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Report Highlights:

Post forecasts that China's raw milk production will decline in 2025 due to continued reductions in dairy herd size, despite improved per-cow yields. Imports of fluid milk and skim milk powder are forecast to decline due to relatively strong domestic production and weak demand. Post forecasts that whole milk powder imports will increase modestly due to reduced domestic production. Cheese imports are expected to rise moderately on stronger food service demand. Butter imports will increase due to growth in the baking and food service sectors, although domestic production is also expanding. Whey imports are forecast to decline due to high tariffs on U.S. product and limited capacity of alternative suppliers, despite firm demand in the feed and infant formula sectors.

EXECUTIVE SUMMARY

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

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Fluid Milk: Post forecasts that fluid milk production will decline in 2025, as rising per-cow milk yields are insufficient to offset the continued contraction in dairy cow inventories. Fluid milk consumption is expected to decrease due to economic headwinds and weak consumer sentiment. Imports will decline as strong domestic output and growing pasteurized milk availability reduce demand for imported UHT milk.

Whole Milk Powder (WMP): Post forecasts that WMP production will decline in 2025 due to a tighter raw milk supply and continued financial pressure on processors. Post also forecasts that WMP consumption will decline as processors shift focus toward higher-margin products. To partially offset reduced domestic production, Post forecasts that WMP imports will increase modestly.

Skim Milk Powder (SMP): Post forecasts SMP production to rise in 2025, supported by higher butter output and favorable processing margins. SMP consumption will decline slightly due to weak demand in dairy-based beverages and food applications. Imports are expected to fall as domestic production increases and competitively priced alternatives such as raw milk and WMP become more widely used.

Cheese: Post forecasts cheese consumption to grow in 2025, primarily driven by strong demand from foodservice channels such as Western-style restaurants and fast food. Domestic cheese production will increase gradually, with growing investment in natural cheese capacity. Imports are forecast to rise modestly from higher demand.

Butter: Post forecasts butter production and consumption will both increase in 2025, supported by abundant raw milk supply and growing demand from bakery and foodservice segments, particularly in second- and third-tier cities. Imports will grow to meet rising demand, although strong early-year import volumes may normalize in the second half of 2025.

Whey and Whey Products: Post forecasts China's whey imports to decline in 2025 due to China's retaliatory tariffs on U.S. origin product even though feed and food sector demand, especially for infant formula, remains firm. Domestic production remains limited, and long-term supply risks persist.

FLUID MILK

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

Dairy, Milk, Fluid	2023		2024		2025	
Market Begin Year	Jan 2023		Jan 2024		Jan 2025	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Units: 1000 Head, 1000 MT
Cows In Milk	6600	6600	6600	6380	6500	6340
Cows Milk Production	41970	41970	43000	40790	43300	40600
Other Milk Production	980	930	950	840	970	900
Total Production	42950	42900	43950	41630	44270	41500
Other Imports	814	814	710	705	680	680
Total Imports	814	814	710	705	680	680
Total Supply	43764	43714	44660	42335	44950	42180
Other Exports	25	25	30	30	32	32
Total Exports	25	25	30	30	32	32
Fluid Use Dom. Consum.	16500	16500	17000	15700	17100	15600
Factory Use Consum.	27239	27189	27630	26605	27818	26548
Feed Use Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	43739	43689	44630	42305	44918	42148
Total Distribution	43764	43714	44660	42335	44950	42180

Note: Not Official USDA Data

PRODUCTION

Dairy Production in 2025 To Decline

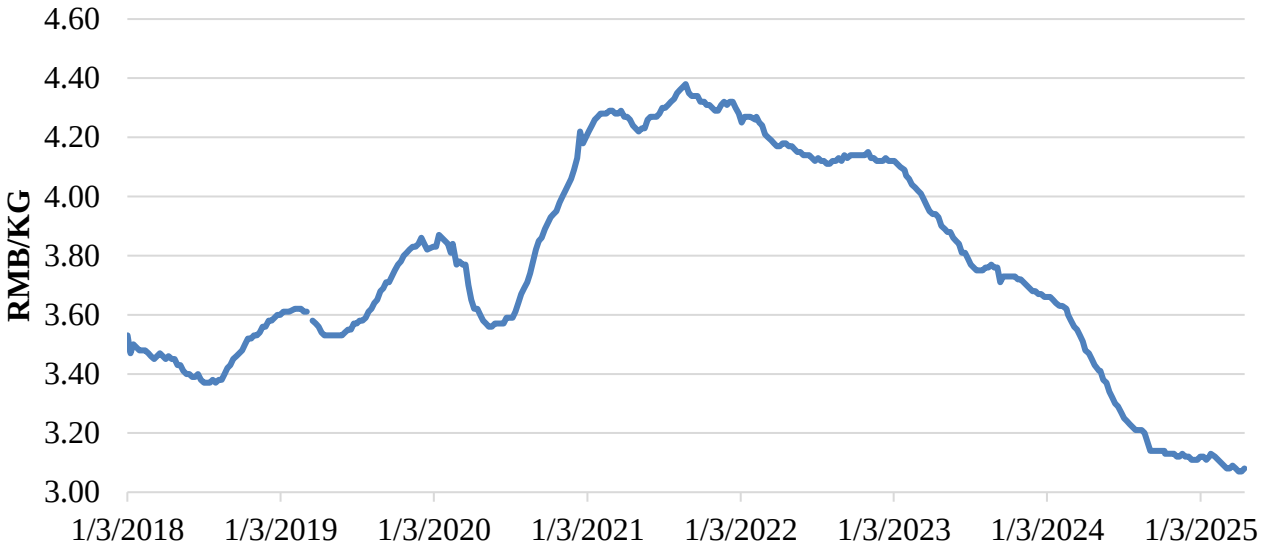
Post forecasts China's raw milk production will decline in 2025. Although average milk yields per cow will continue to improve, the decrease in total dairy cattle inventory will lead to an overall reduction in production. Post estimates that national milk output will fall due to continued financial stress in the sector and the exit of small and medium-sized farms. As Post forecasts a further contraction in the dairy cattle inventory in 2025, raw milk production is now expected to fall further than previously projected in the last annual report.

Herd Size to Shrink Further

Post forecasts total dairy cattle inventory will decline in 2025. Industry consolidation will continue, with large-scale farms expanding while smaller, independent farms exit the market. Post expects the growth of modern operations will not be fast enough to offset the overall reduction in herd size.

Post assesses that financial pressure remains the primary reason for herd contraction. According to industry data, over 90 percent of dairy farms reported losses in February 2025. Although feed costs—especially for corn and soybean meal—have eased slightly, they remain high relative to continuously depressed raw milk prices. Milk prices remain low in the first few months of 2025 (see Chart 1). Post notes that smaller farms, which lack economies of scale, receive lower milk prices and have limited capacity to absorb prolonged financial stress. As a result, Post forecasts more producers will downsize or exit the sector in 2025.

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



Source: Ministry of Agriculture and Rural Affairs (MARA)

Milk Yields Will Rise in 2025 Despite Long-Term Breeding Challenges

Post forecasts average milk yields per cow will increase in 2025, supported by improved herd management and continued technology adoption on large-scale farms. These gains reflect sustained investments made in prior years. However, Post assesses that rising yields will not be enough to offset the reduction in the total number of milking cows.

At the same time, Post believes long-term productivity growth may face headwinds due to ongoing challenges in breeding inputs. The recent halt in U.S. genetic supplies have limited China's access to quality genetics. While these issues are unlikely to affect yields in 2025, Post expects lack of access to quality genetics to hinder milk productivity beyond in the medium term.

[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 don't include prices paid to dealers.

2024 Milk Production Down as Herd Contracts Despite Yield Gains

Post revised its estimate for China's 2024 raw milk production. Production in 2024 is now assessed to have declined below 2023 levels. The primary reason for the decrease is a sharper-than-expected contraction of the dairy herd, as more small- and medium-sized farms exited the sector faster than previously anticipated in Post's last annual report. Although milk yields improved significantly in 2024, supported by herd genetic improvement and enhanced farm management practices, the main driver of higher yields was the culling of low-producing cows during the herd downsizing process. While yield gains partially offset the impact of a smaller herd, they were not sufficient to fully compensate for the reduction in cow numbers.

Other Milk Production Will Continue to Grow, Driven by Goat Milk

Goat milk remains the dominant component of China's Other Milk category, and production is expected to rise further in 2025. Most goat milk still comes from small-scale family farms, where consistent year-round supply is limited. However, market demand remains strong. Since late 2024, raw goat milk prices have continued to climb. Industry sources report that ex-factory prices for goat milk powder have risen by over 30 percent. In response, several major livestock companies have begun investing in large-scale, standardized goat dairies. In 2023, one company completed the country's largest single-site goat farm project with a planned capacity of 50,000 goats. In 2024, another group launched a demonstration farm in Shaanxi with a capacity of 1,000 goats.

CONSUMPTION

Fluid Milk Consumption To Decline in 2025

Post revised down its 2025 forecast for fluid milk consumption. Persistent economic headwinds and weak consumer sentiment will continue to put downward pressure on both fluid use and factory use. Although the government has introduced policies to stimulate consumption and support family growth, Post expects the short-term impact on milk demand remains limited.

Post forecasts fluid use to fall in 2025. UHT milk remains the dominant product, especially in first-tier cities, followed by pasteurized milk, yogurt, and flavored milk beverages. However, high retail prices—four to six times the cost of fluid milk—continue to dampen demand, particularly in lower-tier cities under the current slow economy. Market saturation in major urban areas and slow consumer habit formation in rural markets further constrain growth.

Post also forecasts factory use of fluid milk to be lower. Surplus milk will primarily be used to produce WMP and SMP. Production of other dairy products—such as cheese and butter—remains limited due to weak market demand and low profitability.

Policy Support and Birth Rate Recovery May Encourage Dairy Consumption, But Economic Pressure Will Limit Gains

Recent government policies aim to stimulate household spending and improve long-term nutrition. For example, in March 2025, China's central government issued a "Special Action Plan to Boost

Consumption," (see GAIN report CH2025-0081) which includes 30 measures such as wage increases, childcare subsidies, and expanded eldercare support. Post expects these measures — particularly childcare subsidies — to stimulate overall consumer spending by easing the financial burden on households with children. Increased disposable income, particularly among low- and middle-income families, may lead to greater demand for essential goods, including dairy products such as infant formula, children's yogurt, and liquid milk, given the close association between dairy consumption and child nutrition. Another example is Hohhot's, a large municipality, local policy. It offers up to U.S. $13,850 (RMB 100,000) in subsidies for third-child families, which signals stronger central and local government efforts to support fertility and consumption.

In addition, the birth rate showed signs of recovery in 2024, increasing by 520,000 year-on-year to 9.5 million. This ended a four-year decline and partially revived demand for infant-related products. Post anticipates that these trends may contribute to moderate growth in the infant formula and food-grade whey powder segments.

Separately, in March 2025, the Ministry of Agriculture and Rural Affairs released the "National Food and Nutrition Development Plan (2025–2030)," which sets a target of 47 kilograms per capita dairy consumption by 2030. This is an increase from the previous plan's target of 36 kilograms by 2020, reflecting stronger government efforts to encourage dairy intake. The plan also supports the expansion of pasteurized and dry dairy product markets, standardization of milk labeling, and broader coverage of school milk programs. In line with these objectives, China's School Milk Program continued to play a pivotal role in promoting dairy consumption among students in 2025. The program's sustained implementation, particularly its efforts to expand access and encourage daily milk intake among school-aged children, is viewed as a key measure supporting the government's broader strategy to achieve the 2030 dairy consumption target.

However, Post assesses that these positive drivers will be insufficient to reverse the overall decline in raw milk consumption in 2025. China's Economic slowdown remains the key factor limiting household purchasing power and retail dairy sales. For example, in 2022, China's economic growth slowed to 3.0 percent from 8.1 percent in 2021, marking one of the weakest performances in decades. During the same period, national per capita dairy consumption, measured in liquid milk equivalents, declined from 14.4 kilograms to 12.4 kilograms, highlighting the sensitivity of dairy demand to broader economic conditions. As a result, fluid and industrial use of raw milk are both expected to fall despite policy efforts.

TRADE

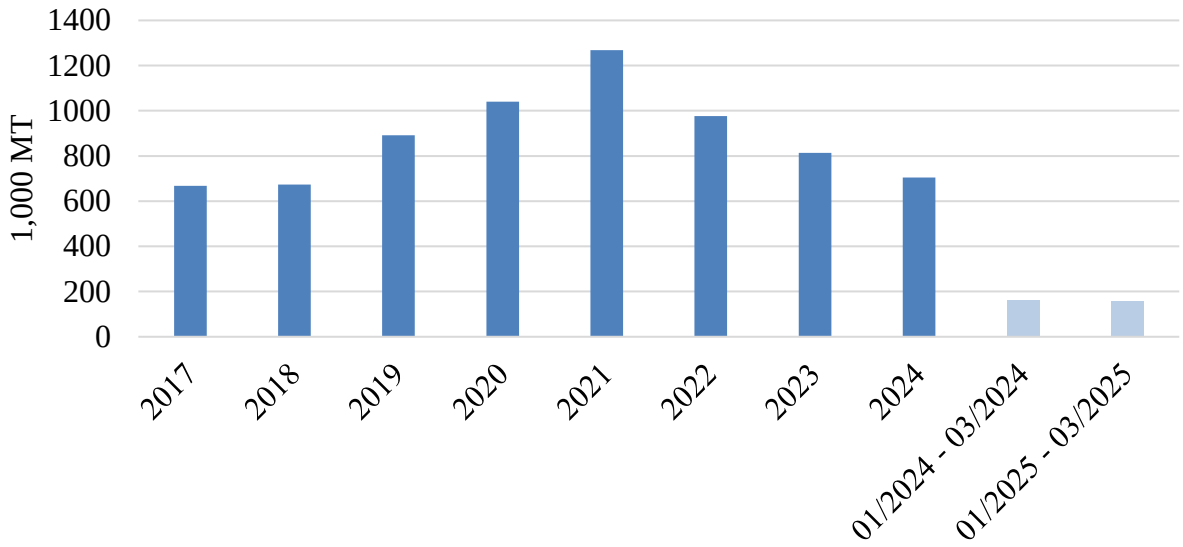
China's Fluid Milk Imports to Decline in 2025

Post revised its 2025 fluid milk import forecast, now projecting a decline in imports. This decrease is primarily driven by weak overall market demand and the growth of domestic pasteurized milk production. Consumer preference for fresh, fluid milk, urbanization, and improvements in cold chain infrastructure have supported the steady expansion of pasteurized milk output. Local governments are also actively promoting fresh milk consumption and strengthening dairy quality standards, further boosting domestic production.

However, Post assesses that the impact of rising pasteurized milk production on fluid milk imports—particularly UHT milk—remains limited. Despite recent gains, pasteurized milk production is still relatively small and constrained by its short shelf life (typically around seven days), which limits distribution largely to urban centers with robust cold chain logistics. In contrast, imported UHT milk—shelf-stable for over six months—remains well-suited for distribution to rural and lower-tier markets. These two milk types serve distinct consumer segments and supply chains. As a result, while domestic pasteurized milk is reducing some import demand, UHT imports continue to fulfill demand in areas where fresh milk is less accessible, particularly in the premium and convenience-oriented categories.

In the first three months of 2025, China's fluid milk imports declined slightly (see Chart 2) mainly due to slow market demand. New Zealand and Germany continue to lead as China's top fluid milk suppliers. U.S. dairy products are known for high quality and consistent supply. However, pricing remains less competitive than products from New Zealand and Australia, which benefit from free trade agreements. In addition, Post learned that inspections for U.S. dairy shipments at some ports recently have intensified. Sampling rates can reach 100 percent. For these reasons, volume of milk imported from the United States remains negligible.

Chart 2. China: Imports of Fluid Milk



Source: Trade Data Monitor, LLC

Due to high additional tariffs on U.S. agricultural products, many dairy import orders were recently canceled. In response, shipping companies cut the number of sailings and reduced container availability. Some contacts anticipate that shipping costs could rise following the temporary removal of additional tariffs on May 12, which may stimulate renewed purchasing activity. However, traders emphasize that even if freight rates increase, shipping costs remain a secondary concern compared to tariff changes and regulatory risks.

WHOLE MILK POWDER

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

Dairy, Dry Whole Milk Powder	2023		2024		2025	
Market Begin Year	Jan 2023		Jan 2024		Jan 2025	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Units: 1000 MT
Beginning Stocks	150	150	175	175	190	145
Production	1200	1200	1240	1170	1270	1140
Other Imports	430	430	380	409	360	420
Total Imports	430	430	380	409	360	420
Total Supply	1780	1780	1795	1754	1820	1705
Other Exports	11	11	15	21	17	40
Total Exports	11	11	15	21	17	40
Human Dom. Consumption	1594	1594	1590	1588	1610	1535
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1594	1594	1590	1588	1610	1535
Total Use	1605	1605	1605	1609	1627	1575
Ending Stocks	175	175	190	145	193	130
Total Distribution	1780	1780	1795	1754	1820	1705

Note: Not Official USDA Data

PRODUCTION

Post revised its forecasts for WMP production to decline in 2025, driven by reduced raw milk availability. The decrease in raw milk supply will limit processors' ability to divert excess milk into WMP production. Domestic processors typically turn to WMP production when raw milk supply exceeds demand, as WMP has a longer shelf life. However, producing WMP often results in financial losses due to market prices remaining below production costs. As a result, processors are reducing WMP output, especially when raw milk becomes more valuable for direct use in dairy products.

In 2025, to ease the financial pressure on dairy processors caused by persistently low raw milk prices, several provincial governments continue implementing subsidy programs for WMP production. According to local news sources, major dairy-producing regions, such as Inner Mongolia and Shanxi, have confirmed the extension of WMP production subsidies into 2025, encouraging processors to convert seasonally surplus raw milk into WMP. These subsidies, incorporated into local dairy revitalization and relief frameworks, serve as a key policy tool to stabilize milk utilization and ensure consistent dairy supply.

CONSUMPTION

Post revised downward its 2025 forecast for WMP consumption, now anticipating a year-on-year decline. Although WMP continues to play a role in certain dairy applications, overall consumption is expected to weaken due to a combination of economic and structural factors. China's slow economic recovery is weighing on both consumer spending and industrial demand, particularly in cost-sensitive segments such as food service and low-end dairy manufacturing. While infant formula production may experience a slight uptick supported by marginally higher birth rates and pro-natalist policies, this growth is not sufficient to offset softness in other end-use sectors such as confectionery and ice cream sectors.

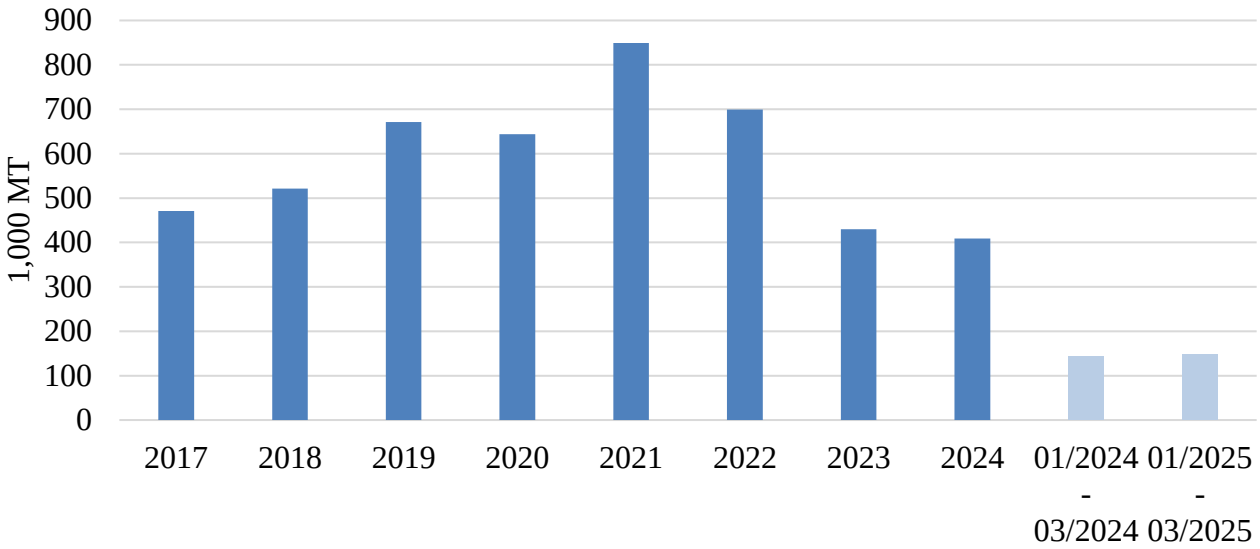
More importantly, the relationship between WMP consumption and domestic raw milk supply has become a key constraint. In prior years, WMP served as a buffer product: processors converted excess raw milk into powder to extend shelf life and manage seasonal oversupply. That WMP was later reconstituted for UHT milk or used in recombined dairy production. However, in 2025, raw milk availability has tightened. As a result, processors are prioritizing the use of fluid milk in higher-margin products rather than diverting supply to WMP production. With less WMP being produced, overall consumption—especially in processor-driven channels—is expected to decline.

TRADE

Post revised its forecast and expects China’s WMP imports to increase in 2025 due to a decline in domestic production. While competitively priced domestic WMP will remain an option for cost-sensitive manufacturers, supply will be insufficient to meet total demand. In 2024, more food processors shifted toward domestic WMP due to its lower cost. However, industry contacts report that processors continue to prefer imported WMP for its consistent quality and standardized nutritional content, particularly for high-value products. As a result, imports are expected to rebound when domestic WMP availability declines.

In early 2025, WMP imports increased year-over-year (see Chart 3) while industry sources indicate inventory levels for imported WMP remain modest. New Zealand remained the top supplier. The elimination of tariff-rate quotas (TRQs) on New Zealand dairy products starting January 1, 2024 (see Report), reduced the need for front-loaded purchasing in Q1. Post forecasts China’s imports to remain strong for the remainder of 2025.

Chart 3. China: Imports of WMP



Source: Trade Data Monitor, LLC

SKIM MILK POWDER

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

Dairy, Milk, Nonfat Dry	2023		2024		2025	
Market Begin Year	Jan 2023		Jan 2024		Jan 2025	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Units: 1000 MT
Beginning Stocks	0	0	0	0	0	0
Production	30	30	51	51	55	56
Other Imports	344	344	230	229	200	220
Total Imports	344	344	230	229	200	220
Total Supply	374	374	281	280	255	276
Other Exports	3	3	1	2	1	3
Total Exports	3	3	1	2	1	3
Human Dom. Consumption	371	371	280	278	254	273
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	371	371	280	278	254	273
Total Use	374	374	281	280	255	276
Ending Stocks	0	0	0	0	0	0
Total Distribution	374	374	281	280	255	276

Note: Not Official USDA Data

PRODUCTION

Post maintains its forecasts on higher SMP production in 2025, driven by increasing butter output and strong processing incentives. As Post forecasts butter production to grow in 2025 (see Butter Production section), SMP production—as a by-product of butter manufacturing—is also expected to rise. Butter manufacturing also expanded in 2024, contributing to the year's higher SMP output.

Industry sources indicated that domestic dairy processors are actively producing SMP alongside butter and other cream-based products. This model—producing SMP and butter/cream products in tandem—has become increasingly profitable, encouraging more processors to adopt it. Large dairy companies continue to process SMP for internal use, with much of the value derived from selling the separated milkfat components.

CONSUMPTION

Post forecasts SMP consumption to decline slightly in 2025, driven by ingredient substitution and weakening demand in key product categories. SMP is commonly used in dairy beverages, ice cream, and processed foods such as baked goods. In many of these applications, SMP and WMP are interchangeable. With WMP and raw milk offering more cost-effective alternatives, processors increasingly favor these inputs over SMP in interchangeable formulations.

Economic uncertainty is also expected to dampen demand for products considered non-essential, such as snack foods and sweetened dairy beverages. Sales of dairy-based drinks, yogurt beverages, and ice cream—significant users of SMP—are likely to contract in 2025, further weighing on SMP demand.

Infant formula production is projected to experience modest growth, supported by a 5.8 percent increase in China's birth population in 2024 and pro-consumption measures introduced 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. This initiative includes over 30 policy items to raise household disposable income, with specific focus on childcare subsidies and maternity service improvements. This is the main reason why, although SMP consumption is estimated to decline slightly year-on-year in 2025, the consumption level projected in this report is higher than the forecast made in Post's last annual report.

However, high-end formula production primarily utilizes domestic fresh milk, with limited reliance on imported SMP. As such, the increase in infant formula output will only marginally offset the broader decline in SMP usage.

Despite overall headwinds, niche segments such as milk tea continue to provide pockets of growth. After a slowdown in 2024, milk tea consumption is expected to expand in 2025, especially in second- and third-tier markets as evidenced by public listings of major milk tea brands that are attracting increased investor and industry attention.

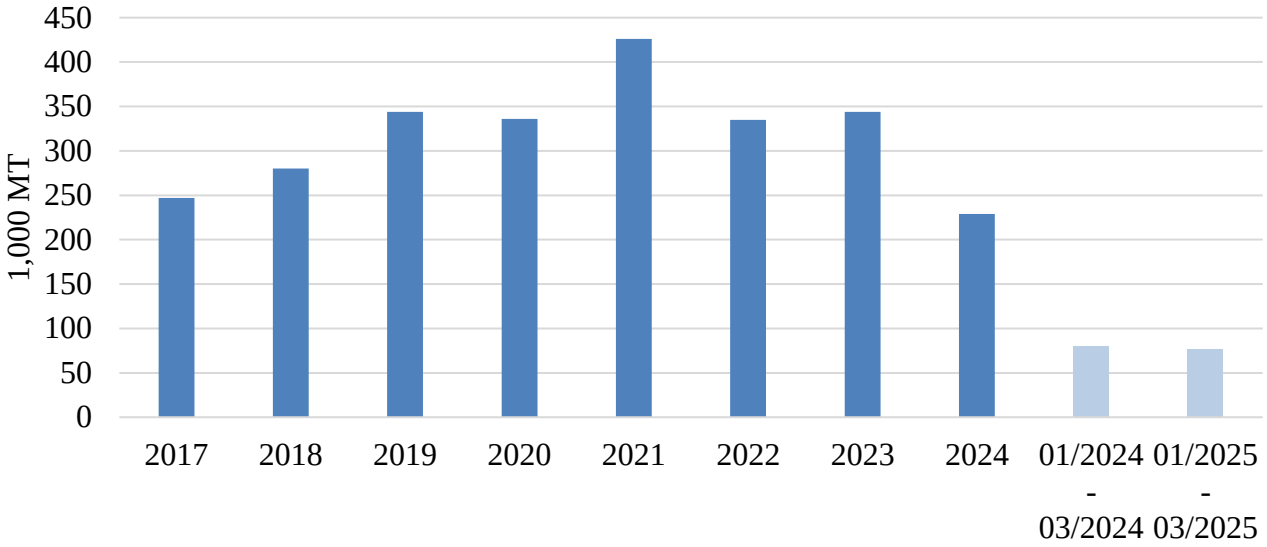
TRADE

Post maintains its forecast that SMP imports will decline in 2025, driven by a combination of weak domestic demand, increased local production, and the availability of competitively priced domestic substitutes.

Dairy processors are increasingly relying on domestically produced SMP, WMP, and raw milk, reducing the need for imported SMP. Industry sources report a widening price gap between imported SMP and domestic dairy powders, further incentivizing the use of local alternatives. Domestic consumption of both SMP and WMP remains tepid, limiting the pace of stock turnover and suppressing restocking activity.

In the first quarter of 2025, SMP imports dropped modestly (see Chart 4), reflecting both supply-side substitution and demand-side weakness. Despite a projected seasonal uptick in dairy demand during the second half of the year—driven by national holidays and school reopening—this is unlikely to offset the weak import performance in the first half. As a result, full-year SMP imports are forecast to decline on a year-over-year basis.

Chart 4. China: SMP Imports



Source: Trade Data Monitor, LLC

Nonetheless, imported SMP will continue to serve a niche market for premium and specialty applications, such as infant formula and functional foods. New Zealand remains China's dominant SMP supplier, accounting for nearly 70 percent of imports in the first three months of 2025, followed by Australia. Although SMP imports are estimated to decline in 2025, the projected import volume in this report is higher than the forecast made in Post's last annual report, primarily due to stronger demand from the infant formula sector (see the Consumption section for details).

SMP Exports Will Increase in 2025

Post forecasts that China's miniscule SMP exports will increase in 2025. This is driven by rising domestic SMP production and sustained low raw milk prices, which improve the competitiveness of Chinese SMP in international markets.

CHEESE

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

Dairy, Cheese	2023		2024		2025	
Market Begin Year	Jan 2023		Jan 2024		Jan 2025	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Units: 1000 MT
Beginning Stocks	0	0	0	0	0	0
Production	25	25	28	28	30	30
Other Imports	178	178	175	173	180	178
Total Imports	178	178	175	173	180	178
Total Supply	203	203	203	201	210	208
Other Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
Human Dom. Consumption	203	203	203	201	210	208
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	203	203	203	201	210	208
Total Use	203	203	203	201	210	208
Ending Stocks	0	0	0	0	0	0
Total Distribution	203	203	203	201	210	208

Note: Not Official USDA Data

PRODUCTION

Post maintains its forecast that domestic cheese production will continue to grow in 2025, supported by low raw milk prices, rising consumer demand, and favorable government policies. While processed cheese still dominates the Chinese market—primarily due to its mild taste and affordability—natural cheese production is gradually expanding. Rising health awareness and a growing interest in higher-quality dairy are driving increased demand for natural cheese varieties. Industry sources note that cream cheese is among the fastest growing segments, supported by growing use in home baking, foodservice, and health-focused retail channels.

As part of broader efforts to develop value-added dairy, more Chinese processors are beginning to invest in domestic natural cheese capacity. Several new production facilities have opened or expanded in various regions, especially in Western and Eastern China. Though company-level developments are not individually significant, their cumulative effect suggests a growing domestic capacity pipeline.

Meanwhile, regional governments have also prioritized cheese in their dairy development plans. For example, western provinces have included natural cheese production in large-scale dairy cluster initiatives, to reduce reliance on fluid milk and increase the proportion of dry dairy products. These policies are aligned with the central government's "Three-Year Action Plan for Cheese Innovation and Dairy Competitiveness."

Natural cheese production is also increasingly viewed as a strategic segment in China's dairy sector. Domestic producers aim to develop products more tailored to Chinese tastes while leveraging imported technologies and expertise. Post expects these trends to continue supporting moderate but sustained growth in natural cheese production in 2025.

CONSUMPTION

Post forecasts that China's cheese consumption will continue to grow in 2025, primarily fueled by the foodservice sector. Currently, approximately 70 percent of cheese consumption occurs in hotels, restaurants, and institutional (HRI) channels. Demand from Western-style restaurants, pizza chains, and Chinese-style quick-service restaurants remains robust. Mozzarella, cream cheese, and cheddar continue to be the most used varieties, with foodservice operators increasingly exploring new applications such as fusion menus and regional dishes to differentiate offerings.

While foodservice demand remains strong, retail consumption faces continued headwinds. Following a peak around 2018–2021 driven by the popularity of children's cheese snacks, retail sales have since softened. In the first half of 2024, retail cheese sales by both value and volume experienced a significant year-on-year decline. Despite efforts by manufacturers to adjust pricing and invest in marketing campaigns, the overall retail recovery remains limited. Economic pressures have further intensified competition across the food processing and HRI sectors, prompting operators to prioritize more affordable, value-oriented cheese options.

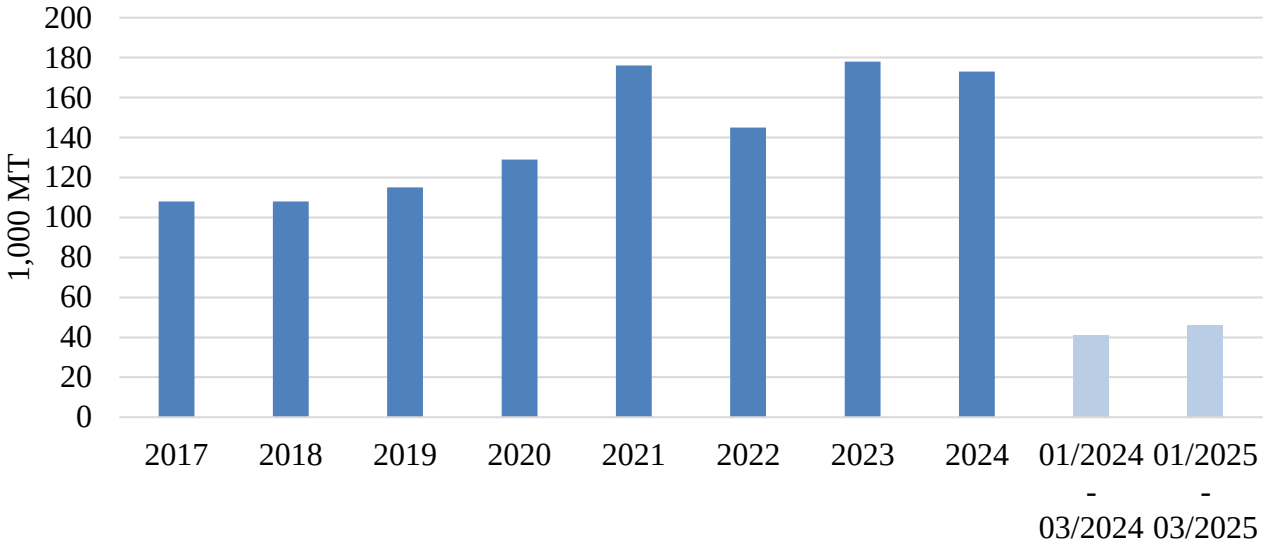
Nevertheless, some retail cheese categories continue to perform well. Processed cheese for home cooking, cheese snacks designed for adults, and baking applications retain a stable consumer base. Cheese snacks, such as snackable cheese cubes, individually wrapped processed portions, and flavored cheese sticks, are increasingly popular among fitness-conscious and younger consumers. Additionally, retail buyers show a growing preference for cheese products with simplified ingredient lists, and labels highlighting claims such as "low-fat," "organic," or "high protein," are particularly effective in attracting consumer attention.

Post anticipates that sustained growth in the commercial foodservice sector will more than offset retail channel weakness. As a result, total cheese consumption in 2025 is projected to rise, driven by continued innovation, stable foodservice demand, and selective success in new retail formats.

TRADE

Post has revised its forecast and now expects China's cheese imports to increase moderately in 2025, supported by continued growth in domestic consumption, particularly from the foodservice sector. Early trade data from January to March 2025 indicates a year-on-year rise in cheese import volumes (see Chart 5), reflecting renewed confidence among importers and strengthening market demand.

Chart 5. China: Imports of Cheese



Source: Trade Data Monitor, LLC

The food service sector remains the primary driver of import demand. Stable demand from pizza chains, Western-style restaurants, and quick-service operators, coupled with innovation in fusion and regional cuisine, is expected to sustain commercial cheese usage. Retail cheese consumption, although facing challenges, also supports import demand in specific segments, such as adult-oriented cheese snacks, processed cheese for home cooking, and baking applications.

The cheese import market remains concentrated, with New Zealand continuing as China's dominant supplier, followed by Australia. Imports from the United States, which historically ranked third, are forecast to decline sharply in 2025 due to retaliatory tariffs imposed by China's Government on U.S. dairy products. In 2024, China's cheese imports from the United States declined partially due to a major food service group's decision to scale back usage of U.S. cheese in favor of more stable and competitively priced alternatives. Despite this decline, the relatively small share of U.S. cheese in China's total import volume limits the broader market impact.

Some importers anticipate increased opportunities in retail channels, driven by heightened health awareness among consumers and the growing appeal of established foreign cheese brands. Effective brand promotion over recent years has helped select imported products gain traction in China's retail market. These efforts, combined with evolving consumer preferences for high-protein and convenient cheese snacks, are contributing to a broader based demand profile.

Overall, Post expects China's cheese imports to grow in 2025, underpinned by robust foodservice demand and selected gains in retail categories, despite shifts in supplier composition and continued trade tensions with the United States.

BUTTER

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

Dairy, Butter	2023		2024		2025	
Market Begin Year	Jan 2023		Jan 2024		Jan 2025	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Units: 1000 MT
Beginning Stocks	0	0	0	0	0	0
Production	110	17	115	30	120	33
Other Imports	140	140	135	144	145	180
Total Imports	140	140	135	144	145	180
Total Supply	250	157	250	174	265	213
Other Exports	2	2	2	3	2	8
Total Exports	2	2	2	3	2	8
Domestic Consumption	248	155	248	171	263	205
Total Use	250	157	250	171	265	205
Ending Stocks	0	0	0	0	0	0
Total Distribution	250	157	250	174	265	213

Note: Not Official USDA Data

PRODUCTION

Post maintains its forecast for continued growth in China's domestic butter production in 2025, driven by strong market returns and a positive industry outlook. Industry sources report that ongoing abundance of raw milk and persistently low milk prices have made butter production increasingly profitable, prompting some domestic dairy processors to expand output.

Several dairy companies are investing in new or expanded butter processing capacity, signaling long-term confidence in the growth of domestic butter consumption. While imported butter continues to dominate premium segments in first-tier cities due to established branding and perceived quality advantages, domestic butter products are gaining ground in second- and third-tier cities. These markets, previously underserved by both domestic and imported butter, are experiencing expansion particularly in the food service sector.

The rising interest in baking and culinary applications beyond urban centers has further fueled domestic butter consumption. This growing demand, combined with favorable input costs and strategic investments by local producers, is expected to support sustained growth in China's domestic butter production through 2025.

CONSUMPTION

Post maintains its forecast for continued growth in China's butter consumption in 2025 but revised growth higher. Although butter is not traditionally used in Chinese cuisine, it has gained increasing

acceptance among consumers through its incorporation in baked goods, Western-style dishes, and innovative fusion cuisine that blends Chinese and Western elements. In addition, butter is being used more frequently in value-added dairy products such as ice cream, and dairy beverages.

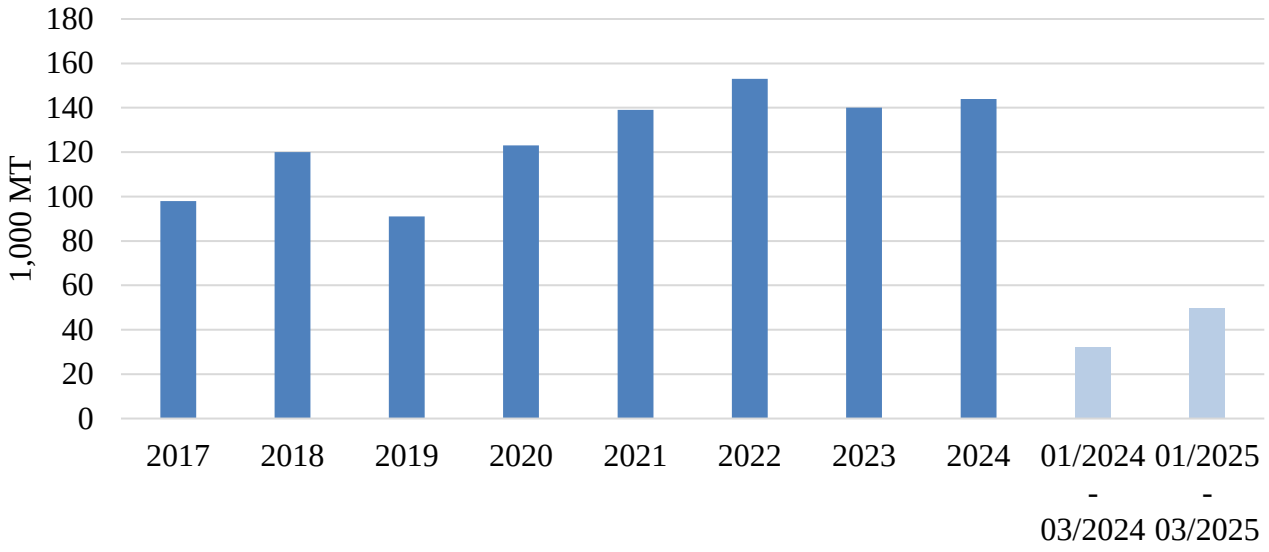
Despite ongoing economic challenges and rising unemployment, the food service sector continues to show strong growth potential for butter usage. Industry sources highlight emerging demand in second- and third-tier cities, where bakery chains, tea shops, and restaurants are driving butter usage in an expanding range of menu offerings. These lower-tier markets, previously underdeveloped in terms of butter consumption, are attracting greater attention from both domestic and international suppliers.

Lower-priced imported butter and competitively priced domestic butter are both expanding their reach in these regions. Domestic butter, in particular, benefits from cost advantages and improved distribution, enabling it to compete effectively in regional foodservice applications. The growth in consumer demand for coffee and milk tea that is often consumed with baked snacks is also contributing to rising butter usage in the commercial sector.

TRADE

Post forecasts China's butter imports to grow quickly in 2025. The new estimate indicates a sizable increase compared to the forecast in Post's last annual report, driven by expanding demand from the baking and food service sectors. Although domestic production continues to rise, imported butter remains well-received in the market due to quality differentiation and brand preference, especially in high-end and specialty applications. In the first quarter of 2025, butter imports continued to increase (see Chart 6), underscoring solid underlying market capacity and sustained commercial interest.

Chart 6. China: Imports of Butter



Source: Trade Data Monitor, LLC

New Zealand continues to dominate China’s butter import market in 2025. Industry sources indicate that additional supply from New Zealand is expected in later 2025, as a major dairy processor plans to begin exporting butter to China. This expansion reflects improved global returns on butter and SMP and further solidifies New Zealand’s role as a primary supplier.

Butter import volumes increased sharply during the first quarter of 2025, driven in part by short-term purchasing behavior, as importers sought to secure supply ahead of anticipated price increases. Seasonal demand from restaurants, cafés, and dessert chains also contributed to early growth. However, Post assesses this early surge as temporary, with full-year import growth expected to normalize at a more moderate pace.

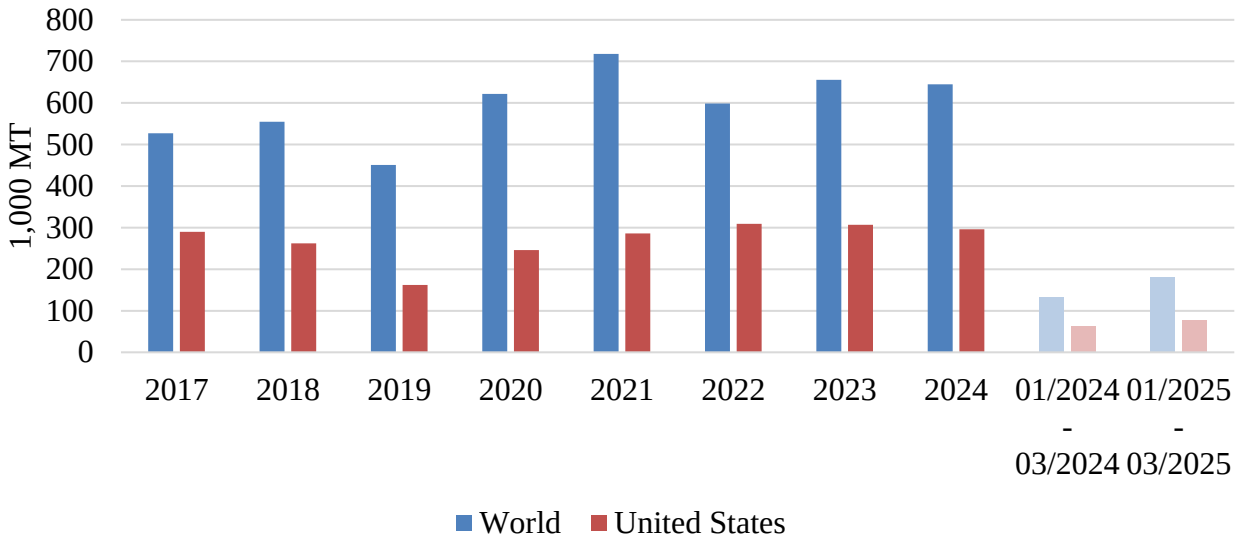
On the export side, China’s butter exports grew significantly in 2024, tripling year-on-year from a relatively low base. Post expects this upward trend to continue in 2025. Low domestic raw milk prices have made Chinese-produced butter increasingly cost-competitive in price-sensitive markets across Asia. The emergence of new domestic butter processing lines is further enhancing China’s export capacity.

WHEY AND WHEY PRODUCTS

Post forecasts that China's whey imports will decline in 2025, primarily due to fluctuations in tariffs on U.S.-origin products. Although demand in both the food and feed sectors remains strong, importer concerns over retaliatory tariffs continue to limit the competitiveness of U.S. whey, which previously accounted for approximately half of China's total imports. Some buyers have shifted sourcing to Eastern European suppliers; however, these alternative suppliers lack sufficient capacity to fully replace U.S. volumes.

Whey import volumes rose sharply during the first three months of 2025 (see Chart 7), driven by front-loaded purchases and seasonal feed demand. Nonetheless, Post maintains its full-year forecast for a decline in total whey imports, as ongoing tariff uncertainty is expected to weigh on the market for the remainder of the year.

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



Source: Trade Data Monitor, LLC

China's domestic whey production remains limited. A recent investment by a major dairy processor established a demineralized whey powder production line with a designed annual capacity of 6,000 metric tons (MT). While this represents a positive step toward localizing production, the scale remains insufficient to meaningfully reduce import dependence in the near term. China's whey processing industry faces multiple constraints, including reliance on imported core processing equipment and low technological self-sufficiency. Industry sources indicate, unlike major global producers that generate whey powder from cheese-making byproducts, most Chinese manufacturers produce whey from fresh milk, resulting in different physical properties, such as solubility, and limiting compatibility with international product specifications. In short, China's demand for whey to feed the world's largest swine herd far outweighs domestic cheese consumption and production.

Demand-side fundamentals remain strong. In the feed sector, moderate growth is expected due to a recovery in piglet inventories, as whey powder remains an inelastic component of young animal feed. In the food sector, applications in infant formula, dairy beverages, and sports nutrition continue to expand.

Notably, whey protein concentrate (WPC) is already in use domestically, although relevant national standards are still under development. For infant formula, whey is especially critical. First-stage formula typically contains up to one-third whey powder by weight. This high formulation demand further underscores the strategic importance of a stable supply.

Government policies, such as childcare subsidies introduced in early 2025 (see GAIN report CH2025-0081), are intended to boost household consumption and may provide indirect support to dairy demand, including whey-based products. However, Post believes that strong demand will not be sufficient to offset structural supply-side constraints. Import tariffs and price volatility remain major risks. During previous tariff rounds, importers and U.S. exporters jointly absorbed tariff costs to maintain the flow of U.S. whey into China—a practice that may be less sustainable at current rates.

Given its essential role in livestock nutrition and infant nutrition manufacturing, China's whey market will remain heavily reliant on imports. Without substantial improvements in domestic production capacity and processing technology, further restrictions on U.S. supply or global price increases could place significant pressure on China's livestock and dairy processing sectors in 2025 and beyond.

APPENDIX

Retaliatory Tariffs

The PRC maintains retaliatory Section 301 tariffs on most U.S. dairy products. In December 2023, the PRC extended tariff exclusions on whey for feed use (HS04041000, protein content by weight 2-7 percent and lactose content of 76-88 percent) through February 28, 2025 (See CH2024-0095 GAIN Report). After the automatic tariff exclusions expired, importers can still apply for exemptions on a case-by-case basis.

On February 18, 2020, the State Council Tariff Commission (SCTC) announced a tariff exclusion process for U.S. agricultural commodities impacted by Section 301 retaliatory tariffs levied by the PRC. 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.

On March 4, 2025, SCTC announced that China will impose retaliatory tariffs on U.S. agricultural products. According to the SCTC announcement, the duties would apply to anything not shipped out of the United States by March 10 and that had not arrived in China by April 12. A 10-percent tariff will be applied to dairy products. Please refer to GAIN Report CH2025-0050 for more information.

On April 11, 2025, SCTC announced that China will impose additional retaliatory tariffs on all U.S. goods including dairy products. According to SCTC 2025 Announcement No. 6, the retaliatory duties would be increased to 125 percent on top of the current applicable tariff basis. Please refer to GAIN Report CH2025-0079 for more information. On May 12, 2025, the United States and China agreed to lower the reciprocal tariffs announced since April 2 to 10 percent. Please refer to GAIN Report CH2025-0111 for more information.

Dairy Facility Registration

U.S. dairy exporters should follow procedures for exporting to China as outlined by the relevant U.S. competent authority - FDA. Please refer to GAIN Report CH2024-0070 on New USA-Based Registration Applications Under Decree 248 and GAIN Report CH2025-0113 for guidance on facility registration with Chinese Customs.

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 Retaliation	Section 301 Retaliation	SCTC Ann. No. 2	MOFCOM May 12 Statement	Total Applied Tariff	Total Applied Tariff with 301 Exclusion
04011000	Milk & Cream,Fat≤1%, Not Concentrated Or Sweetened	15%		27.5%	10%	10%	62.5%	35.0%
04012000	Milk & Cream,1%	15%		27.5%	10%	10%	62.5%	35.0%
04014000	Milk & Cream,6%	15%		27.5%	10%	10%	62.5%	35.0%
04015000	Milk & Cream, Fat＞10%, Not Concentrated Or Sweetened	15%		27.5%	10%	10%	62.5%	35.0%
04021000	Milk & Cream In Solid Forms,Fat≤1.5%, Concentrated	10%		25.0%	10%	10%	55.0%	30.0%
04022100	Milk & Cream In Solid Forms Of>1.5% Fat, Concentra	10%		25.0%	10%	10%	55.0%	30.0%
04022900	Milk & Cream In Solid Forms Of>1.5% Fat, Concentra	10%		25.0%	10%	10%	55.0%	30.0%
04029100	Milk & Cream Not In Solid Form, Concentrated, Unsw	10%		25.0%	10%	10%	55.0%	30.0%
04029900	Milk & Cream Not In Solid Form, Concentrated, Sweetened	10%		25.0%	10%	10%	55.0%	30.0%
04032010	Yogurt containing only sugar, fruits, or nuts	10%		27.5%	10%	10%	57.5%	30.0%
04032090	Other yogurt	10%		25.0%	10%	10%	55.0%	30.0%
04039000	Buttermilk, Curdled/Fermented/Acidified Milk & Cream	20%		27.5%	10%	10%	67.5%	40.0%
04041000	Whey And Modified Whey	2%		25.0%		10%	37.0%	12.0%

04049000	Products Consisting Of Natural Milk Constituents,	20%		25.0%	10%	10%	65.0%	40.0%
04051000	Butter	10%		25.0%	10%	10%	55.0%	30.0%
04052000	Dairy Spreads	10%		25.0%	10%	10%	55.0%	30.0%
04059000	Other Fats & Oils Derived From Milk	10%		25.0%	10%	10%	55.0%	30.0%
04061000	Fresh Cheese, Incl. Whey Cheese, Curd	12%		27.5%	10%	10%	59.5%	32.0%
04062000	Grated Or Powdered Cheese	8%		27.5%	10%	10%	55.5%	28.0%
04063000	Processed Cheese, Not Grated Or Powdered	8%		27.5%	10%	10%	55.5%	28.0%
04064000	Blue-Veined Cheese, Other-Veined Cheese Prod. By P	8%		27.5%	10%	10%	55.5%	28.0%
04069000	Cheese, Nes	8%		27.5%	10%	10%	55.5%	28.0%

*****SCTC enumerated Milk & Cream in Solid Form (HS04021000) and Whey for Feed Use (HS0404100), among other products, in the February 18, 2020, announcement.
****** SCTC previously announced a tariff exclusion for whey for feed use (HS04041000), among other products, effective through February 28, 2025 (see GAIN Report CH2024-0095). As of early May 2025, SCTC has not issued a further notice extending this exclusion beyond the expiration date. However, under the tariff exclusion process introduced on February 18, 2020, importers may continue to apply for exemptions from Section 301 retaliatory tariffs on a case-by-case basis. This mechanism remains available for whey and other eligible U.S. agricultural products.

Attachments:

No Attachments