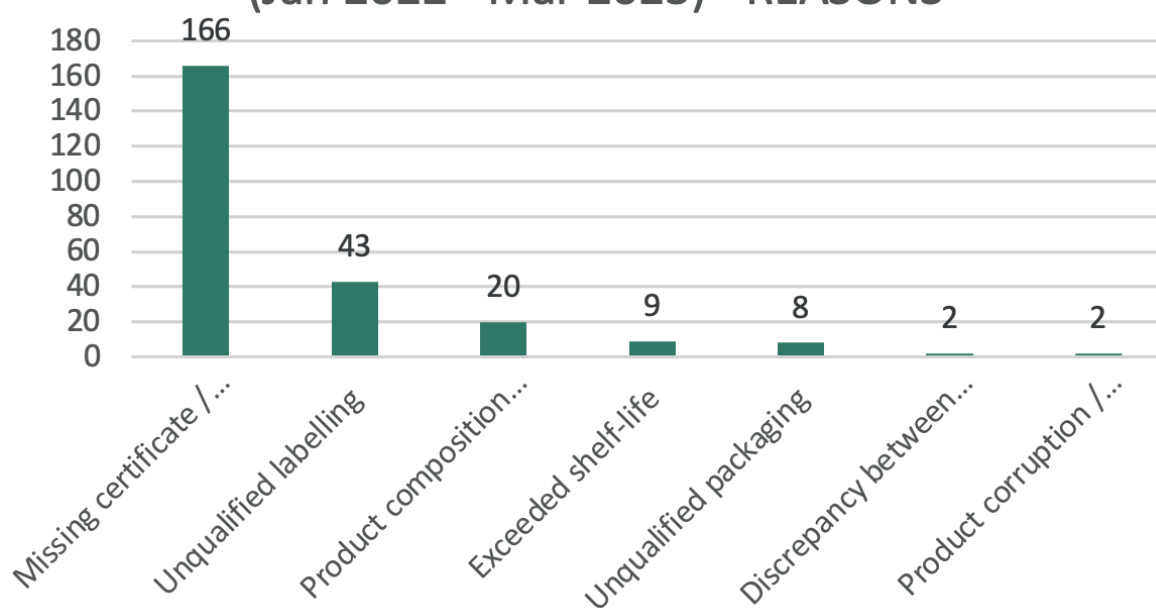
Inspection and quarantine requirements

According to GACC Announcement 114 of 2021 (see footnote 17), upon arrival in the Chinese port of entry, imported dairy products must provide:

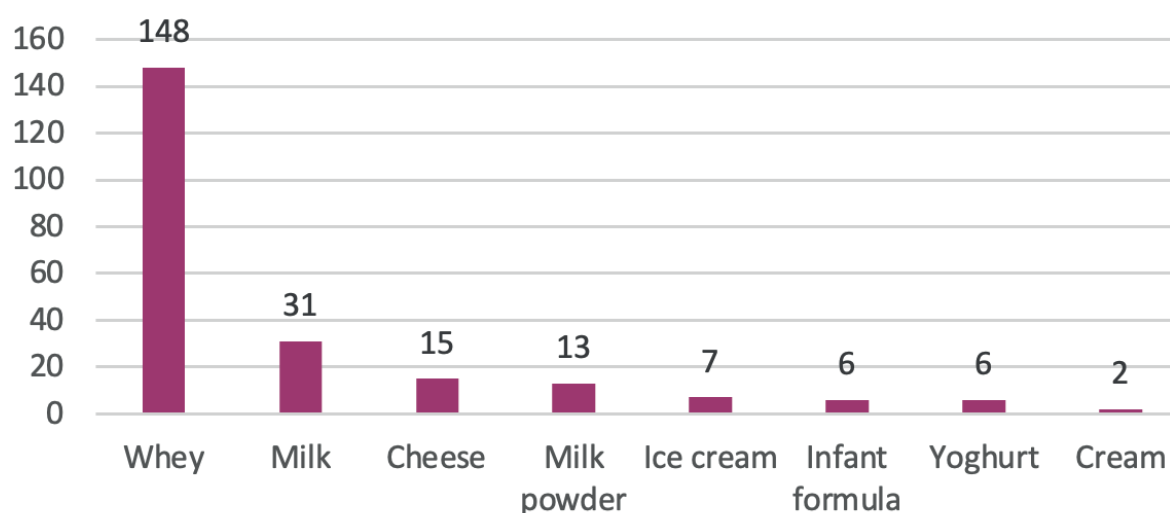
- Health certificate issued by the competent authority in the country of origin (specifying ‘China’ as destination)
- Testing reports on items required by Chinese food safety standards; though an attestation by the importer may be used instead
- Quarantine import permit for raw milk, raw milk products, pasteurised milk, and modified milk through pasteurisation, to be applied and obtained by the importer.

²⁸ <http://www.customs.gov.cn/spj/xxfw39/fxyj47/4677516/index.html> (accessed: 22 May 2023).

Customs rejections of dairy products (Jan 2022 - Mar 2023) - REASONS



Customs rejections of dairy products (Jan 2022 - Mar 2023) - Categories



3. OPPORTUNITIES, CHALLENGES AND RECOMMENDATIONS FOR EU EXPORTERS

China is a very difficult and challenging market for EU dairy exporters. Not only are there numerous technical and regulatory barriers to overcome – requiring a significant amount of time and resources – but also competition with local products, as well as those from other traditional dairy exporting countries, will be fierce once in the market. This chapter summarises some elements that EU dairy producers should **keep in mind** or **should leverage when selling in the Chinese market**.

3.1 GET INVOLVED IN MARKETING AND PROMOTION

European dairy exporters are strongly recommended to get involved in marketing and promotional activities in China, **actively supporting their local importers/distributors**. This is an essential element that will help EU exporters to compete, especially against non-EU brands with a bigger and long-term presence in the market. This will ultimately be contributing to improved product and brand **value-added perception** among Chinese partners and final consumers – as emerged from a series of interviews conducted for this report with eight dairy professionals in China, including representatives from importers and retailers (more details in chapter 4 of this report).

What can be done depends mainly on the development stage of the company in the Chinese market, as well as its resources and commitment. The table below summarises a series of actions that can be done both *before* and *after* entering the Chinese market.

European exporters should keep in mind that foreign languages may not be easy to read to the majority of Chinese consumers. At the same time, a simple translation of their company history and products in Chinese will not be enough to win consumers' preference. **A deeper-level localisation will be required, adapting their design and communication to the unique needs and tastes of Chinese consumers.** Furthermore, many Chinese consumers are often not fully familiar with the specific characteristics and usage of different dairy products: **education of the consumer** through new recipes, tutorials, illustrations and tips on how to use or integrate imported products into Chinese cuisine is always appreciated.

European dairy exporters may highlight one or more of the following points when promoting their products:

- **Nutritional value**, e.g. how the product helps with the growth of children, boost the immune system, fortifies the body, etc; as well as whether

BEFORE ENTERING THE CHINESE MARKET	AFTER HAVING ENTERED THE CHINESE MARKET
Localisation of company and product information, enhancing country image. Creation of accounts on Chinese social media (especially Wechat) Visit supermarkets in China to identify main competitors and define selling points Contact your national embassy / chamber of commerce in China for information and events Participation to trade fairs and B2B events in China Visit potential business partners in China / invite them to visit your factory Establishing a presence on Chinese social media	Get actively involved in the planning, execution, monitoring and evaluation of marketing campaigns in China Increase social media presence and activity, by working with KOLs, KOCs, organising live-streaming sessions Participate in event marketing and China's major shopping festivals Integration of online and offline channels Organisation of training, workshops and tasting events to increase technical knowledge of product Enhance after-sales and customer services

the product is natural, contains additives, and is made via traditional production techniques vs industrially processed foods, etc.

- **Quality**, highlighting the EU's high-quality standards e.g. for somatic cell count, bacteria count, colony forming units, Farm to Fork elements, etc.
- **Traceability**, e.g. management systems preventing and rapidly addressing potential risks that can arise in food and feed, sustainability of value chain, etc. While at the beginning of the pandemic cold-chain products were often associated with imported COVID cases, this is not the case anymore.
- **Heritage**, e.g. production techniques developed and refined through various generations of families and craftsmanship, linkage to specific territories, etc.

At the same time, European exporters should be ready to adopt **tools and approaches frequently used in China** – but less so in Europe. Most importantly, **creative content on the internet and social media** play a prominent role in the life of Chinese consumers, from getting information, understanding how to use the product, reading reviews, exchanging opinions, to finalise purchases. Resources should therefore be dedicated to this sphere, regardless of whether the products are already in the Chinese market or not.²⁹

An important element that significantly differentiates EU dairy products from other dairy products and that should be leveraged is the intimate linkage with the territory. In particular, **products with geographical indication protection** are gaining popularity in China.



Example of how popular dairy brands are promoting their products on Chinese e-commerce platforms through creative illustrations and effective messages

²⁹ For a comprehensive overview of various marketing and promotional activities that can be done through the Chinese internet, e.g. KOL and KOC marketing, livestreaming, social e-commerce, event marketing, etc., see a report published by the EU SME Centre in March 2023: <https://www.eusmecentre.org.cn/publications/selling-to-china-via-cross-border-e-commerce/> (accessed: 10 May 2023).



Example of O2O integration adopted by Polish brand Lacheer, using a QR code on the product redirecting to social media account for more information and ultimately to e-commerce platform for online purchase

3.2 EU-CHINA GEOGRAPHICAL INDICATIONS AGREEMENT

The EU food quality schemes aim at protecting the names of specific products to promote their unique characteristics linked to their geographical origin as well as traditional know-how. There are **over 3,300 geographical indications (GIs) registered in the EU**; the Chinese market is the world's second destination market for EU exports of GI products, accounting for 9% by value. Chinese consumers appreciate especially the safety, quality and authenticity of European agri-food.

In March 2021, the **EU-China agreement protecting geographical indications** entered into force.³⁰ The agreement grants effective protection to 196 iconic EU and Chinese agri-food names against imitation and usurpation, bringing mutual trade benefits and

introducing consumers to guaranteed, authentic products from two regions with a rich culinary and cultural traditions. Among the **96 EU GI products included in the agreement** and thus effectively protected in China,³¹ 11 are dairy products (see the table on the next page).

The GI scheme provides a unique feature that products can leverage during marketing and promotion activities in China.³²

³⁰ https://agriculture.ec.europa.eu/news/eu-china-agreement-protecting-geographical-indications-enters-force-2021-03-01_en (accessed: 10 May 2023).

³¹ Full list is available in Annex IV of the agreement: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.LI.2020.408.01.0003.01.ENG> (accessed: 10 May 2023).

³² For more insights on how to promote GI products in China, see a dedicated webinar organised by the EU SME Centre in January 2022: <https://www.eusmeccentre.org.cn/events/communicating-the-value-of-european-gi-products-to-chinese-consumers/> (accessed: 10 May 2023). The webinar includes a case study on dairy products.

Country	Name registered in the EU	Chinese transliteration
Denmark	Danablu	丹麦蓝乳酪
France	Comté	孔泰(奶酪)
	Roquefort	洛克福(奶酪)
Greece	Φέτα / Feta	菲达奶酪
Italy	Asiago	艾斯阿格
	Gorgonzola	戈贡佐拉
	Grana Padano	帕达诺干奶酪
	Mozzarella di Bufala Campana	坎帕尼亚水牛马苏里拉奶酪
	Parmigiano Reggiano	帕马森雷加诺
	Pecorino Romano	佩克利诺罗马羊奶酪
	Taleggio	塔雷吉欧乳酪
Spain	Queso Manchego	曼切戈乳酪



When sold in China, GI products may **bear the official symbols of the EU GI schemes**: these are widely recognisable by Chinese consumers, clearly differentiating products from non-EU products usurping/evoking EU products, and thus providing a triple guarantee of:

- **Origin** of the product (link with place of production)
- **Quality** of the product (compliance with specifications)
- **Authenticity** of the product (protection against imitation)



Example of European cheeses sold in Chinese supermarkets using the official EU GI symbols



Products on the EU-China GI list may also use the **official logo of China's GI scheme**. However, currently, this logo is generally less known among Chinese consumers, and therefore its added value is perceived to be limited; it might even be perceived by EU producers as affecting the authenticity of the product. Still, the situation in the future may change as Chinese consumers' awareness of the concept of geographical indication and of the EU-China GI agreement deepens. At the same time, Chinese people tend to appreciate foreign products fully recognising and supporting Chinese initiatives.

Finally, by 2025, the EU-China GI agreement will expand to cover an **additional 350 GI names from both sides**. Among the 175 EU GIs in the list,³³ 19 are dairy products, including: Tiroler Bergkäse and Vorarlberger Bergkäse from **Austria**; Brie de Meaux, Emmental de Savoie, Reblochon / Reblochon de Savoie, Camembert de Normandie, Saint-Nectaire, Selles-sur-Cher from **France**; Γραβιέρα Κρήτης (Graviera Kritis) and Κεφαλογραβιέρα (Kefalograviera) from **Greece**; Fontina, Pecorino Sardo, Pecorino Toscano, and Provolone Valpadana from **Italy**; Wielkopolski ser smażony from **Poland**; Queijo S. Jorge from **Portugal**; Mahón-Menorca from **Spain**; Edam Holland and Gouda Holland from the **Netherlands**.

EU GI products not included on the list of the EU-China GI Agreement are not legally protected in China against imitations but may still use the EU GI symbols for marketing purposes. At the same time, products on the list are only protected by their full name as indicated in the EU-China GI Agreement, and not for the general type of cheese: this is why

there are many examples of cheaper mozzarella (made anywhere, including other EU member states), Danish brie or Danish camembert.

³³ Full list is available in Annex VI of the agreement: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.LI.2020.408.01.0003.01.ENG> (accessed: 10 May 2023).

3.3 EU FUNDING FOR AGRI-FOOD PROMOTIONAL ACTIVITIES

The European Commission, through its Research Executive Agency (REA), co-finances campaigns and events to promote EU farm products worldwide – including dairy products. Under the slogan “**Enjoy, it’s from Europe**”, these are aimed at raising awareness of the efforts made by European farmers to produce quality products, thus boosting their profile on international markets, in line with the EU promotion policy. Four different types of information and promotional initiatives are co-funded for EU agri-food products in non-EU markets – including China. Specifically:

- Promoting **organic products, EU sustainable agriculture**, and the role of the agri-food sector regarding the environment and climate action;
- Highlighting the **high safety standards** of EU agri-food products;
- Highlighting the specific features of **agricultural production methods** in the European Union, as well as the diverse and traditional range of products supported by EU quality schemes;
- Raising awareness of the **authenticity** of those European food types protected by origin, geographical area and traditional specialities.

2 Types of programmes

SIMPLE programmes:

1+ proposing organisation from the same EU Member State

MULTI programmes:

2+ proposing organisations from 2+ EU Member States; or
1+ pan-European organisation

4 Types of co-funded activities

Ads in the press, TV, radio or internet

Sales promotions

Public relations campaigns

Participation in exhibitions and fairs

To be eligible for co-funding under either SIMPLE or MULTI programmes, it is essential that a **promotional programme has a strong EU dimension**, both in terms of content and impact. The message promoted should not only focus on the product promoted, but also on EU production standards, quality and safety schemes, etc. This is one of the reasons why only trade organisations, producer associations or sectoral representations are eligible for co-funding; **private companies can only participate indirectly through such organisations**.

Applications for co-funding may be submitted on an annual basis. The **application process** is relatively straightforward, as shown at the top of the next page.

Interested applicants should be aware of **common mistakes during the application process**. Each MULTI and SIMPLE calls have different topics, each focusing on different elements/schemes, as well as different countries: the scope of each topic should therefore be carefully analysed before preparing applications. For instance, promotional activities in China (and other Asian countries) in 2023 were eligible under the topic AGRIP-SIMPLE-2023-TC-ASIA (SIMPLE programmes), as well as AGRIP-MULTI-2023-TC-ALL and AGRIP-MULTI-2023-TC-ORGANIC OR SUSTAINABLE (MULTI programmes); however, the latter only applies to products produced with organic methods or sustainable agriculture, not necessarily featuring other elements such as GI. At the same time, there are other eligibility conditions applying to certain product categories for specific programmes – but dairy is not among these.³⁴

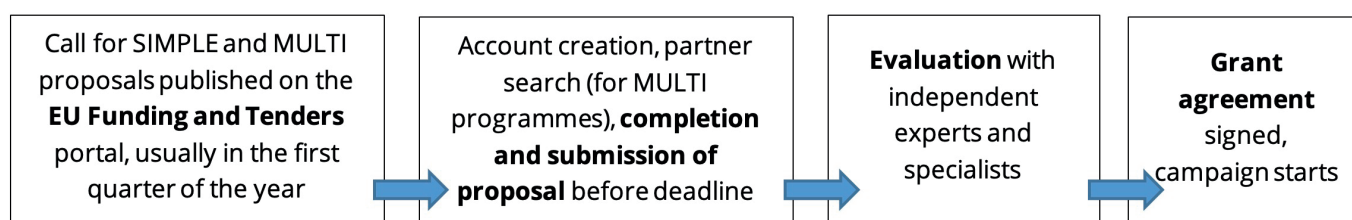
More details are available on the **website of REA**.³⁵ Finally, other campaigns might be directly organised and managed by REA, through framework contracts with external contractors, such as business delegations as part of high-level missions to Asian countries.

Did you know?

Funding may also be provided by individual Member States or trade promotion organisations at the municipal or regional level, such as ITA (Italy), ICEX (Spain), etc. Check with your national or local organisations!

³⁴ For instance, wine or aquatic products cannot be promoted alone in SIMPLE programmes, but only in combination with other product categories (not applicable to products with designation of origin or protected geographical indication status).

³⁵ https://rea.ec.europa.eu/funding-and-grants/promotion-agricultural-products-0_en (accessed: 22 May 2023).



Each call has **different topics**, addressing different aspects and/or countries



2023 call (closed in April): search AGRIP-MULTI-2023 or AGRIP-SIMPLE-2023 on: <https://ec.europa.eu/info/funding-tenders/opportunities/portal/screen/opportunities/topic-search>



An interactive map of all ongoing and closed campaigns co-funded, including those targeting China, is available at: <https://agri.easme-web.eu/>

Application process for co-funding

3.4 INTELLECTUAL PROPERTY PROTECTION

European dairy exporters should also take into full consideration **intellectual property (IP) challenges that have long afflicted the Chinese market**. Despite significant improvements in the Chinese regulatory and enforcement framework, in fact, various IP risks still exist in the food and beverage industry, including the dairy sector, such as:

- **Malicious trademark**, namely the impossibility to use a trademark in China because it has already been registered in bad faith by a local company (which often will offer to sell the trademark to its rightful owner).
- **Counterfeiting products**, sold especially through e-commerce platforms.
- **Leakage of trade secrets**, especially involving product formulas, as well as sharing of confidential business information during the CIFER registration process, such as floor plans.

The fundamental principle to keep in mind is that China is a different jurisdiction: **IP rights regularly registered in the EU (or other countries) and effectively protected there, are not automatically protected in China**; an IP registration in China or via international registration mechanisms will be required. At the same time, China adopts a **first-to-file mechanism**, which in practice makes unregistered IP rights vulnerable to bad faith trademark registration, even when simply attending trade fairs in China.

Finally, the Chinese dairy market is rich of products made domestically or in non-EU countries, especially Australia and the United States, **usurping the quality and reputation of EU products through the usage of popular European colours, names, sounds or images**. Although not an illegal practice, these products might confuse Chinese consumers and thus affect the competitiveness of European quality products.



Examples of: Australian dairy brand using French flag colours (left); American dairy brand using Italian flag colours to promote its "mozzarella" (centre); local Chinese brand producing ricotta cheese (right).

For confidential, free-of-charge technical assistance, resources and consultations on IP-related aspects in China, covering both prevention and enforcement, please consult the website of **the China IP SME Helpdesk**, a fellow project funded by the European Union:

https://intellectual-property-helpdesk.ec.europa.eu/regional-helpdesks/european-ip-helpdesk_en

4. FINDINGS FROM INTERVIEWS WITH DAIRY INDUSTRY PROFESSIONALS

The EU SME Centre contracted F&B experts EIBENS to conduct a **series of interviews with dairy professionals in China**. A total of eight interviews were done between March and April 2023 with representatives of Chinese retailers specialising in imported food, Chinese dairy and F&B importers, distributors and manufacturers, as well as an individual European dairy expert. The following is a summary of the main findings that emerged from the interviews.

The Chinese market is extremely competitive: time, resources and long-term planning are necessary

As already seen in the first section of this report, the Chinese dairy market is extremely competitive. An increasing number of Chinese distributors have expanded their operations into the import business, sourcing dairy products from a wider range of countries and foreign suppliers, thus resulting in increased supply, price-based competition, and narrower margins. The situation was further exacerbated by lower demand for imported dairy products during the COVID-19 pandemic. At the same time, local production poses significant challenges to certain subcategories, such as liquid milk and infant formula; and there is a preference to work with bigger, established brands from traditional exporting countries when the price difference is minimal.

During the interviews, it emerged that Chinese companies are usually open to diversified supplies, new sources and reliable partners. However, the following elements constitute **preferential factors for Chinese importers looking for foreign suppliers**:

- **Guarantee of stable supply**, mature management systems, long-term cooperation, flexibility in delivery timing and payment terms, and some degree of exclusivity. These are considered as strong assets when choosing foreign suppliers, especially when the difference in product pricing is minimal, as they increase trust and reputation and thus protect from market and supply chain disruptions.
- Familiarity with Chinese dairy import procedures. Having completed **CIFER registration** in advance is more often than not a key prerequisite for starting business negotiations. Establishments

Chinese F&B retailers typically prefer purchasing products from importers and distributors to reduce the risk of expiration. But they are also willing to import directly from overseas producers if the product performs well in the Chinese market and the producer can guarantee stable supply.

For instance, a popular, Beijing-based retailer specialising in imported products tends to purchase imported products from Chinese importers and distributors when orders are less than 1 container load (LCL); but it also imports directly from overseas manufacturers for larger orders.

not yet registered on the CIFER system are generally **not considered by Chinese dairy importers**, because of the time required for completion (several months) and potential delays/rejections.

- It is also important to get involved in **marketing and promotional activities**, supporting the Chinese importer/distributor. Foreign suppliers must actively contribute to story-telling exalting different origins, farms, traditions and production techniques, thus not leaving it entirely to the Chinese importer/distributor.
- Besides, regular communication is necessary, which can also include **visits of Chinese partners in Europe to the factory or even local supermarkets**. These are considered very effective as they provide the Chinese partner with a more intimate understanding of the product, brand and its positioning; indeed, many successful exporters regularly do so.

In short, European dairy exporters must firmly keep in mind that positioning new brands and products in the Chinese market **requires significant resources, time and effort, as well as constant collaboration with the Chinese importer and distributor**. It is recommended that efforts concentrate on one or two flagship products at the beginning.

Pricing is a key purchasing factor – albeit not the only one

Pricing is a key element that affects the purchasing decisions of both Chinese importers/distributors and final consumers. This is even more prominent for specific product categories, such as whey protein, which is mostly an intermediate B2B product used for further processing: in this case, price affects the margins and thus the competitiveness of domestically made products that use imported whey, vis-à-vis final product directly imported from overseas. Liquid milk is another example of a product where price sensitivity is high. When the difference in pricing is minimal, bigger, well-established brands from renowned exporting countries are preferred. Therefore, European dairy brands must **fully take into account the price factor** in their strategies, particularly in view of surging production costs in Europe vs other countries such as New Zealand, Australia, the United States or Belarus.

Yet, during the interviews, it clearly emerged that pricing is not the only purchasing element. In order to improve the Chinese importer/distributor's perception of the value-added of the product and its origin (see previous finding), foreign suppliers should:

- Fully understand the **preferences of Chinese consumers for tastes and flavours**. Chinese consumers are sensitive to the tastes of dairy products; some traditional European flavours, especially seasoned or with sharp odours, may be perceived as “too strong” or “smelly” and thus not accepted. At the same time, Chinese consumers appreciate and are attracted by products and packaging featuring localised elements. This may involve being ready to make adaptations to existing products – or even creating new ones exclusively for the Chinese market. European suppliers must keep in mind that European

For instance, a popular retailer in Beijing specialising in imported products has created **cheeses with fruit and herbal flavours** that, while not traditionally popular in Europe, are well **enjoyed by Chinese consumers**. This is also how Australian dairy products have gained significant market share in China: by adjusting flavours to suit Chinese consumers, in addition to insisting on high-quality production techniques, attractive packaging and sustained marketing efforts.

languages are difficult to read to the majority of Chinese consumers, thus becoming difficult for them to recognise brand names when not localised to Chinese. At the same time, Chinese culture and consumers are not homogenous: tastes and flavours may vary significantly across regions, as well as across first-tier cities (e.g. Beijing, Shanghai, Shenzhen) and lower-tier ones.

- Emphasise the **uniqueness and nutritional aspects** of their products. Chinese consumers carefully read the ingredient list on the package; products with shorter ingredient lists and without additives are perceived to be healthier and therefore preferred, especially if these are to be consumed by kids as well.
- Actively support their Chinese importers and distributors in **promoting and marketing the products**, supporting relationships with customers, and strengthening after-sales services. This not only ensures control of how the brand's and product's values are communicated; at the same time, these are considered value-added aspects well received by both Chinese business partners and final consumers.

Country image and brand promotion are essential to raise awareness among Chinese consumers, especially for brands from less known countries, e.g. in Central and Eastern Europe

The Chinese dairy market is characterised by **strong, immediate associations of Chinese consumers with certain countries around the world**. For instance, New Zealand – and to a lesser extent, Australia – is associated with high-quality and natural farming, contributing to the country's dominant position in sectors such as milk powder and butter; the Netherlands has traditionally been seen as producing the best-quality infant formula; while France is associated to cheese produced with traditional techniques passed and refined through generations of producers. Producers from these countries **actively leverage these aspects, by including country-related elements** (such as flags, colours, names, or images of renowned landscapes or scenarios) **on the product's packaging**.

Although this requires systemic action involving national representations such as ministries, embassies, trade agencies (e.g. via national pavilions at China's popular trade fairs or

government-sponsored promotional and match-making activities), or individual dairy exporters should also focus on **promoting their country image and brand in their activities**, by accentuating in their visuals, packaging and marketing the role that the country's environment, air, techniques and nature have on the product's quality, attributes and flavour. This should target both industry actors (importers, distributors, food service professionals, etc.) as well as final consumers. It will benefit exporters from those countries which are less known among Chinese consumers as dairy exporters, such as central and eastern European countries which often have an image of "cost-effective alternatives" to brands from better-known countries. In the long run, this will contribute to shaping an image among Chinese consumers of high-quality dairy country.

The interviews focused on the case of Polish dairy products. It emerged that Chinese consumers are largely unfamiliar with dairy products from Poland – and more in general from Eastern Europe. While there is no issue with quality and products are regarded as "cost-effective", industry actors indicate that dairy products from Eastern Europe have no outstanding recognition or elements standing out compared to other competitors.

Promotional activities aimed at raising the country's image and awareness are thus essential for Polish dairy producers to establish their position in the Chinese market, diversify their offering, developing an image of quality milk suppliers. Elements that can be leveraged on are the country's role as one of the EU's largest agricultural markets, clean environment, natural production, as well as EU food safety and production standards. EU quality schemes and geographical indications may also help in this regard: the Wielkopolski ser smażony cheese will become effectively recognised and protected in China starting from 2025.

In this regard, it is reckoned not necessary to merely follow the trends or mainstream products of the Chinese market (e.g. mozzarella or cheddar cheese), which are widely offered by bigger, leading brands. A much more effective approach suggested by one of the interviewees (representing a Chinese dairy importer and distributor) is to **show the Chinese market the uniqueness and advantages of the product**, focusing on its distinct qualities, and centuries-old producing techniques, thus standing out

from competitors. Again, the **EU's quality schemes**, their meaning and how are these recognised, might help in this regard.

In conclusion, European dairy exporters must firmly keep in mind that, positioning new brands and products in the Chinese market **requires significant resources, time and effort, as well as constant collaboration with the Chinese importer and distributor**. Promotional and marketing efforts should emphasise the uniqueness of the product and country of origin, and target niches, rather than merely following market trends and competing with globally leading brands. It is recommended that efforts concentrate on one or two flagship products at the beginning.

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Further resources

The EU SME Centre has over 200 **reports, guidelines, webinars and case studies** in its Knowledge Centre, the following may be relevant to you:

WEBINARS

- *Introducing Polish Dairy to the Chinese Market* (19 April 2023):
<https://www.eusmecentre.org.cn/publications/introducing-polish-dairy-to-the-chinese-market/>
- *The Cream of the Crop: Exporting Dairy to China* (24 May 2023):
<https://www.eusmecentre.org.cn/publications/the-cream-of-the-crop-exporting-dairy-to-china/>

REPORTS

- *Selling to China via Cross-Border E-Commerce* (March 2023):
<https://www.eusmecentre.org.cn/publications/selling-to-china-via-cross-border-e-commerce/>
- *Mandatory GACC registration for European F&B Establishments* (June 2022):
<https://www.eusmecentre.org.cn/publications/mandatory-gacc-registration-for-european-food-beverage-establishments-2/>
- *Guidelines on Exporting Health Food to China* (May 2023):
<https://www.eusmecentre.org.cn/publications/guidelines-on-exporting-health-food-to-china/>
- *Food additives in China: Regulations and Practical Cases* (December 2022):
<https://www.eusmecentre.org.cn/publications/food-additives-in-china-regulations-and-practical-cases/>
- *Results of the EU SME Centre F&B Survey on the CIFER System* (May 2023):
<https://www.eusmecentre.org.cn/publications/fb-survey-results-customs-processes-and-the-cifer-system-2/>

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