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Report Highlights:

China's dairy market is currently saturated with excess fluid milk, driving farmgate prices down since mid-2022. While overall milk output is forecast to slightly decline in 2025 as smaller farms exit the market, large processors are investing in cheese, butter, and functional powders to capture higher-value segments. Post expects demand from the feed and infant-formula sectors will keep whey imports firm in 2026, while broader adoption of cheese and butter in restaurants, bakeries, and tea/coffee chains in lower-tier cities will sustain modest import growth.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

EXECUTIVE SUMMARY

The forecasts and revised estimates provided in this report are issued by FAS China and are not official USDA data.

FAS China provides this reporting and analysis as a service to U.S. farmers, ranchers, rural communities, and agribusinesses in support of a worldwide agricultural information system and a level playing field for U.S. agriculture.

Fluid Milk: Post forecasts production to remain broadly stable in 2026 with imports declining slightly. Domestic production is sufficient for UHT demand, and pasteurized milk remains locally sourced.

Whole Milk Powder (WMP): Post forecasts WMP production to decline slightly in 2026 as manufacturers shift to higher-margin products. Reduced use in UHT-reconstitution due to the amended sterilized-milk standard will drive consumption modestly lower. Post forecasts imports to remain stable, primarily serving specification-driven formula and other processing needs.

Skim Milk Powder (SMP): Post forecasts a slight increase in SMP production in 2026 on better butter-plus-skim economics and modest expansion of milkfat programs. Specification-driven infant formula demand will push up consumption. Post forecasts for imports to remain broadly stable.

Cheese: Post expects production to rise gradually as new capacity comes online. Foodservice expansion and wider adoption in restaurants, bakeries, and tea/coffee chains will drive modestly higher cheese consumption in 2026, with imports slightly increasing.

Butter: Post forecasts butter production to increase slightly in 2026 on improved milkfat returns and steadier foodservice programs. Restaurant and bakery channels expanding into lower-tier cities will help fuel a modest rise in consumption. Post forecasts imports to increase slightly.

Whey and Whey Products: Post expects whey imports to remain strong in 2026 on stable feed-grade demand for piglet and nursery diets and ongoing food uses, notably infant formula.

FLUID MILK

Table 1. China: Production, Supply, and Distribution for Fluid Milk

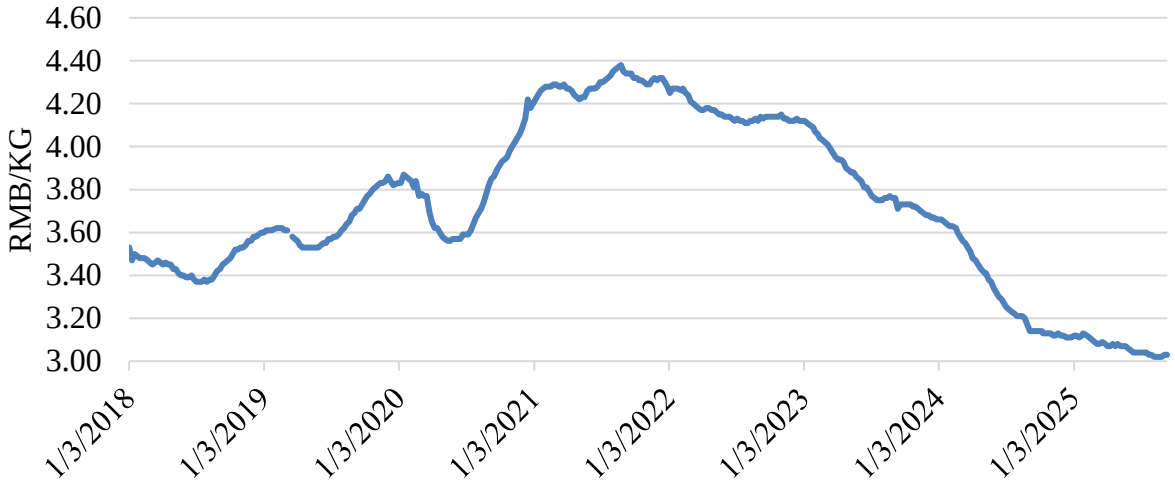
Dairy, Milk, Fluid	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk (1,000 HEAD)	6,380	6,380	6,340	6,340	0	6,320
Cows Milk Production (1,000 MT)	40,790	40,790	40,600	40,600	0	40,600
Other Milk Production (1,000 MT)	840	840	900	900	0	910
Total Production (1,000 MT)	41,630	41,630	41,500	41,500	0	41,510
Other Imports (1,000 MT)	705	705	680	670	0	660
Total Imports (1,000 MT)	705	705	680	670	0	660
Total Supply (1,000 MT)	42,335	42,335	42,180	42,170	0	42,170
Other Exports (1,000 MT)	30	30	32	35	0	40
Total Exports (1,000 MT)	30	30	32	35	0	40
Fluid Use Dom. Cons. (1,000 MT)	15,700	15,700	15,600	15,587	0	15,700
Factory Use Cons. (1,000 MT)	26,605	26,605	26,548	26,548	0	26,430
Feed Use Dom. Cons. (1,000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1,000 MT)	42,305	42,305	42,148	42,135	0	42,130
Total Distribution (1,000 MT)	42,335	42,335	42,180	42,170	0	42,170
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Note: Not Official USDA Data

PRODUCTION

Post forecasts that China's fluid milk production will remain stable in 2026. Milk prices have declined continuously since 2022 (see Chart 1), leaving many farms unprofitable, particularly smaller independent operations. Sources indicate most small-scale farms with fewer than 1,000 head have exited the market or have been acquired by larger operators through consolidation. Such consolidation typically transfers cattle rather than liquidating them and therefore does not directly reduce total inventories, leaving limited room for further reductions in 2026. The remaining large farms, many of which are financially supported by vertically integrated dairy processors, are expected to maintain stable herd sizes despite weak prices. Industry data indicate that farms with over 1,000 heads now account for more than 68 percent of production in 2025, up more than 2 percent from a year earlier, underscoring the reliance of large-scale operations.

Chart 1. China: Average Raw Milk Farm Gate Prices[1]



Source: MARA

Government support remains an important stabilizing factor. Programs such as targeted subsidies, technical demonstrations, and grassland conservation payments continue to provide incentives for production. Despite government support and stabilization among large-scale farms, the national dairy herd will likely decline further in 2026, though at a slower rate than in recent years. While small farms continue to exit, ongoing improvements in per-cow yields will offset herd contraction, keeping milk output steady.

The National Bureau of Statistics (NBS) reported that China's total cattle herd stood at 100.5 million head at the end of 2024, down 4.4 percent year-on-year. By the end of the second quarter of 2025, inventories fell further to 99.9 million head, a 2.1 percent year-on-year decline, showing a moderate contraction. Although the national cattle herd may continue to contract, regional trends vary significantly. In the first half of 2025, traditional production hubs such as Hebei posted slight declines due to tighter environmental regulations and reduced smallholder participation, while emerging regions such as Gansu registered rapid expansion, partially offsetting declines elsewhere.

In the longer term, restrictions on imported dairy genetics, stemming from the suspension of frozen semen imports from the United States and Europe, pose risks to productivity. However, the impact will likely only materialize over the next few years and is not expected to affect 2026 production levels.

[1] The average price from the 10 leading raw milk production provinces and autonomous regions of Hebei, Shanxi, Inner Mongolia, Liaoning, Heilongjiang, Shandong, Henan, Shaanxi, Ningxia, and Xinjiang. Industry sources indicate farm gate prices refer to the price dairy processors pay to dairy farmers. However, as mentioned in this report, because dairy farmers cannot sell all their milk to dairy processors, sometimes they must sell to dealers at extremely low prices. Farm gate prices normally do not include prices paid to dealers.

CONSUMPTION

Post forecasts China's fluid milk consumption to remain stable in 2026. Structural shifts are underway as consumers are finding new ways to consume fluid milk, while UHT milk will continue to dominate the category.

Expanding beverage channels and rising demand for high-end pasteurized products are the primary drivers for growth in fluid milk use, while weak consumer confidence remains the key constraint for higher growth. Fluid milk is gaining usage in new occasions such as afternoon tea, coffee, tea drinks, and bakery goods. Sources indicate that some large beverage producers are making liquid milk an important ingredient, providing a new source of incremental demand.

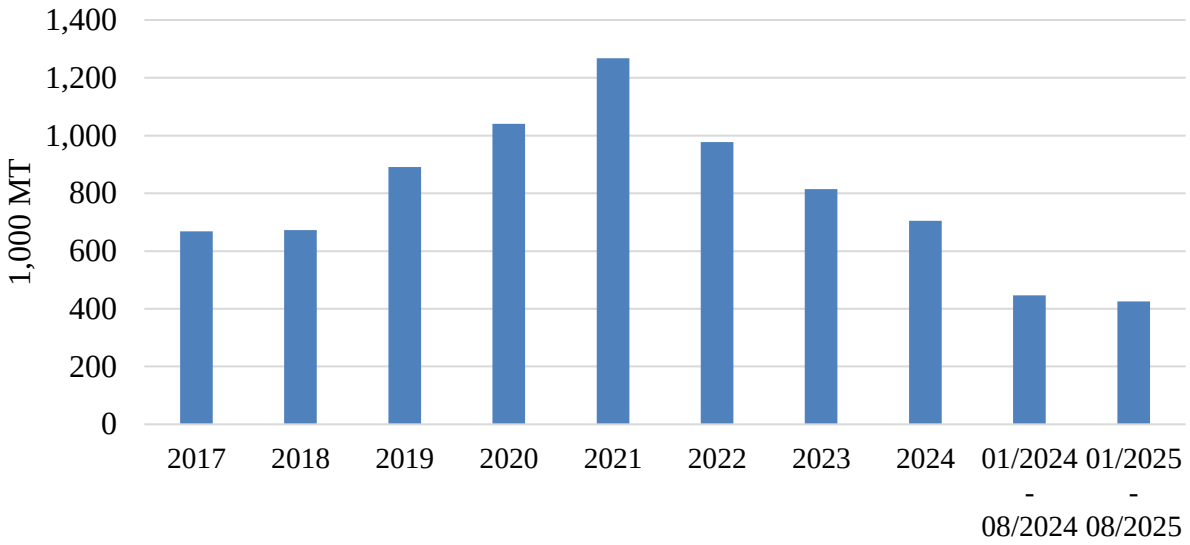
Consumer health awareness and a shift toward premium dairy products are also supporting pasteurized milk consumption. Industry sources reported that sales of pasteurized products grew more than 8 percent in the first half of 2025. Nevertheless, UHT milk continues to account for the majority of the liquid milk market, meaning that growth in pasteurized milk consumption will not translate into a substantial increase in overall fluid milk use. In first-tier cities and high-income regions, demand for premium pasteurized products is rising rapidly, while in central and western provinces consumption growth is slower.

Post expects cheese and butter production to continue rising in 2026, reflecting a gradual diversification of fluid milk's use in the dairy processing sector. However, both categories remain small in China's overall dairy market and contribute only limited additional demand for fluid milk. As a result, dairy processors will still process a large share of fluid milk into milk powder.

TRADE

Post expects China's fluid milk imports to decline slightly in 2026. While UHT products are the largest share of imports, domestic capacity already provides abundant supply. At the same time, expanding consumer demand for pasteurized milk relies on short, localized supply chains, limiting the demand for imported fluid milk. China's fluid milk imports peaked in 2021 and have fallen steadily since. Import volumes in the first eight months of 2025 continued to fall moderately (see Chart 2), indicating that the market continues to adjust to higher levels of domestic substitution. This trajectory is likely to extend into 2026.

Chart 2. China: Imports of Fluid Milk



Source: Trade Data Monitor, LLC

New Zealand remains the largest supplier of fluid milk to China, benefiting from duty-free access under the bilateral free trade agreement. Imports from Germany, France, and Poland remain among the top but have trended lower in recent years. Looking ahead, tighter environmental constraints on EU livestock production are likely to keep EU dairy prices elevated; combined with comparatively higher ocean freight costs, China's fluid-milk imports from Europe may continue to contract.

WHOLE MILK POWDER

Table 2. China: Production, Supply, and Distribution for Whole Milk Powder

Dairy, Dry Whole Milk Powder	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1,000 MT)	175	175	145	145	0	120
Production (1,000 MT)	1,170	1,170	1,140	1,140	0	1,120
Other Imports (1,000 MT)	409	409	420	420	0	420
Total Imports (1,000 MT)	409	409	420	420	0	420
Total Supply (1,000 MT)	1,754	1,754	1,705	1,705	0	1,660
Other Exports (1,000 MT)	21	21	50	50	0	55
Total Exports (1,000 MT)	21	21	50	50	0	55
Human Dom. Consumption (1,000 MT)	1,588	1,588	1,535	1,535	0	1,495
Other Use, Losses (1,000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1,000 MT)	1,588	1,588	1,535	1,535	0	1,495
Total Use (1,000 MT)	1,609	1,609	1,585	1,585	0	1,550
Ending Stocks (1,000 MT)	145	145	120	120	0	110
Total Distribution (1,000 MT)	1,754	1,754	1,705	1,705	0	1,660
(1,000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Note: Not Official USDA Data

PRODUCTION

Post forecasts WMP production to decline slightly in 2026 as processors plan to allocate more milk to products with better margins, relying less on WMP as a routine outlet. Processors typically make WMP when fluid milk supply exceeds near-term demand, using powder as a way to store and balance milk use over time. In the current milk price environment, however, WMP often underperforms on a cost-to-price basis. Processors scale back powder production when they can place milk directly into dairy products. Managers described tighter thresholds for adding to WMP volumes rather than stock building throughout 2025 and expect the approach to continue in 2026.

Product-mix economics reinforce the softer WMP profile. Stronger milkfat returns encourage cream separation and support a butter-plus-skim strategy that generally delivers better economic performance than making WMP on the same milk base. At the same time, steady development of cream/butter and cheese lines, together with expanding liquid applications in beverage and foodservice channels, are consuming more milk.

Government policy remains a stabilizer rather than a catalyst for expansion. In July 2025, the Ministry of Agriculture and Rural Affairs (MARA), together with six other agencies, issued a notice that outlined eight actions to stabilize the dairy industry, including promoting cost-

reduction and efficiency improvements, enhancing financial support, strengthening breeding programs, encouraging deep processing and higher-value product development, and advancing integration of milk production, processing, and marketing. Importantly, the document authorized provincial governments to apply localized tools (e.g., WMP production subsidies, incremental milk-procurement incentives, and merger-and-restructuring support) to manage seasonal imbalances in raw milk supply through market-oriented measures. Implementation, however, varies at the provincial level. For example, sources indicate Inner Mongolia and Hebei continue to offer WMP production subsidies to help processors keep milk purchase steady during seasonal peaks. Heilongjiang provides incremental procurement subsidies that pay processors for purchasing additional raw milk above baseline volumes, while Ningxia introduces programs that support larger raw-milk purchases.

CONSUMPTION

Post forecasts a moderate decline in domestic WMP consumption in 2026. Some foodservice channels favor liquid milk bases and milkfat over powders, and the revised sterilized-milk standard reduces powder-based reconstitution in UHT milk. However, WMP's broad applications underpin a stable base of demand, so any decline in 2026 is expected to be modest.

WMP in China is used widely in reconstituted milk, dairy beverages, and a range of bakery and processed foods. Typical applications include dry dairy beverage blends, ice-cream mixes, bakery items (bread, cakes, biscuits), confectionery, and some fermented products like yogurt. In many of these recipes, manufacturers can substitute between WMP and skim milk powder (SMP) within technical limits, selecting the least-cost, fit-for-purpose input. This interchangeability, together with the variety of end uses, provides a stable base of annual WMP consumption even when prices or channel preferences shift.

Processors are increasingly substituting fresh (liquid) milk for WMP in their formulations. Products such as dairy beverages, baked items, and ice cream are then supplied to foodservice channels, including national tea and coffee chains, bakery chains, ice-cream shops, and quick-service dessert counters. When farmgate milk prices are moderate, the total cost of liquid milk inputs become more affordable. Industry contacts also report that compared to WMP, liquid milk and cream deliver better taste and texture, and support "fresh milk" marketing claims. Expanded cold-chain and centralized commissary systems reduce the logistical advantage that powders once held.

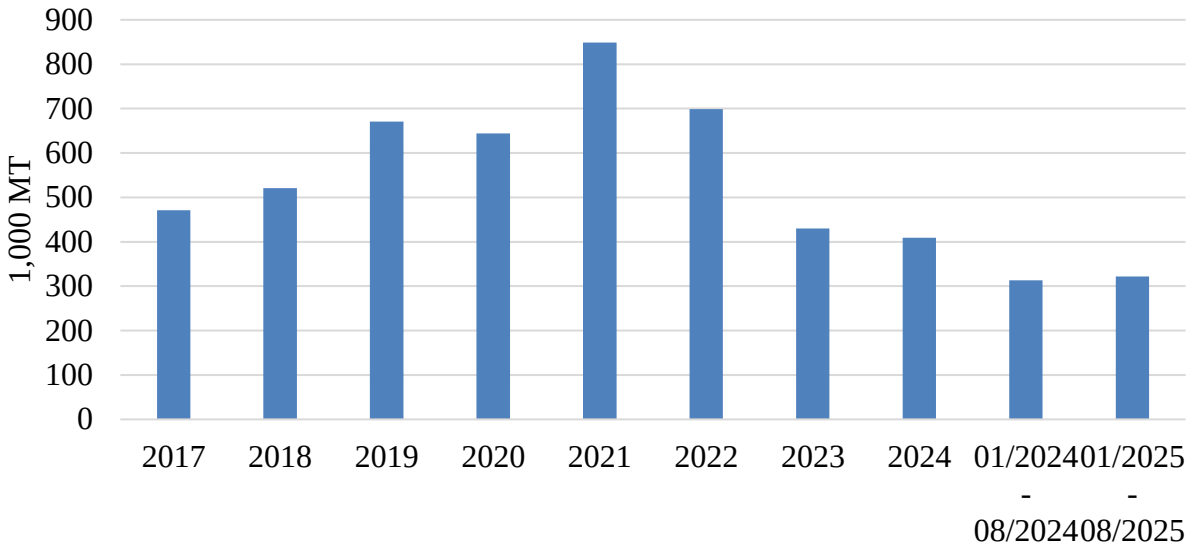
Implementation of the amended national standard for sterilized milk, effective September 16, 2025, requires UHT "pure milk" to be produced only from raw milk and prohibits reconstituted milk. Post expects processors to adjust procurement and formulas, accordingly, shifting away from WMP used for reconstitution. As enforcement broadens, WMP use in UHT applications could decline in 2026.

TRADE

Post forecasts for WMP imports to remain stable in 2026, which have stayed within a narrow band over the past two years (see Chart 3). Imports will continue to serve specific formulas and

processing needs rather than drive overall market growth. New Zealand continues to be the primary supplier, with shipments arriving in steady, program-specific flows. Import volumes will likely move within a narrow band throughout the year as buyers respond to price spreads, exchange rates, and logistics.

Chart 3. China: Imports of WMP



Source: Trade Data Monitor, LLC

Domestic substitution has largely run its course. Over the past few years, low domestic prices enabled beverage, ice-cream, and bakery manufacturers to switch from imported WMP to domestic WMP or SMP wherever processes allowed. Sources indicate that most of the programs have already made the switch to domestically produced WMP or SMP, leaving limited room for additional substitution; the remaining programs tend to require consistent, qualified foreign powder that is not easily replaced. Infant formula (such as later-stage products) and certain children's formulas require consistent functionality and tightly controlled specifications, and buyers in these categories often remain tied to established overseas suppliers. Some industrial processors also maintain brand- and performance-locked inputs that are not readily replaced by domestic powder. These needs are modest in scale but steady throughout the year, anchoring a baseline of import demand.

SKIM MILK POWDER

Table 3. China: Production, Supply, and Distribution for Skim Milk Powder

Dairy, Milk, Nonfat Dry	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1,000 MT)	0	0	0	0	0	0
Production (1,000 MT)	51	51	56	56	0	60
Other Imports (1,000 MT)	229	229	230	230	0	230
Total Imports (1,000 MT)	229	229	230	230	0	230
Total Supply (1,000 MT)	280	280	286	286	0	290
Other Exports (1,000 MT)	2	2	6	10	0	10
Total Exports (1,000 MT)	2	2	6	10	0	10
Human Dom. Cons. (1,000 MT)	278	278	280	276	0	280
Other Use, Losses (1,000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1,000 MT)	278	278	280	276	0	280
Total Use (1,000 MT)	280	280	286	286	0	290
Ending Stocks (1,000 MT)	0	0	0	0	0	0
Total Distribution (1,000 MT)	280	280	286	286	0	290
(1,000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Note: Not Official USDA Data

PRODUCTION

Post forecasts SMP production to increase slightly in 2026. Industry feedback indicates that current price relationships often favor a butter-plus-SMP make over WMP, so processors plan to devote a bit more milk to skim streams within routine schedules. Expansion on the milkfat side, rising domestic butter output and new cream programs serving bakery and foodservice, reinforces this plan by pulling more cream and butter from the milk pool and generating skim for drying. Post views this as an incremental shift rather than a step-change because these milkfat programs remain small relative to liquid dairy; consequently, the additional skim milk they create, and the resulting SMP, are inherently limited. Under these conditions, SMP output is expected to edge higher rather than surge.

Post expects fluid milk output in 2026 to hold roughly steady following the adjustments of the prior two years, giving plants enough raw material to maintain separation and manage skim milk flows. Skim milk is the immediate co-product of cream and butter programs; processors use this liquid skim milk to standardize and supply low-fat and skim drinking milks and other liquid dairy lines, so only a portion of the skim milk pool is dried into SMP. This allocation keeps the increase in SMP modest even as milkfat lines expand.

CONSUMPTION

Post expects SMP consumption to increase slightly in 2026 through specification-driven demand in infant formula. SMP is used across reconstituted and industrial applications, including dairy beverages, ice-cream mixes, bakery mixes and premixes, confectionery, fermented dairy bases, and dry beverage blends. In many of these products, SMP and WMP are technically interchangeable; formulators switch between them based on relative prices, process constraints, and desired nutrition profiles. Processors favor SMP where they want to target protein while managing fat independently.

Post expects SMP consumption growth in 2026 to come primarily from increased infant formula production. Infant formula is the most specification-constrained and stable outlet. Stage 1–2 formulas rely on tightly specified SMP to meet functionality and quality requirements. Post expects infant formula output to rise modestly with an increasing birth rate and new family-support policies take effect. According to National Bureau of Statistics (NBS), China recorded 9.54 million newborns last year, an increase of 520,000 compared with 2023. The birth rate for 2024 reached 6.77 per 1,000 people, reflecting an increase of 0.38 per thousand from the previous year. Pro-consumption measures under the "Special Action Plan to Boost Consumption," jointly issued by the General Office of the CPC Central Committee and the State Council in March 2025, include more than 30 policy items to raise household disposable income, with specific focus on childcare subsidies and maternity service improvements. In July 2025, the State Council announced an annual nationwide childcare subsidy arrangement of RMB 3,600 (approximately $507[2]) per child aged 0–3 years. Taken together, these factors could support a modest growth in infant formula production and, in turn, higher SMP use.

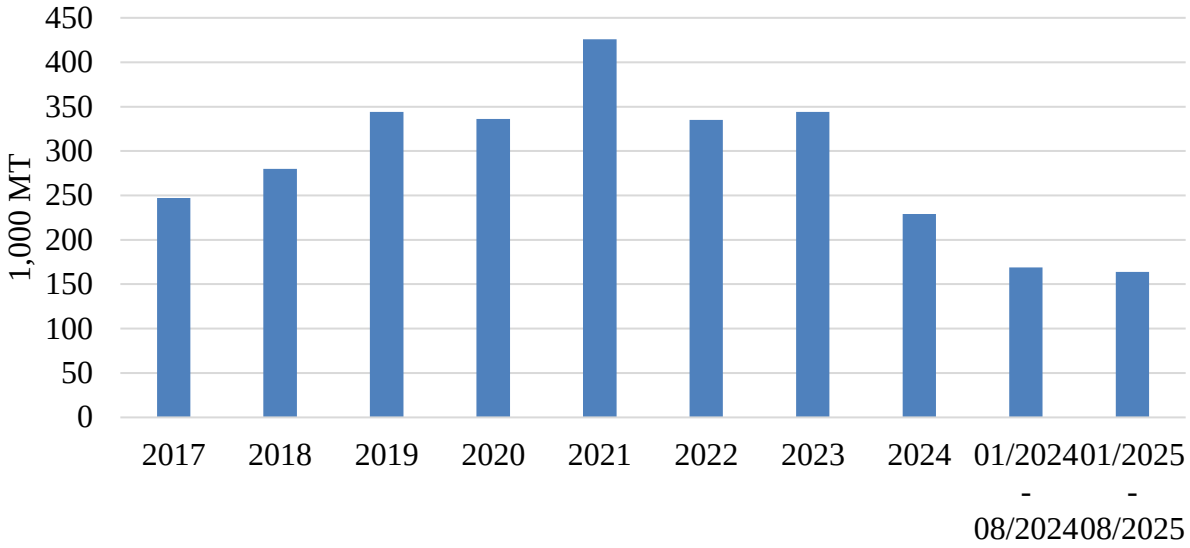
TRADE

Post forecasts SMP imports to remain stable in 2026. After peaking in 2021, imports fell to 229 thousand metric tons (MT) in 2024 and held near that level in 2025 (see Chart 4). Supply has become more concentrated, with New Zealand remaining the primary supplier with regularly contracted shipments. Shipments from Australia, the United States, Belarus, and several EU members continue to decline.

Stable "must-have" uses keep imports from falling further. Industry contacts indicate Stage 1–2 infant formula relies on tightly specified SMP, typically from established overseas suppliers, to meet functionality and consistency requirements. These specifications change slowly and support steady import demand even when overall dairy use softens.

[2] The exchange rate used in this report is 1 USD = 7.1 RMB.

Chart 4. China: SMP Imports



Source: Trade Data Monitor, LLC

Further domestic substitution offers limited room to reduce imports. Over the past few years, manufacturers have already replaced imported powder with domestic SMP or WMP wherever formulations and processes allowed. In sectors like beverages, ice cream, and bakery, firms switch between SMP and WMP within technical limits and use domestic powders when they meet the price-and-performance brief. With most feasible substitutions already in place by 2025, remaining programs are harder to replace, and imports tend to hold rather than decline.

New business in tea and coffee chains and in bakery leans toward liquid milk (including concentrated bases), cream, and cheese ingredients, so SMP is not the primary beneficiary of menu expansion. This shift supports overall dairy use but adds little incremental pull for imported SMP.

CHEESE

Table 4. China: Production, Supply, and Distribution for Cheese

Dairy, Cheese	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1,000 MT)	0	0	0	0	0	0
Production (1,000 MT)	28	28	30	30	0	32
Other Imports (1,000 MT)	173	173	185	190	0	192
Total Imports (1,000 MT)	173	173	185	190	0	192
Total Supply (1,000 MT)	201	201	215	220	0	224
Other Exports (1,000 MT)	1	1	1	1	0	1
Total Exports (1,000 MT)	1	1	1	1	0	1
Human Dom. Cons. (1,000 MT)	200	200	214	219	0	223
Other Use, Losses (1,000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1,000 MT)	200	200	214	219	0	223
Total Use (1,000 MT)	201	201	215	220	0	224
Ending Stocks (1,000 MT)	0	0	0	0	0	0
Total Distribution (1,000 MT)	201	201	215	220	0	224
(1,000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Note: Not Official USDA Data

PRODUCTION

Post forecasts China's cheese production to grow modestly in 2026 with expansion in the foodservice sector as the main driver. Buyers that once relied entirely on imports are sourcing more domestically because of shorter lead times, faster replenishment, on-site support, and improved reliability. Leading domestic brands report stronger business-to-business sales, and routine orders now include a larger share of domestic cheese. Industry contacts have also reported that domestic raw milk prices have stayed comparatively low, improving the economics of making cheese in China and reinforcing the shift toward domestic sourcing.

Several provinces are building higher-value processing platforms that include cheese lines. For example, in Ningxia's industrial park, an integrated processing project's first phase includes a planned output in 2026 of five lines that can process approximately 800 MT of milk per day for multiple products, liquid milk, cream, butter/anhydrous butter, and cheese. A second phase will open in January 2026 and adds a 700-MT-per-day design that includes powder and casein lines. In Hubei, a separate integrated project with a planned capacity[3] of 300 MT per day will produce pasteurized milk, yogurt, and cheese.

[3] In both cases, the capacity figures refer to total raw-milk intake across several product lines; actual cheese output will depend on how processors allocate milk across those lines.

Growth remains moderate rather than rapid. The sector is still transitioning from a liquid-milk base toward higher-value processing, and producers note capability gaps with mature overseas industries. Most new cheese output targets mainstream, easy to produce styles for foodservice rather than aged or specialty cheeses, which limits potential growth. Looking ahead, any increase in raw-milk prices would also narrow margins, reinforcing a steady, incremental growth profile in 2026.

CONSUMPTION

Post forecasts cheese consumption to grow modestly in 2026. Restaurants, bakeries, and tea/coffee chains continue to add mozzarella, processed slices, and cream cheese items to menus, and leading suppliers report stronger business-to-business momentum. In the first half of 2025, a leading Chinese cheese processor reported revenue of RMB 2.57 billion (approximately $362 million), an increase of 8 percent year-over-year. Cheese accounted for about 84 percent of the company's total revenue. Sales of ingredient products to industrial customers, mainly supplying foodservice channels, rose 36 percent year-on-year, indicating steady institutional uptake. Other domestic players also posted gains. For example, another dairy processor reported a 45 percent year-over-year increase in cheese revenue in the first half of 2025, pointing to wider menu adoption and stronger sales to restaurants, tea and coffee, and bakery chains.

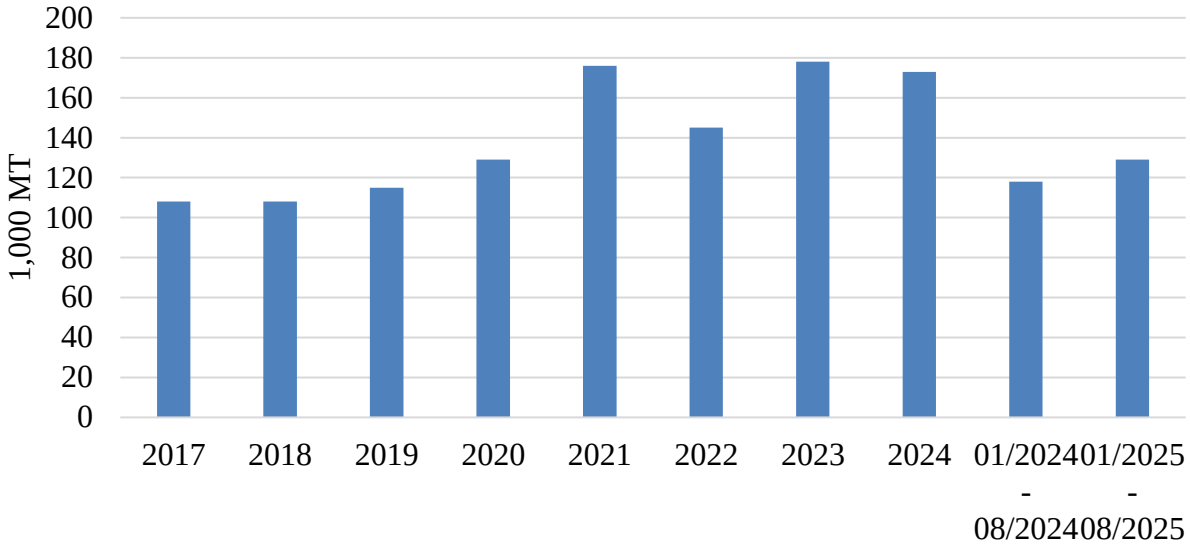
Retail demand is shifting from "more volume" to "more variety." Companies are focusing on snackable and single-serve formats, such as cheese triangles and small cheese cubes, and on products aimed at children and on-the-go consumption. Brands are expanding product lines, and distribution is expanding into lower-tier markets keeping retail sales stable even as overall household growth remains slow. This restructuring supports steady consumption despite the tepid economy.

Growth remains moderate due to several limiting factors. Household penetration remains low, with little evidence of a sudden increase in at-home consumption. The slowing of China's economy is pushing consumers toward cheaper product options. While the bakery sector continues to expand, the pace is decelerating. In addition, although growing tea, coffee, and bakery channels adds demand for cheese, their menus still rely more on fluid milk over cheese, meaning cheese captures only part of the increase in volume.

TRADE

Post forecasts a slight increase in cheese imports in 2026. The market is currently operating on a high plateau, with imports remaining stable at around 170 thousand MT throughout 2021 – 2024 (see Chart 5). In the first eight months of 2025, arrivals reached 129 thousand MT versus 118 thousand in 2024, an increase of about 9 percent, showing that imports are holding steady.

Chart 5. China: Imports of Cheese



Source: Trade Data Monitor, LLC

Food service expansion adds structural, though measured, import growth. As leading restaurants, bakeries, and tea and coffee chains roll out new items, demand for certain imported cheeses, such as specific cheeses for specialty pizza and selected soft or aged varieties, remains slightly higher. Domestic substitution plays only a minor role. China's cheese production is rising from a small base, so the additional output can cover only a narrow set of mainstream uses. Some restaurant accounts are sourcing a little more domestically made mozzarella and processed slices. The volumes involved are modest and do not materially affect demand for specialty and higher-spec products, which continue to be sourced from abroad. Overall, import needs remain largely intact.

New Zealand remains the largest source and accounts for roughly 65 percent of imports in the first eight months of 2025, with Australia around 16 percent. Italy, Denmark, and France supply a consistent range of specialty and premium cheeses tied to menu needs, while shipments from the United States continue to decline.

On August 21, 2024, MOFCOM initiated a countervailing duty investigation (Announcement No. 34 of 2024) on certain EU-origin dairy products (i.e., cheeses under HS 0406 and milk and cream exceeding 10 percent fat by weight under HS 04015000). On August 18, 2025, MOFCOM extended the investigation deadline to February 21, 2026 (Announcement No. 37 of 2025). This is a procedural extension and does not change current tariff rates. Any final measures would mainly affect imports of EU cheeses and cream. Please refer to GAIN Report CH2024-0112 for more information.

BUTTER

Table 5. China: Production, Supply, and Distribution for Butter

Dairy, Butter	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1,000 MT)	0	0	0	0	0	0
Production (1,000 MT)	115	30	120	33	0	35
Other Imports (1,000 MT)	144	144	160	160	0	162
Total Imports (1,000 MT)	144	144	160	160	0	162
Total Supply (1,000 MT)	259	174	280	193	0	197
Other Exports (1,000 MT)	6	6	10	10	0	10
Total Exports (1,000 MT)	6	6	10	10	0	10
Domestic Cons. (1,000 MT)	253	168	270	183	0	187
Total Use (1,000 MT)	259	174	280	193	0	197
Ending Stocks (1,000 MT)	0	0	0	0	0	0
Total Distribution (1,000 MT)	259	174	280	193	0	197
(1,000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Note: Not Official USDA Data

PRODUCTION

Post forecasts China's butter production to increase slightly in 2026. Industry contacts report that butter-plus-SMP earns better returns than WMP, encouraging processors to route a bit more fluid milk for cream separation in 2026. Post expects fluid milk output to remain ample in 2026, which should keep milk prices low and support a modest increase in domestic butter production. Foodservice chains increasingly treat butter as an important input, and menu expansion into lower-tier cities is adding more butter-based items. These foodservice bulk orders keep butter plants at higher utilization rates and encourage a modest increase in domestic butter production.

Sector reports point to a wave of investments in processing capacity such as the ones in Gansu and Ningxia. In East China, industry sources indicate that more raw milk was routed to processing for cream and butter, supporting increased domestic milkfat production and, in turn, modest growth in butter output. Processing capability for higher-value milkfat is still developing, so plants increase output only gradually. In addition, cream is allocated across several products: cream, butter, and anhydrous butter, so extra cream does not translate directly into more butter and anhydrous butter.

CONSUMPTION

Post expects butter consumption to increase modestly in 2026, led by the foodservice industry. Restaurants and bakery chains continue to add menu items that include butter as an ingredient and are expanding into lower-tier cities, keeping butter in regular use across industrial kitchens.

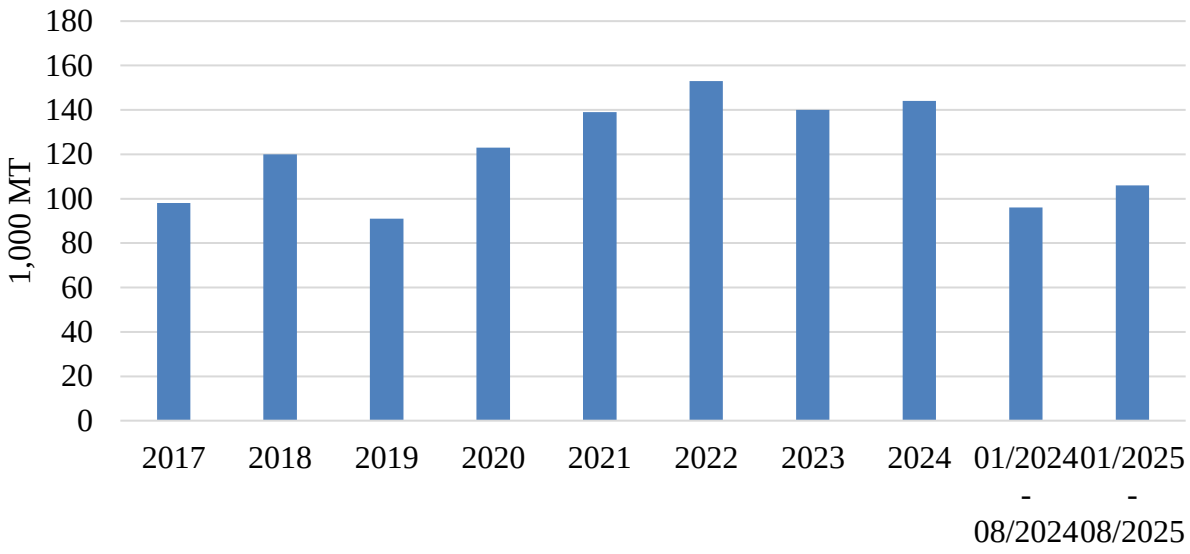
In tea and coffee chains, the pull for butter comes from co-located bakery programs rather than beverages. These operators sell croissants, puff pastries, cookies, sandwiches, and other baked products supplied by industrial kitchens or in-store ovens. According to industry reports, China added nearly 12,000 new coffee shops from May 2024 to May 2025, signaling continued expansion of store footprints. Reports also indicate China's ready-to-drink tea and beverage shop market exceeded $49 billion in 2024 (up 6.4 percent year-over-year), with store expansion rates above 15 percent in cities such as Beijing, Changsha, and Hangzhou. As chains add stores and refresh menus, their bakery product lines raise routine butter use alongside cream and cheese usage.

Industry reports estimate that the bakery retail market exceeded RMB 560 billion (approximately $79 billion) in 2023 and continues to expand, supporting higher butter usage in everyday products rather than only in premium items. Central kitchen production and supplier partnerships allow chains to standardize butter-heavy recipes and keep output steady throughout the year. Retail demand remains stable and is supported by home baking and cooking. In supermarkets and e-commerce, households favor small pack sizes for home baking and cooking, with promotional periods, such as holiday baking, shaping monthly peaks. This keeps retail volumes steady but leaves most butter use in 2026 concentrated in foodservice channels.

TRADE

Post forecasts for butter imports to increase slightly in 2026. Imports remained high throughout 2021-2024 and are continuing that trend in 2025 (see Chart 6). In the first eight months of 2025, imports reached 106 thousand MT compared with 96 thousand MT in 2024, an increase of about 10 percent. New Zealand continues to lead by a wide margin, while France, Belgium, and the Netherlands provide small but steady volumes; Australia's share is smaller and more variable.

Chart 6. China: Imports of Butter



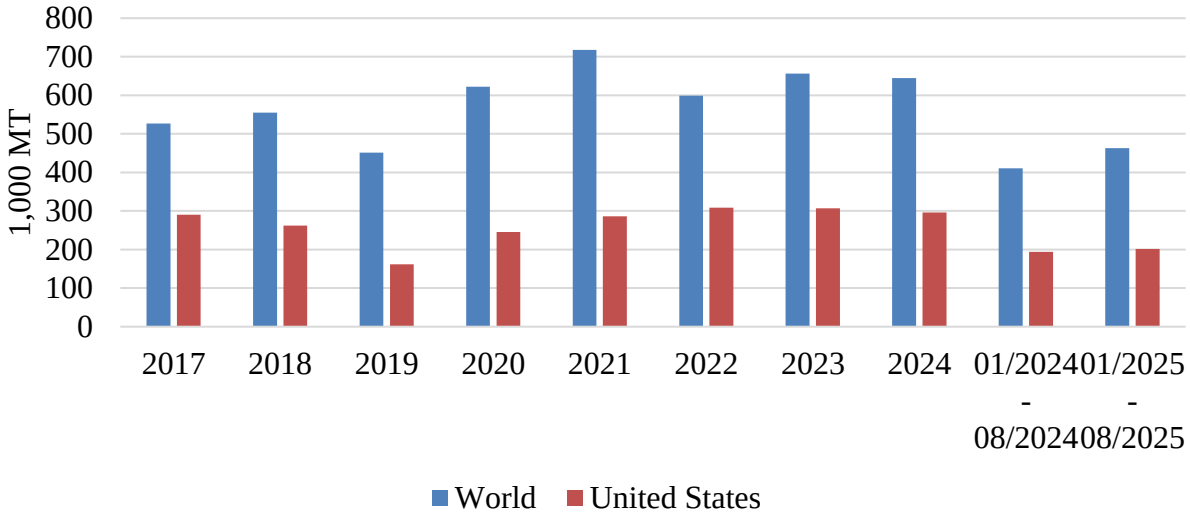
Source: Trade Data Monitor, LLC

Foodservice expansion adds structural, though measured, import growth with little domestic substitution. Although local milkfat production is expected to edge higher, the additional milkfat is allocated among butter, anhydrous milkfat, and cream. For applications that require consistent specifications or established flavor profiles, buyers continue to rely on imported products, especially in higher end retail establishments like western hotels, restaurants, and bakery chains.

WHEY AND WHEY PRODUCTS

Post expects whey imports to remain strong in 2026. Demand for whey imports remains high (see Chart 7), and imports between January and August 2025 reached 463 thousand MT versus 411 thousand MT during the same period of 2024. The United States remains the largest supplier, followed by the EU, with the Netherlands, Belarus, and Poland continuing to provide meaningful volumes.

Chart 7. China: Imports of Whey and Modified Whey Products



Source: Trade Data Monitor, LLC

In 2025, authorities continued to manage breeding-sow numbers within the "green zone," guiding capacity toward stability rather than expansion. In other words, the Chinese government is limiting the expansion of the swineherd, which puts a ceiling on potential demand for whey for industrial use. By July 2025, the breeding-sow herd stood around 40.42 million head, near the upper edge of the target range, and productivity per sow has trended higher in recent years. Stable sow numbers and higher piglet output keep early-stage diets in steady use, anchoring demand for whey ingredients in piglet and nursery feeds.

Most food-grade whey goes to infant formula, where recipes require tightly specified whey. Sports-nutrition applications, such as protein powders and bars, also contribute. Some adult milk powders and yogurts add whey (or whey protein) to boost protein or adjust texture. Bakery and snack uses exist but remain much smaller than the categories above.

The United States supplies mostly feed-grade whey to China, primarily for piglet and nursery feeds. The EU ships a larger share of food-grade whey used in infant formulas and other food processing. In January–August 2025, imports from the United States rose to 202 thousand MT (from 194 thousand MT a year earlier), with additional gains from Belarus and Poland. Under pre-programmed buying, firms adjust monthly shipments to price spreads and logistics, so purchases occur in steady tranches rather than one-time surges. Purchasing is program-based. Buyers place regular orders tied to feed-mill and formula production schedules and keep inventories low. Firms adjust monthly purchases to account for price spreads and logistics, which

helps smooth imports. Combined with stable swine capacity and ongoing food uses, this approach supports steady whey imports in 2026 and limits the risk of sharp swings. Contacts report that U.S. whey producers and Chinese buyers have split the cost of the additional tariffs that the Chinese government imposed on imports of U.S. agricultural products. The sheer size and quality of U.S. whey production complement the needs of China's massive swine herd whose slaughter fluctuates near 700 million head annually.

APPENDIX

Tariffs

The meeting between U.S. President Donald Trump and Chinese President Xi Jinping in South Korea on October 30, 2025, resulted in an economic and trade deal that lowered tariffs on many agricultural products, including dairy. On November 5, 2025, the State Council Tariff Commission (SCTC) announced the removal of the 10-15 percent tariffs imposed on 740 U.S. agricultural products (SCTC Announcement No. 9 of 2025), including dairy products, with an effective date of November 10, 2025 (see GAIN Report CH2025-0050). However, the 10 percent reciprocal tariffs on all products from the United States (SCTC Announcement No. 7 of 2025), including dairy products, remain in place. (See GAIN Report CH2025-0209) for additional information on the timeline China's tariffs on U.S. agricultural products.)

On February 18, 2020, the State Council Tariff Commission (SCTC) announced a tariff exclusion process for U.S. agricultural commodities impacted by Section 301 tariffs. Importers may apply for tariff exclusions, which are approved on a case-by-case basis. These exclusions do not automatically extend to all importers. Please refer to GAIN Report CH2020-0106 for more information on the exclusion process.

Industry sources report that the Ministry of Finance has extended the application period to request market-based exclusions from Section 301 tariffs to November 11, 2026, with approved applications set to expire after December 31, 2026. Exporters are encouraged to verify the tariff exclusion status with their importers. According to contacts it also appears that China's automatic tariff exclusions on whey for feed use (HS04041000, protein content by weight 2-7 percent and lactose content of 76-88 percent) expired on February 28, 2025. However, importers can still apply for exemptions on a case-by-case basis.

Dairy Facility Registration

U.S. dairy exporters should follow procedures for exporting to China as outlined by FDA for food products and USDA for feed products. For food products, please refer to GAIN Report CH2024-0070 on New USA-Based Registration Applications Under Decree 248, and for feed products, please refer to GAIN Report CH2025-0113 for guidance on facility registration with DAPQ.

U.S. dairy exporters interested in registering to export products to China can get additional information by emailing Decree248Inquiry@usda.gov (for Decree 248 inquiries) or HFPExportCertification@fda.hhs.gov (for dairy products for food use) or FASChinaDAPQRegistrations@usda.gov (for dairy products for feed use).

Table 6. China: Tariffs on U.S.-Origin Dairy Products

HS Code (8-digit)	Product Description	MFN Rate	Section 232	Section 301	SCTC Ann. No. 2, March 10, 2025	SCTC Ann. No. 7, May 13, 2025	Total Projected Tariff	Total Applied Tariff with 301 Exclusion
04011000	Milk & Cream,Fat≤1%, Not Concentrated Or Sweetened	15%		27.5%	0%	10%	52.5%	25.0%
04012000	Milk & Cream,1%	15%		27.5%	0%	10%	52.5%	25.0%
04014000	Milk & Cream,6%	15%		27.5%	0%	10%	52.5%	25.0%
04015000	Milk & Cream, Fat＞10%, Not Concentrated Or Sweetened	15%		27.5%	0%	10%	52.5%	25.0%
04021000	Milk & Cream In Solid Forms,Fat≤1.5%, Concentrated	10%		25.0%	0%	10%	45.0%	20.0%
04022100	Milk & Cream In Solid Forms Of>1.5% Fat, Concentra	10%		25.0%	0%	10%	45.0%	20.0%
04022900	Milk & Cream In Solid Forms Of>1.5% Fat, Concentra	10%		25.0%	0%	10%	45.0%	20.0%
04029100	Milk & Cream Not In Solid Form, Concentrated, Unsw	10%		25.0%	0%	10%	45.0%	20.0%
04029900	Milk & Cream Not In Solid Form, Concentrated, Sweetened	10%		25.0%	0%	10%	45.0%	20.0%
04032010	Yogurt containing only sugar, fruits, or nuts	10%		27.5%	0%	10%	47.5%	20.0%
04032090	Other yogurt	10%		25.0%	0%	10%	45.0%	20.0%
04039000	Buttermilk, Curdled/Fermented/Acidified Milk & Cream	20%		27.5%	0%	10%	57.5%	30.0%
04041000	Whey And Modified Whey	2%		25.0%		10%	37.0%	12.0%
04049000	Products Consisting Of Natural Milk Constituents,	20%		25.0%	0%	10%	55.0%	30.0%
04051000	Butter	10%		25.0%	0%	10%	45.0%	20.0%
04052000	Dairy Spreads	10%		25.0%	0%	10%	45.0%	20.0%

04059000	Other Fats & Oils Derived From Milk	10%		25.0%	0%	10%	45.0%	20.0%
04061000	Fresh Cheese, Incl. Whey Cheese, Curd	12%		27.5%	0%	10%	49.5%	22.0%
04062000	Grated Or Powdered Cheese	8%		27.5%	0%	10%	45.5%	18.0%
04063000	Processed Cheese, Not Grated Or Powdered	8%		27.5%	0%	10%	45.5%	18.0%
04064000	Blue-Veined Cheese, Other-Veined Cheese Prod. By P	8%		27.5%	0%	10%	45.5%	18.0%
04069000	Cheese, Nes	8%		27.5%	0%	10%	45.5%	18.0%

Attachments:

No Attachments