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Report Highlights:

China’s milk production will increase in 2027 as higher yields more than offset a modest decline in cows in milk. Fluid milk consumption will increase slightly as growth in chilled milk slightly outweighs weaker shelf-stable milk demand. Post forecasts WMP production and consumption to decline, while SMP production and consumption increase. Butter and cheese consumption will continue growing, supported in part by demand from bakery and foodservice applications. Post forecasts lower fluid milk, WMP, and SMP imports, while butter and cheese imports increase. China will remain dependent on imported whey products, with high prices putting pressure on feed use.

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

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.

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

Fluid Milk: Post forecasts milk production to increase in 2027 as higher yields more than offset a modest decline in cows in milk. Total domestic consumption will increase, driven primarily by higher factory use to make cheese, butter, cream, and other dairy products. Fluid use will increase slightly as growth in chilled milk consumption outweighs weaker demand for shelf-stable milk. Imports will decline modestly as consumers increasingly favor locally produced chilled milk over imported shelf-stable milk.

Whole Milk Powder (WMP): Post forecasts WMP production and consumption to decline in 2027. Weak processing returns and a shift toward higher-value products will limit production, while restrictions on reconstituted milk and weak demand in traditional downstream markets will weigh on consumption. Imports will decline only modestly as lower domestic production sustains a portion of processors' overall demand requirements.

Skim Milk Powder (SMP): Post forecasts SMP production and consumption to increase in 2027 as expanding cream and butter processing provides additional skim milk and food-processing demand supports consumption. Imports will decline as greater domestic production supplies a larger share of the market, although imported products will remain important for applications with specific quality and functionality requirements.

Cheese: Post forecasts cheese production and consumption to increase moderately in 2027. New processing capacity will gradually support production, while broader use across foodservice, business-to-business, and retail channels will sustain consumption growth. Imports will continue increasing as domestic products cannot fully replace imported specialty cheeses and products with specific functional requirements.

Butter: Post forecasts butter production, consumption, and imports to increase in 2027. Processors will gradually utilize new capacity, while a growing preference for natural butter and continued demand from bakery and foodservice applications will support demand. Imports will continue meeting demand for consistent flavor and processing performance as domestic production expands.

Whey and Whey Products: China will continue to rely heavily on imported whey products. High prices and financial pressure on swine producers have encouraged some feed manufacturers to reduce whey inclusion rates. Food applications offer opportunities in adult and sports nutrition, while declining birth rates weigh on infant formula demand.

FLUID MILK

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

Dairy, Milk, Fluid	2025		2026		2027	
Market Begin Year	Jan 2025		Jan 2026		Jan 2027	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Units: 1,000 Head, 1,000 MT
Cows In Milk	6,340	6,340	6,320	6,320	0	6,310
Cows Milk Production	40,910	40,910	40,900	41,850	0	42,900
Other Milk Production	900	900	910	910	0	930
Total Production	41,810	41,810	41,810	42,760	0	43,830
Other Imports	636	636	640	605	0	585
Total Imports	636	636	640	605	0	585
Total Supply	42,446	42,446	42,450	43,365	0	44,415
Other Exports	38	38	40	46	0	48
Total Exports	38	38	40	46	0	48
Fluid Use Dom. Consum.	15,650	15,650	15,625	15,650	0	15,730
Factory Use Consum.	26,758	26,758	26,785	27,669	0	28,637
Feed Use Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	42,408	42,408	42,410	43,319	0	44,367
Total Distribution	42,446	42,446	42,450	43,365	0	44,415

Note: Not Official USDA Data

PRODUCTION

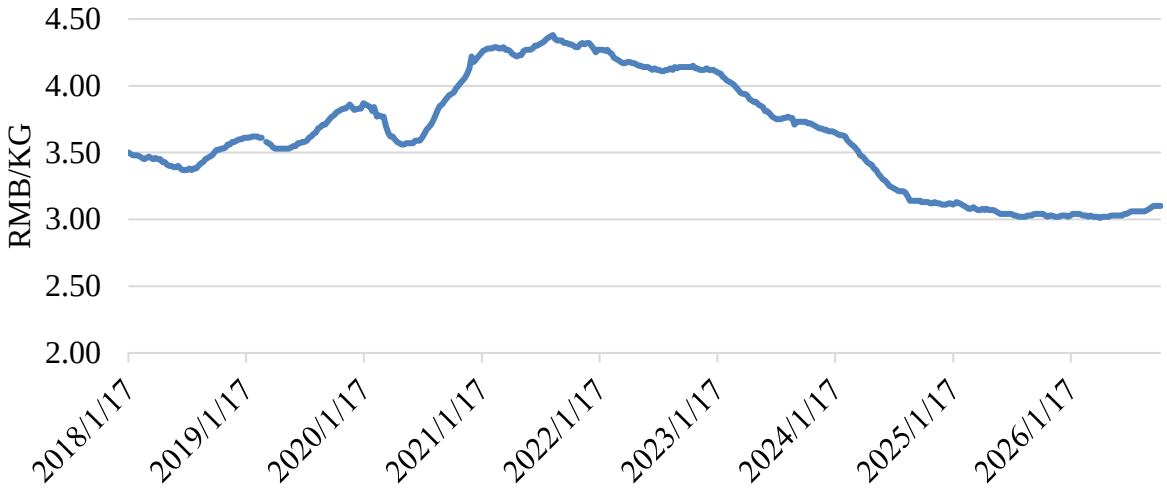
Milk Production to Increase in 2027

Post forecasts China's milk production to increase in 2027 as productivity gains at dairy farms outweigh a modest decline in cows in milk. Industry sources indicate that China's dairy cow inventories continued to decline through August 2026, reflecting ongoing herd reductions and farm exits following prolonged financial losses. Some farms have culled less productive cows and reduced replacement heifer inventories to control costs and preserve cash flow. Industry contacts report that reductions in the milking herd may be nearing completion as milk prices recover. However, continued reductions in replacement heifers could limit the number of cows entering the milking herd in 2027.

China's average milk farm gate prices through October 2026 are shown in Chart 1. Milk prices began to stabilize in the second quarter of 2026 and showed further improvement in the third quarter. However, the recovery has not restored profitability across the sector. Large, efficient dairy operations have benefited from higher milk yields and lower production costs, allowing

some to return to profitability. Smaller and less efficient farms continue to struggle with operating costs that exceed milk revenues.

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



Source: MARA

For example, the Shandong Provincial Animal Husbandry and Veterinary Bureau reported that average milk procurement prices remained below production costs in the second quarter of 2026. It's monitoring also showed that the number of dairy farms declined about 20 percent year-on-year, while average herd size per farm increased 27 percent, illustrating the continued consolidation of dairy production. Post expects uneven farm profitability and ongoing financial pressure on smaller operations to limit herd expansion in 2027.

Higher Milk Yields Offset Declining Cow Inventories

Larger dairy farms continue to improve productivity through herd optimization, selective culling, facility upgrades, and better farm management. These improvements have helped maintain milk production despite declining cow inventories.

According to the National Bureau of Statistics (NBS), China's milk production reached over 29 MMT in the first three quarters of 2026, up 2.4 percent year-on-year. NBS also reported that China's total cattle inventory, including both beef and dairy cattle, declined 4.1 percent year-on-year at the end of September 2026. Industry sources confirm that dairy cow inventories also declined during this period. The milk production increase demonstrates how higher milk yields have offset reductions in cow numbers even as the industry continues to reduce herd inventories.

[1] The average price from the 10 leading 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.

Post revised its 2026 milk production estimate upward to 41.85 MMT from 40.9 MMT in the previous report. Although dairy cow inventories declined, higher milk yields more than offset the reduction in cow numbers and supported overall production growth. Yields improved as farms culled less productive cows and continued to adopt better production practices and technologies.

CONSUMPTION

Milk Consumption to Increase; Fluid Use to Remain Stable in 2027

Post forecasts China’s total domestic milk consumption to increase in 2027, driven primarily by higher factory use. Fluid use will increase slightly as growth in chilled milk consumption more than offsets weaker demand for shelf-stable milk.

Industry retail data show that sales value of shelf-stable plain milk in China's offline retail channels declined over 3 percent year-over-year in the first quarter of 2026, followed by a decline of approximately 10 percent in the second quarter. Shelf-stable milk remains the largest category in China's dairy retail market, and its continued weakness will temper growth in overall fluid milk consumption.

Chilled Milk Consumption to Grow but Remain a Smaller Market Segment

Post expects chilled fresh milk consumption to continue growing in 2027 as consumers, particularly in major urban markets, increasingly favor fresh, locally produced milk. Industry retail data show that sales value of chilled plain milk increased over 30 percent year-over-year in the first quarter of 2026 and nearly 25 percent in the second quarter. At the same time, industry sources report growth in emerging online channels for dairy products, although these channels cover products beyond fluid milk. Offline retail remains the main sales channel, and Post expects shelf-stable milk consumption to decline slightly as demand remains weak. However, continued growth in chilled milk consumption is expected to offset this decline, keeping overall fluid milk use broadly stable in 2027.

Factory Use to Increase as Processors Adjust Product Mix

Post forecasts milk consumption for factory use to increase in 2027 as greater milk supplies are used in dairy processing. Higher production of cheese, butter, and other dairy products will support demand for milk used in processing, while milk used for WMP production is expected to decline slightly. Industry sources indicate that growing cheese use across foodservice and retail channels, together with increasing consumer preference for natural butter rather than margarine and other vegetable-fat alternatives, will support demand for these products. Processors are also expanding production of higher-value dairy products, including cream and butter, while increased milkfat separation provides additional skim milk for SMP production. Milk is also used to produce other dairy products not covered by the individual PSD tables. The WMP, SMP, cheese, and butter sections provide further details on these product-specific trends.

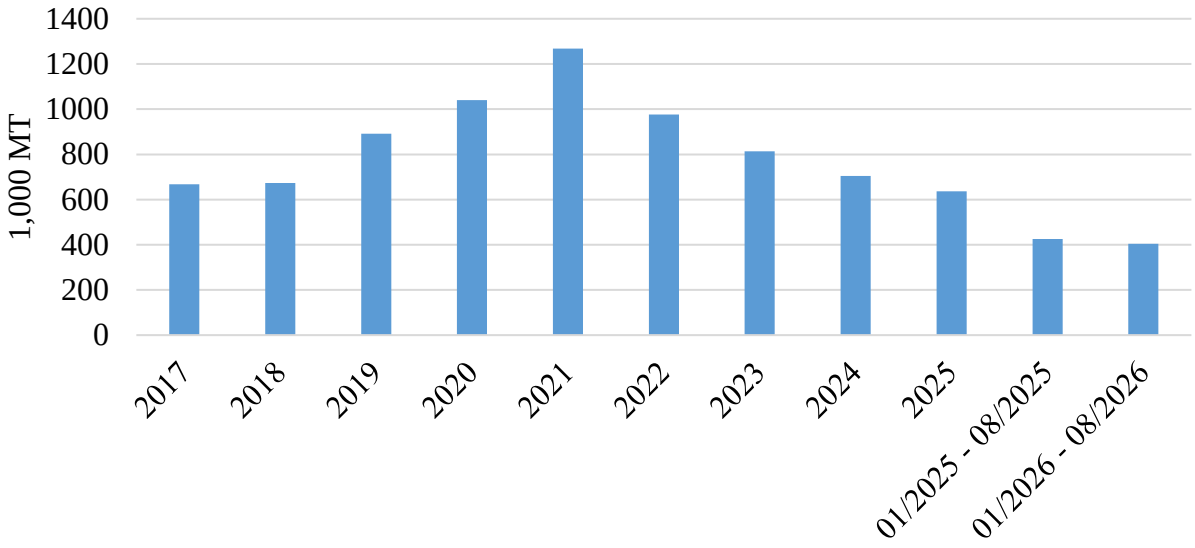
TRADE

Fluid Milk Imports to Decline in 2027

Post forecasts China's fluid milk imports to decline modestly in 2027. Weak consumption of shelf-stable milk, combined with growing consumer preference for locally produced chilled milk, will limit demand for imported shelf-stable milk. Industry sources indicate that China's total cold storage capacity increased over 4 percent year-over-year in the first half of 2026, while refrigerated vehicle sales grew more than 42 percent. These developments reflect continued improvements in China's cold-chain infrastructure, supporting the distribution of locally produced chilled milk and strengthening its competitiveness in the domestic market.

China's fluid milk imports declined approximately five percent year-over-year during the first eight months of 2026 (see Chart 2). New Zealand remained the largest supplier, accounting for approximately 49 percent of total imports, followed by Germany at 25 percent. Australia and France each accounted for approximately eight percent, with the United Kingdom, Poland, and Belgium among the smaller suppliers. New Zealand and Australia benefit from free trade agreements with China, while Germany and France remain important European suppliers to the Chinese market.

Chart 2. China: Imports of Fluid Milk



Source: Trade Data Monitor, LLC

Post revised its 2026 fluid milk import estimate downward to 605,000 MT from 640,000 MT in the previous report, reflecting the decline in imports during the first eight months of 2026 and continued weak demand for imported shelf-stable milk.

WHOLE MILK POWDER

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

Dairy, Dry Whole Milk Powder	2025		2026		2027	
Market Begin Year	Jan 2025		Jan 2026		Jan 2027	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Unit: 1,000 MT
Beginning Stocks	145	145	130	130	0	110
Production	1,150	1,150	1,135	1,115	0	1,105
Other Imports	426	426	415	420	0	415
Total Imports	426	426	415	420	0	415
Total Supply	1,721	1,721	1,680	1,665	0	1,630
Other Exports	57	57	40	28	0	25
Total Exports	57	57	40	28	0	25
Human Dom. Consumption	1,534	1,534	1,500	1,527	0	1,495
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1,534	1,534	1,500	1,527	0	1,495
Total Use	1,591	1,591	1,540	1,555	0	1,520
Ending Stocks	130	130	140	110	0	110
Total Distribution	1,721	1,721	1,680	1,665	0	1,630

Note: Not Official USDA Data

PRODUCTION

WMP Production to Decline Further in 2027

Post forecasts a further decline in China's whole milk powder (WMP) production in 2027, reflecting continued changes in processors' product mix and the poor profitability of WMP. Although WMP remains an important outlet for surplus milk, its production will remain under pressure as processors seek better returns from their operations.

Poor Profitability and Shifting Production Priorities Reduce WMP Production

Industry contacts report that WMP production declined in 2026 despite ample milk supplies. This shift has reduced the share of surplus milk processed into WMP, even as the product remains an important outlet for managing seasonal surpluses. As WMP production remains unprofitable for many processors, companies have increasingly focused on products such as butter, cream, and cheese, which offer better returns. Industry reports indicate that several dairy processors invested in new or expanded production lines for higher-value dairy products in 2026, as discussed in the Butter and Cheese sections. A more direct example comes from a major dairy company in Xinjiang, which reported in July 2026 that reducing WMP production and sales

helped limit losses during the first half of the year. This illustrates how processors are adjusting production to improve financial performance rather than maintaining WMP volumes solely to absorb surplus milk.

Government Subsidies Support WMP Production

Despite its weak profitability, WMP continues to play an important role in managing surplus milk, particularly during seasonal production peaks. Local governments provide subsidies to help processors offset WMP production costs and maintain purchases from dairy farms. For example, Inner Mongolia continued to offer subsidies for WMP production in 2026. In September, authorities in Chifeng identified two dairy processors as candidates for subsidies intended to support the processing of surplus milk. Xinjiang offered eligible processors RMB 4,000 per MT (approximately $596 per MT[2]) under a subsidy program covering July 2025 through June 2026. Such support allows processors to continue absorbing surplus milk that might otherwise be uneconomical to process.

CONSUMPTION

WMP Consumption to Decline Further in 2027

Post forecasts China’s WMP consumption to decline further in 2027, reflecting reduced use of reconstituted milk in dairy processing and continued weakness in traditional downstream markets. Regulatory restrictions on reconstituted milk in sterilized milk production, changing ingredient preferences among food manufacturers, and sluggish demand for certain milk beverages and ice cream will continue to weigh on WMP consumption.

China's revised national food safety standard for sterilized milk[3], which took effect in September 2025, requires manufacturers to use milk rather than reconstituted milk to produce sterilized milk. This restriction eliminated the use of reconstituted milk in sterilized milk production and will continue to limit WMP consumption in 2027. Manufacturers can still use reconstituted milk in certain other products, including formulated milk and milk beverages, subject to the standards applicable to those products. However, some manufacturers increasingly favor milk in their formulations, particularly in applications where freshness and product quality influence ingredient selection.

Weak demand in traditional downstream markets also constrains WMP consumption. Industry retail data show that ice cream sales in China's offline retail channels declined by more than 10 percent year-over-year in the second quarter of 2026. Demand for some milk beverages also remained weak. A major Chinese producer of sweetened milk beverages that uses WMP in its flagship products reported a 13.6 percent year-over-year decline in milk beverage revenue in the

[2] Unless otherwise noted, U.S. dollar equivalents in this report are calculated using the November 5, 2026, exchange rate of $1 = RMB 6.7156, as published by the China Foreign Exchange Trade System.
[3] China's National Food Safety Standard for Sterilized Milk (GB 25190-2010), Amendment No. 1, took effect on September 16, 2025. Issued by the National Health Commission and the State Administration for Market Regulation, the amendment requires manufacturers to use fresh milk rather than reconstituted milk to produce sterilized milk.

first half of 2026. Post expects continued weakness in these downstream markets to weigh on WMP consumption in 2027.

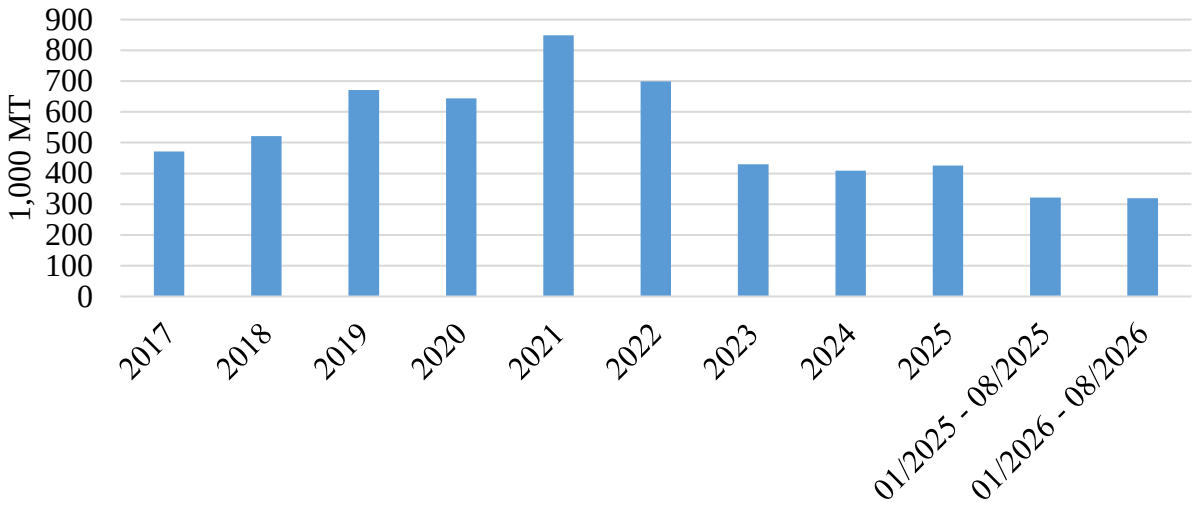
TRADE

WMP Imports to Decline in 2027

Post forecasts China's 2027 WMP imports to continue decreasing about one percent from 2026. Two opposing factors shape the outlook. Weak demand from dairy processors and food manufacturers continues to reduce overall WMP use. At the same time, domestic WMP production is contracting, which supports demand for imported product. Post expects the drop in consumption to slightly outweigh the drop in domestic supply, so imports will fall modestly.

During the first eight months of 2026, China's WMP imports remain largely flat, declining approximately one percent year-over-year (see Chart 3). Industry contacts report that fewer Chinese processors rely on imported WMP, with purchases concentrated among a limited number of established users. Domestic WMP production continues to contract as processors reduce WMP manufacturing due to poor profitability. Industry contacts report that some processors instead separate milkfat to produce cream and butter, using the remaining skim milk to manufacture skim milk powder (SMP).

Chart 3. China: Imports of WMP



Source: Trade Data Monitor, LLC

New Zealand remains China's dominant WMP supplier, accounting for approximately 94 percent of total imports during the first eight months of 2026. Australia and the Netherlands remain smaller suppliers to the Chinese market.

Post revised its 2026 WMP import estimate upward to 420,000 MT from 400,000 MT in the previous report. Lower domestic WMP production has sustained demand for imported product. Imports through August were nearly unchanged from the same period in 2025, and lower domestic production has kept import demand steady among remaining WMP users.

SKIM MILK POWDER

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

Dairy, Milk, Nonfat Dry	2025		2026		2027	
Market Begin Year	Jan 2025		Jan 2026		Jan 2027	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Unit: 1,000 MT
Beginning Stocks	0	0	0	0	0	0
Production	63	63	75	75	0	94
Other Imports	210	210	195	170	0	160
Total Imports	210	210	195	170	0	160
Total Supply	273	273	270	245	0	254
Other Exports	12	12	15	25	0	25
Total Exports	12	12	15	25	0	25
Human Dom. Consumption	261	261	255	220	0	229
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	261	261	255	220	0	229
Total Use	273	273	270	245	0	254
Ending Stocks	0	0	0	0	0	0
Total Distribution	273	273	270	245	0	254

Note: Not Official USDA Data

PRODUCTION

SMP Production Forecast to Increase in 2027

Post forecasts China's SMP production to increase in 2027, supported by continued growth in domestic cream and butter production. Dairy processors have increased milkfat separation for cream and butter production, creating additional supplies of skim milk. While processors use skim milk in a range of dairy products, greater availability of skim milk will support additional SMP production in 2027.

Milk prices began to recover in 2026, increasing input costs for dairy processors. However, industry contacts indicate that processing milk into cream and butter continues to offer better returns than WMP production. New and expanded cream and butter processing lines that came online in 2026 also increased China's cream and butter production capacity (see Butter Production section). Post expects these factors to support continued growth in SMP production in 2027 despite potentially higher milk costs.

CONSUMPTION

SMP Consumption to Increase in 2027

Post forecasts China's SMP consumption to increase in 2027 as growing demand from food-processing applications more than offsets declining use in infant formula. SMP is primarily used as an industrial ingredient in infant formula, bakery products, and other processed foods. Demand from the infant formula sector continues to decline amid a long-term decrease in births, reducing SMP use in one of its key applications.

The bakery sector faces pressure from store closures, lower spending per transaction, and declining profit margins. However, the overall bakery market remains stable, with sales volume continuing to grow modestly as more affordable products reach a broader range of consumers. Post expects continued demand from bakery and other food-processing applications to support higher SMP consumption in 2027, despite weaker demand from infant formula manufacturers.

Formulation flexibility in some food-processing applications will continue to influence SMP use. Manufacturers can adjust the proportions of SMP, WMP, and liquid milk depending on relative prices, required milkfat and protein content, product specifications, and processing requirements. This flexibility may support SMP use when it meets manufacturers' formulation requirements and is competitively priced.

TRADE

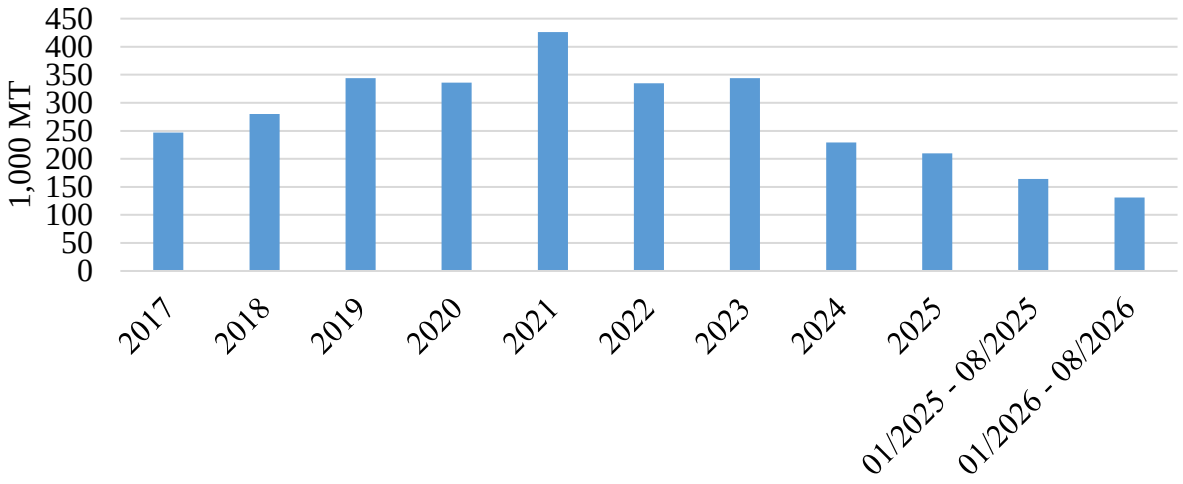
SMP Imports to Decline in 2027

Post forecasts China's 2027 SMP imports to continue decreasing by about 6 percent, a slower rate than in 2026. Domestic production growth will outpace the increase in consumption, which lets processors source more product locally.

Domestic substitution will remain partial. Imported SMP continues to be required for certain applications with more stringent quality and specification requirements, such as infant formula. Continued decline in infant formula production will further reduce demand in the segment that relies most on imports.

Post revised its 2026 SMP import estimate downward to 170,000 MT from 195,000 MT in the previous report. Imports fell about 20 percent year-over-year during the first eight months of 2026 (see Chart 4), as weak demand from infant formula manufacturers and greater domestic SMP availability limited purchases.

Chart 4. China: SMP Imports



Source: Trade Data Monitor, LLC

CHEESE

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

Dairy, Cheese	2025		2026		2027	
Market Begin Year	Jan 2025		Jan 2026		Jan 2027	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Unit: 1,000 MT
Beginning Stocks	0	0	0	0	0	0
Production	32	32	36	36	0	42
Other Imports	197	197	230	235	0	250
Total Imports	197	197	230	235	0	250
Total Supply	229	229	266	271	0	292
Other Exports	1	1	1	1	0	1
Total Exports	1	1	1	1	0	1
Human Dom. Consumption	228	228	265	270	0	291
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	228	228	265	270	0	291
Total Use	229	229	266	271	0	292
Ending Stocks	0	0	0	0	0	0
Total Distribution	229	229	266	271	0	292

Note: Not Official USDA Data

PRODUCTION

Higher-Value Processing and Capacity Expansion to Support Production Growth

Post forecasts China's 2027 cheese production to continue increasing, as new processing capacity comes online, and dairy processors keep shifting milk toward higher-value products. For some processors, cheese offers a more profitable alternative to liquid milk and WMP production. However, recovering milk prices may raise production costs and narrow processing margins in 2027.

Several dairy projects that began construction or entered operation in 2026 include cheese production lines, in addition to the expansions noted in the previous report. In June 2026, Zhenlaofang began building a dairy processing facility in Gansu with milk processing capacity of 400 MT per day. The facility will produce curd cheese, cream, and whey powder. It is scheduled to reach full production in 2027, with designed annual cheese capacity of 20,000 MT.

Also in June, Li Zi Yuan began construction on the second phase of its dairy processing project in Ningxia, which has total milk processing capacity of 1,000 MT per day. The second phase, an investment of approximately RMB 200 million (approximately $29.8 million), will add production lines for cheese and formulated milk powder for older consumers. The first phase began operating in [month] 2026 and produces whole and skim milk powder, concentrated milk, and cream.

Production Gains Will Remain Measured

New capacity will not translate one-for-one into cheese output. Most new facilities are integrated plants that also produce cream, whey, and milk powder, so actual cheese production will depend on product mix and capacity utilization.

CONSUMPTION

Cheese Consumption to Grow Moderately in 2027

Post forecasts China’s cheese consumption to continue growing moderately in 2027 as cheese use expands across foodservice, business-to-business, and retail channels. Growth in cheese consumption will continue to depend on more varied utilization of cheese and penetration within existing channels.

Cheese Use Continues to Expand Across Foodservice and Retail Channels

Foodservice remains an important driver of cheese consumption. Despite weakness in the broader foodservice market, cheese sales to this channel continued to grow in 2026. Several major domestic cheese products, including one which holds the largest share of China’s packaged cheese market, reported that revenue from cheese increased nearly 30 percent year-on-year. Industry contacts also indicate that cheese demand remains closely linked to restaurants and

pizza chains. Cheese is used across a growing range of downstream applications, including restaurants, bakeries, dessert shops, and tea and coffee businesses.

Retail demand provides an additional source of growth. The leading cheese producer noted above reported more than 20 percent year-over-year growth in its consumer business in the first half of 2026, with growth across ambient, refrigerated, and e-commerce channels. Industry contacts indicate that processed cheese remains an important part of the retail market, with household-oriented products providing an additional channel for cheese consumption beyond foodservice applications.

Bakery Demand to Provide Steady Support for Cheese Consumption

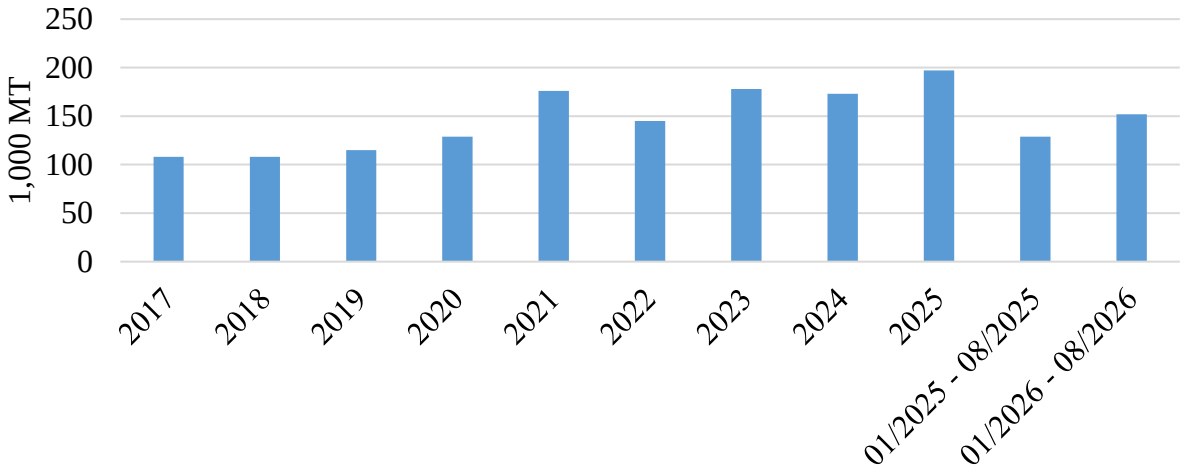
As discussed in the SMP section, China's bakery market is entering a more mature stage after several years of rapid expansion. Cheese is also appearing in a wider range of bakery products. Post expects these trends to provide steady support for cheese consumption in 2027, although growth will moderate from the stronger pace estimated for 2026.

TRADE

Cheese Imports to Continue Growing in 2027

Post forecasts China's cheese imports to continue increasing in 2027, supported by continued growth in cheese consumption and demand for imported products that cannot be fully substituted by domestic production. During the first eight months of 2026, China imported 152,000 MT of cheese from the world, up approximately 18 percent from 129,000 MT during the same period in 2025 (see Chart 5). Imports from the United States totaled approximately 3,000 MT during January–August 2026, accounting for about 2 percent of China's total cheese imports.

Chart 5. China: Imports of Cheese



Source: Trade Data Monitor, LLC

Growing Domestic Production Will Increase Competition but Not Fully Replace Imports

China's expanding cheese production will increase competition with imported products, particularly in standardized and mid-range foodservice applications. Domestic products generally compete on cost and supply stability, while imported cheese retains advantages in flavor and product diversity. Industry sources also note differences in texture and aging profiles between domestic and imported products. The continued increase in imports during the first eight months of 2026, despite expanding domestic cheese production, shows that growing domestic supply has not broadly displaced imports.

New Zealand and Australia to Remain the Leading Suppliers

Post forecasts New Zealand and Australia to remain China's leading cheese suppliers, supported by competitive prices, stable supplies, and established trade relationships. EU-origin cheese will continue to face China's countervailing duties[4] in 2027, putting it at a price disadvantage and potentially shifting some purchases to other suppliers. Because EU-origin cheese accounts for a relatively small share of China's imports compared with New Zealand and Australia, Post expects the duties to have a limited effect on total cheese imports.

BUTTER

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

Dairy, Butter	2025		2026		2027	
Market Begin Year	Jan 2025		Jan 2026		Jan 2027	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Unit: 1,000 MT
Beginning Stocks	0	0	0	0	0	0
Production	125	37	130	44	0	55
Other Imports	160	160	170	185	0	200
Total Imports	160	160	170	185	0	200
Total Supply	285	197	300	229	0	255
Other Exports	10	10	5	5	0	5
Total Exports	10	10	5	5	0	5
Domestic Consumption	275	187	295	224	0	250
Total Use	285	197	300	229	0	255
Ending Stocks	0	0	0	0	0	0
Total Distribution	285	197	300	229	0	255

Note: Not Official USDA Data

[4] On February 12, 2026, China issued its final determination in the countervailing duty investigation of certain EU dairy products. China imposed duties ranging from 7.4 to 11.7 percent, effective February 13, 2026, for a five-year period. The measures cover cheese products under HS codes 04061000, 04062000, 04063000, 04064000, and 04069000.

PRODUCTION

Butter Production to Continue Growing in 2027

Post forecasts China's butter production to increase in 2027 as dairy processors gradually utilize recently installed production capacity. Several new butter processing facilities entered commercial operation during 2026, while additional projects are under development. These investments, together with processors' continued shift toward higher-value dairy products, will support further growth in domestic butter production.

New Processing Capacity to Support Growth

In addition to the projects in Inner Mongolia, Ningxia, and Shanxi outlined in the previous report, new developments in Ningxia provide further evidence of expanding domestic butter capacity. In Yinchuan, one processor is developing a butter production line designed to add 2,700 MT of annual capacity. Another integrated dairy processing facility in the same city has designed annual capacity of 16,000 MT of butter and 20,000 MT of cream.

Industry contacts report that some domestic butter production lines were completed and began operating in 2026. Although newly commissioned facilities have encountered challenging market conditions, processors intend to utilize at least part of their new capacity to spread fixed costs rather than leave recently installed equipment idle.

However, expanding milkfat processing capacity will not translate directly into equivalent increases in butter production. Many new facilities produce a range of products, including cream, butter, and other milkfat ingredients. Processors can allocate milkfat among these products according to market conditions, so Post expects actual butter production to increase more gradually than announced processing capacity.

CONSUMPTION

Butter Consumption to Continue Growing in 2027

Post forecasts China's butter consumption to continue growing in 2027, supported by increasing consumer preference for natural butter and its expanding use in higher-value food products. Continued demand from bakery and foodservice applications will also support butter consumption.

Growing Preference for Natural Butter to Support Demand

Consumer preferences are shifting toward natural butter rather than margarine and other vegetable-fat alternatives. According to Euromonitor data, retail sales of butter in China are projected to grow at a compound annual rate of 3 percent from 2025 to 2031, while sales of margarine and spreads are projected to decline by 3.4 percent annually over the same period. This divergence indicates growing consumer preference for natural butter and supports Post's forecast of continued consumption growth in 2027.

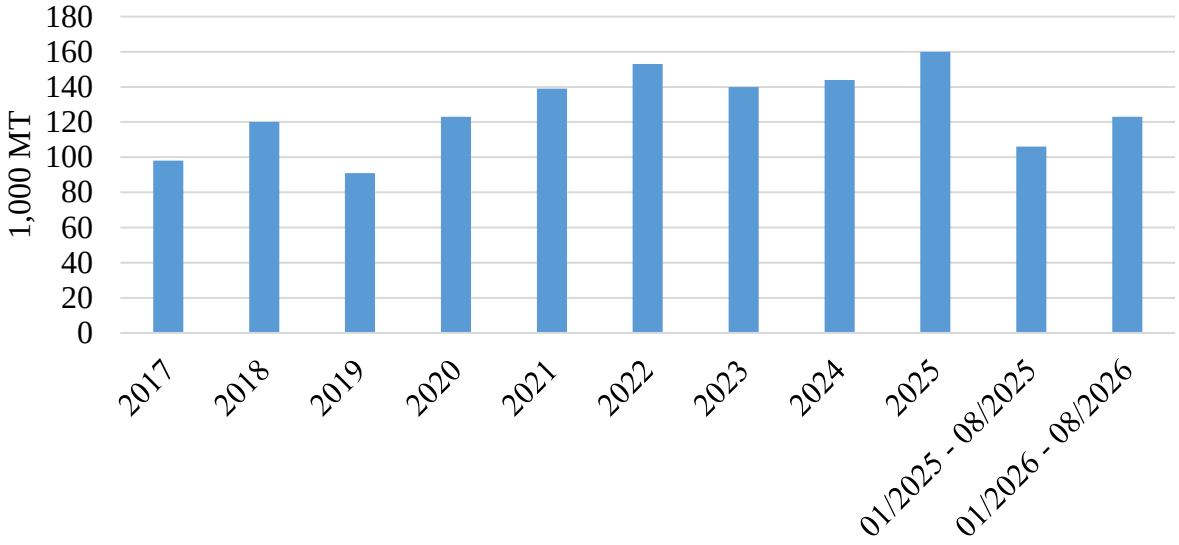
In the bakery sector, initially discussed in the SMP section, demand for butter can continue to grow as manufacturers and foodservice operators develop products that emphasize dairy flavor, texture, and other characteristics associated with natural butter, from laminated pastries such as croissants and butter-rich cakes to restaurant dishes that use butter in sauces, pan-searing, and finishing. Post expects these trends to support butter consumption in 2027, although growth will moderate from the stronger pace estimated for 2026.

TRADE

Butter Imports to Continue Growing in 2027

Post forecasts China's butter imports to increase in 2027, driven primarily by growing demand for natural butter. China imported 123,000 MT of butter during January–August 2026, up approximately 16 percent year-over-year (see Chart 6).

Chart 6. China: Imports of Butter



Source: Trade Data Monitor, LLC

Although domestic butter production is expanding, it remains relatively small compared with the overall size of China's butter market. Chinese processors are increasing their capacity to supply mainstream commercial applications, while imported butter continues to meet requirements that cannot always be addressed by locally manufactured products. For certain bakeries, food manufacturers, and restaurants, purchasing decisions depend not only on price but also on how butter performs in specific recipes, the flavor of the finished product, and consistency across production batches. Post expects these requirements to sustain demand for imported butter as domestic production expands.

New Zealand to Remain the Leading Supplier

Post expects New Zealand to remain China's principal butter supplier in 2027. During January–August 2026, China imported 105,000 MT of butter from New Zealand, up approximately 13 percent year-over-year and accounting for about 85 percent of total imports. Industry contacts report that New Zealand suppliers are well positioned to fulfill recurring, large-volume orders, making them an important source for Chinese commercial buyers.

European suppliers account for substantially smaller volumes. During January–August 2026, China imported 5,000 MT from France, 4,000 MT from the Netherlands, and 2,000 MT from Belgium. Industry contacts indicate that European butter is sold primarily into more specialized market segments, including retail.

Post revised its 2026 butter import estimate upward to 185,000 MT from 162,000 MT in the previous report. Growing demand for natural butter and limited domestic production have supported continued purchases of imported butter. Imports increased approximately 16 percent year-over-year during the first eight months of 2026, supporting the higher full-year estimate.

WHEY AND WHEY PRODUCTS

Domestic Whey Production Remains Limited

China continues to rely heavily on imported whey and whey products, although Chinese dairy processors are investing in domestic production of whey and other dairy protein ingredients. Some new projects use filtration and separation technologies to process milk directly into dairy protein ingredients, rather than relying solely on whey generated during cheese production. However, industry contacts report no significant increase in China's domestic whey production in 2026, and domestic supplies remain insufficient to materially reduce reliance on imports.

High Prices Encourage Feed Producers to Reduce Whey Use

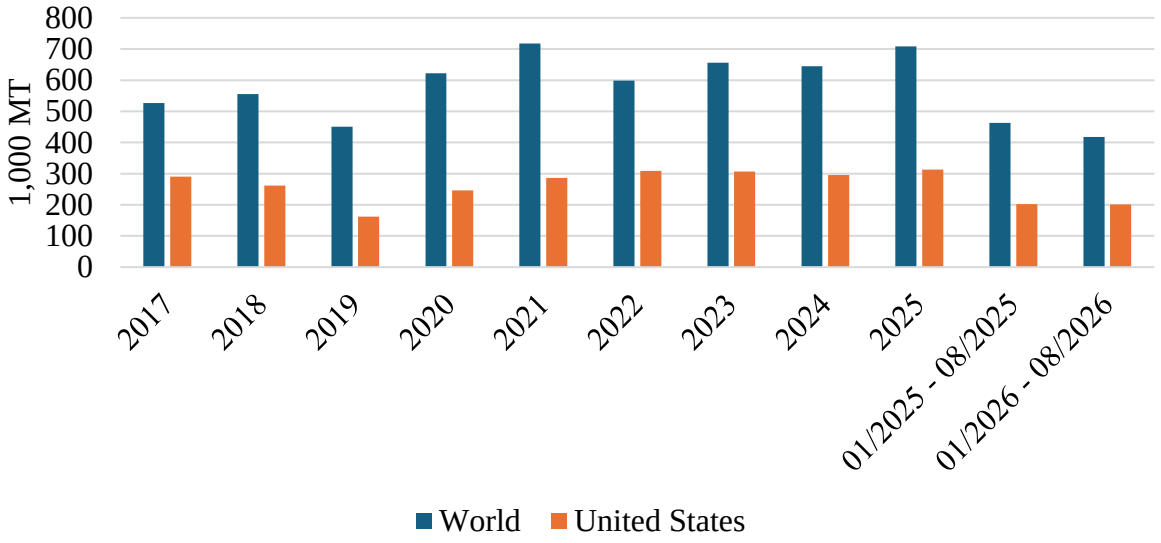
Whey and whey products are used in both animal feed and food applications. In animal feed, whey powder is an important ingredient in piglet diets because of its lactose content and digestibility. Industry contacts report that high imported whey prices, combined with low swine prices and losses among Chinese swine producers, have increased pressure to reduce feed costs. For example, sources indicate that one major Chinese swine producer has already reduced whey powder inclusion in its feed formulations by approximately 40 percent, a change that has been in place for some time. Contacts indicate that alternative ingredients and formulations are available, although their use may affect animal performance. Further increases in whey prices could encourage more feed producers to reduce whey inclusion rates.

In food applications, whey products are used in infant formula, adult nutrition, sports nutrition, and other functional nutrition products, which serve different markets from feed-grade whey powder. China's declining birth population continues to weigh on demand for whey ingredients used in infant formula. Meanwhile, growing interest in adult nutrition, sports nutrition, and other functional nutrition products is creating opportunities for whey ingredients.

Whey Imports Decline Amid High Prices

China's imports of whey and modified whey declined approximately 10 percent year-over-year during January–August 2026 (see Chart 7). Industry contacts report that imported whey powder prices have remained high, with limited availability of some products in the Chinese market.

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



Source: Trade Data Monitor, LLC

The United States remained China's largest supplier of whey and modified whey, accounting for approximately 48 percent of total imports during January–August 2026. Belarus ranked second with approximately 11 percent, followed by Poland, the Netherlands, Germany, and France.

APPENDIX

Tariffs

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.)

The tariff exclusion process introduced by the State Council Tariff Commission (SCTC) in March 2020 (see GAIN report CH2020-0017) remains in effect. The program allows importers to apply for tariff exclusions on the Chinese Government's retaliatory Section 301 tariffs on U.S. products, including dairy (see Table 6 for specific tariff rates). The Ministry of Finance has reportedly extended the market-based Section 301 tariff exclusion process to December 31, 2026 (see GAIN Report CH2025-0223). Table six summarizes current tariffs on U.S. dairy exports to China.

On September 28, 2026, China's Ministry of Commerce announced that under the U.S.-China Board of Trade, the two countries had reached a consensus on a "$30 billion-for-$30 billion" reciprocal tariff reduction framework. More than 90 percent of the products covered will be exempt from all additional reciprocal tariffs and receive most-favored-nation (MFN) tariff treatment; eligible U.S. exports to China include agricultural goods, such as whey, cheese and butter. Implementation is subject to each country's domestic legal procedures. As of the date of this report, a specific implementation date has not been set.

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 registration procedures 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 301	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%	10%	52.5%	25.0%
04012000	Milk & Cream,1%	15%	27.5%	10%	52.5%	25.0%
04014000	Milk & Cream,6%	15%	27.5%	10%	52.5%	25.0%
04015000	Milk & Cream, Fat＞10%, Not Concentrated Or Sweetened	15%	27.5%	10%	52.5%	25.0%
04021000	Milk & Cream In Solid Forms,Fat≤1.5%, Concentrated	10%	25.0%	10%	45.0%	20.0%
04022100	Milk & Cream In Solid Forms Of>1.5% Fat, Concentra	10%	25.0%	10%	45.0%	20.0%
04022900	Milk & Cream In Solid Forms Of>1.5% Fat, Concentra	10%	25.0%	10%	45.0%	20.0%
04029100	Milk & Cream Not In Solid Form, Concentrated, Unsw	10%	25.0%	10%	45.0%	20.0%
04029900	Milk & Cream Not In Solid Form, Concentrated, Sweetened	10%	25.0%	10%	45.0%	20.0%
04032010	Yogurt containing only sugar, fruits, or nuts	10%	27.5%	10%	47.5%	20.0%
04032090	Other yogurt	10%	25.0%	10%	45.0%	20.0%
04039000	Buttermilk, Curdled/Fermented/Acidified Milk & Cream	20%	27.5%	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%	10%	55.0%	30.0%
04051000	Butter	10%	25.0%	10%	45.0%	20.0%
04052000	Dairy Spreads	10%	25.0%	10%	45.0%	20.0%
04059000	Other Fats & Oils Derived From Milk	10%	25.0%	10%	45.0%	20.0%
04061000	Fresh Cheese, Incl. Whey Cheese, Curd	12%	27.5%	10%	49.5%	22.0%
04062000	Grated Or Powdered Cheese	8%	27.5%	10%	45.5%	18.0%
04063000	Processed Cheese, Not Grated Or Powdered	8%	27.5%	10%	45.5%	18.0%
04064000	Blue-Veined Cheese, Other-Veined Cheese Prod. By P	8%	27.5%	10%	45.5%	18.0%
04069000	Cheese, Nes	8%	27.5%	10%	45.5%	18.0%

Attachments:

No Attachments