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Report Highlights:

China’s dairy sector continues to adjust under ample domestic milk supply, with production expected to remain broadly stable in 2026 as processors shift milk toward higher-value products such as butter and cheese. Weak retail demand and reduced use of reconstituted milk weigh on whole milk powder consumption, while foodservice and bakery expansion support steady growth in butter and cheese use. Post forecasts imports of WMP and SMP to decline due to weaker demand, while butter imports remain broadly stable and cheese imports increase to meet demand for higher-quality products. Whey demand remains firm, supported by feed and food applications, with China continuing to rely on imports despite short-term fluctuations.

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 production to remain broadly stable in 2026 with imports remaining low. Domestic supply continues to meet demand, while shifting consumption patterns and weak demand limit import growth.

Whole Milk Powder (WMP): Post forecasts WMP production to decline slightly in 2026 as less surplus milk and a shift toward higher-value products limit output. Post expects consumption to decline modestly due to weaker downstream demand and reduced use in reconstituted milk. Post forecasts imports to decline further as demand weakens and lower-cost domestic products continue to substitute for imports.

Skim Milk Powder (SMP): Post forecasts SMP production to increase in 2026 as higher butter output generates additional skim milk powder as a byproduct. Post expects consumption to remain broadly stable, as declining infant formula demand offsets growth in bakery and processed food use. Post forecasts imports to decline due to weaker early-year import volumes and increased domestic supply from expanded butter processing.

Cheese: Post forecasts production to increase in 2026 as processors expand output in response to rising foodservice demand and improved returns. Post expects consumption to grow steadily, supported by foodservice expansion and broader use in bakery and prepared foods. Post forecasts imports to increase, driven by strong demand for products that domestic supply cannot fully replace.

Butter: Post forecasts production to increase in 2026 as processors expand milkfat utilization to capture higher returns. Post expects consumption to grow steadily, supported by rising demand from bakery and foodservice sectors and continued product upgrading. Post forecasts imports to remain broadly stable, as increased domestic production meets a larger share of demand growth while imports continue to serve premium segments.

Whey and Whey Products: Post expects whey demand to remain strong in 2026, supported by both food and feed applications. Post notes that feed use, particularly in piglet diets, continues to provide a stable base for consumption.

FLUID MILK

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

Dairy, Milk, Fluid	2024		2025		2026	
Market Begin Year	Jan 2024		Jan 2025		Jan 2026	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Units: 1,000 Head, 1,000 MT
Cows In Milk	6,380	6,380	6,340	6,340	6,320	6,320
Cows Milk Production	40,790	40,790	40,600	40,910	40,600	40,900
Other Milk Production	840	840	900	900	910	910
Total Production	41,630	41,630	41,500	41,810	41,510	41,810
Other Imports	705	705	670	636	660	640
Total Imports	705	705	670	636	660	640
Total Supply	42,335	42,335	42,170	42,446	42,170	42,450
Other Exports	30	30	35	38	40	40
Total Exports	30	30	35	38	40	40
Fluid Use Dom. Consum.	15,700	15,700	15,587	15,650	15,700	15,625
Factory Use Consum.	26,605	26,605	26,548	26,758	26,430	26,785
Feed Use Dom. Consum.	0	0	0	0	0	0
Total Dom. Consumption	42,305	42,305	42,135	42,408	42,130	42,410
Total Distribution	42,335	42,335	42,170	42,446	42,170	42,450

Note: Not Official USDA Data

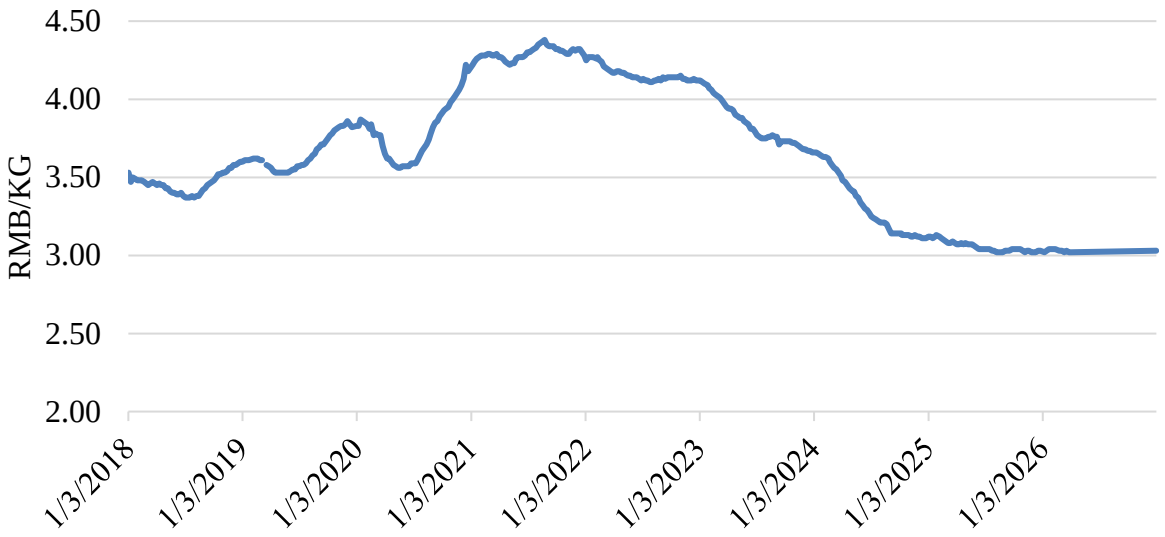
PRODUCTION

Production in 2026 to Remain Stable

Post adjusted its 2026 production forecast upward following stronger-than-expected milk output in 2025, while production in 2025 and 2026 remains broadly flat year-on-year. Declines in dairy cattle inventories will continue in 2026. China's dairy herd remains heavily concentrated in northern production regions, particularly Inner Mongolia, Hebei, Xinjiang, and other northern provinces, where large-scale operations continue to dominate milk production. Improvements in per-cow productivity will largely offset these reductions, resulting in limited changes in total output. Ongoing structural adjustment, including the exit of smaller farms and the culling of low-yield animals, is contributing to higher average yields. Sources indicated some leading producers have already achieved significantly higher productivity levels, with some large-scale operations reporting annual yields of 12.8–12.9 metric tons (MT) per cow, and top-performing farms even exceeding 15 MT. These productivity gains continue to offset reductions in herd size and support stable overall milk production.

Milk prices remain a key constraint on production. In the first four months of 2026, farmgate milk prices remain weak and hovered around RMB 3 per kilogram ($0.44[1] per kilogram) (see Chart 1). Sources indicate that in some regions, such as Inner Mongolia and Shanxi, prices fell below RMB 2.6 per kilogram ($0.38 per kilogram). At these levels, many producers continue to face pressure in covering full production costs. Industry estimates suggest average milk production costs remained around RMB 3.2 per kilogram ($0.47 per kilogram) in 2025, above current farmgate price levels in many production regions. Weak downstream demand remains a primary factor behind persistent price pressure. As a result, producers focus on improving efficiency rather than expanding production, reinforcing a stable production outlook for 2026.

Chart 1. China: Average Raw Milk Farm Gate Prices[2]



Source: MARA

Animal disease developments present risks but are unlikely to materially affect national production levels. Following the outbreak of foot-and-mouth disease (FMD) in Xinjiang and Gansu in late March 2026, authorities implemented rapid containment measures, including culling, farm-level lockdowns, and restrictions on cattle movement across regions. These measures temporarily disrupted livestock flows and tightened regional supply. However, the affected herd size remains small relative to China's total dairy cattle population, and large-scale commercial farms have strengthened biosecurity protocols. Post expects the impact of FMD on 2026 milk production to remain limited, with effects largely confined to short-term regional disruptions rather than national output.

[1] Post uses an exchange rate of RMB 6.8038 = USD 1.00 throughout this report, based on the China Foreign Exchange Trade System (CFETS) reference rate published on May 8, 2026.

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

Production in 2025 Revised Up on Higher Yields

Post revised up its 2025 total milk production forecast, reflecting continued gains in productivity. According to the National Bureau of Statistics, China's cow milk production reached 40.91 million metric tons in 2025, up 0.3 percent year-on-year. The upward revision reflects stronger-than-expected improvements in milk yields, which more than offset declines in dairy cattle inventories and support increased overall production.

CONSUMPTION

Consumption in 2026 to Remain Stable Amid Structural Shifts in End Use

Post expects China's milk consumption to remain broadly stable in 2026. While liquid milk use is declining, gains in dairy processing will offset the loss as the industry diverts more raw milk away from low-value outlets and toward higher-value dairy products such as cheese, butter, and cream.

Liquid milk consumption will decrease in 2026 as shifting consumer preferences reshape the market. While locally produced milk is predominantly processed into ultra-high temperature (UHT) milk, UHT milk continues losing market share as consumers favor fresher products. While pasteurized milk continues to expand, supported by quality preferences and improved cold-chain logistics, this growth remains insufficient to offset declines in UHT milk. Consequently, total milk use in liquid products will decrease.

Post expects milk use in processing to increase in 2026. Expansion in cheese, butter, and cream production will drive additional demand, supported by new capacity and growing foodservice applications. These products require significantly more milk per unit of output,increasing milk use in higher value-added dairy products.

Milk diverted to lower value uses will decrease. In previous years, producers diverted excess milk into powder production to manage oversupply. Improved market conditions and stronger processing demand reduce the need for such diversions, as processors increasingly direct milk toward higher-value products that better match current market dynamics. Industry sources also indicate weakening yogurt sales, particularly in shelf-stable segments, as softer consumer spending curtails demand for discretionary items. Post expects milk use in yogurt production to decline. However, Post expects stronger growth in milk use for higher value-added products such as cheese, butter, and cream to more than offset lower use in yogurt and lower-value applications, resulting in an overall increase in milk use for processing.

TRADE

Fluid Milk Imports in 2026 to Remain Low with Limited Fluctuations from a Depressed Base

Post lowered its 2026 import forecast following weaker-than-expected imports in 2025, though imports in both years are expected to remain broadly flat year-on-year. The primary factor

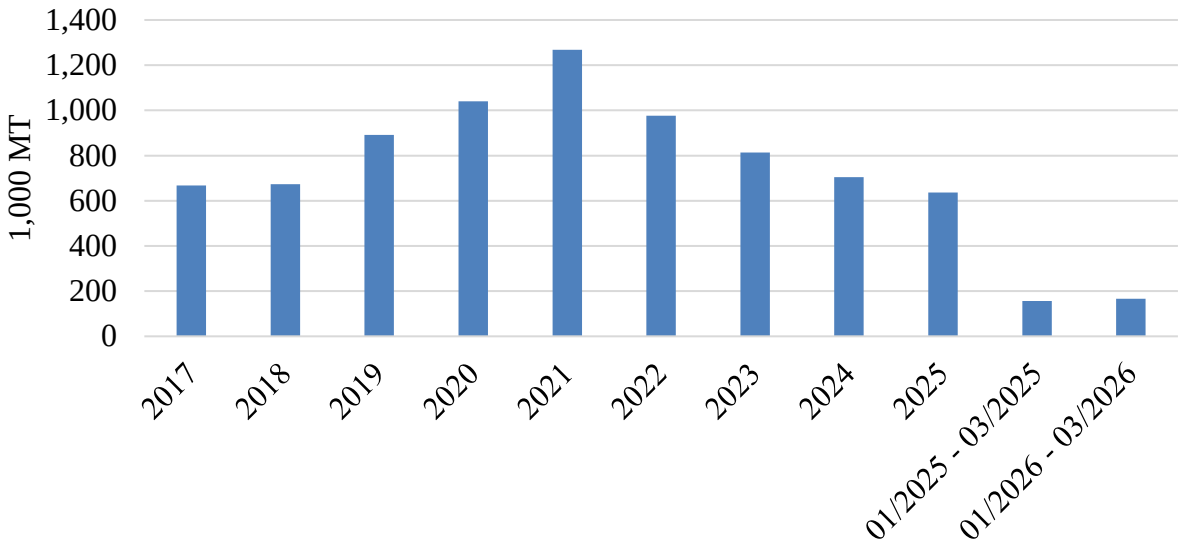
constraining imports is the increasing competitiveness of domestic milk supply. Low domestic milk prices continue to support local production, while improvements in cold chain logistics and distribution systems strengthen the ability to supply fluid milk domestically. Reflecting the shift from UHT to pasteurized milk, imports of fluid milk products, which are mostly UHT milk, have also seen weakening demands.

Demand-side Dynamics Constrain Import Growth

Consumption of fluid milk in traditional retail channels remains under pressure, while expanding foodservice sectors, such as tea and coffee, increasingly substitute for at-home milk consumption rather than generating additional demand for imported fluid milk. As a result, shifting consumption patterns have not translated into increased import demand.

China's fluid milk imports have declined continuously since 2022 (see Chart 2), with import volumes falling to 636 thousand MT in 2025, the lowest level since 2017. Although imports increased slightly in the first months of 2026 compared to the same period in 2025, overall volumes remain relatively low, indicating that the market continues to operate within a reduced import range.

Chart 2. China: Imports of Fluid Milk



Source: Trade Data Monitor, LLC

China continues to source fluid milk imports primarily from a small number of suppliers. New Zealand remains the largest supplier, Germany ranks second, and Australia third. Import volumes from these suppliers increased slightly in early 2026, but Post considers this to reflect short-term adjustments rather than a broader recovery in import demand.

WHOLE MILK POWDER

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

Dairy, Dry Whole Milk Powder	2024		2025		2026	
Market Begin Year	Jan 2024		Jan 2025		Jan 2026	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
						Unit: 1,000 MT
Beginning Stocks	175	175	145	145	120	130
Production	1,170	1,170	1,140	1,150	1,120	1,115
Other Imports	409	409	425	426	425	400
Total Imports	409	409	425	426	425	400
Total Supply	1,754	1,754	1,710	1,721	1,665	1,645
Other Exports	21	21	60	57	60	45
Total Exports	21	21	60	57	60	45
Human Dom. Consumption	1,588	1,588	1,530	1,534	1,495	1,490
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1,588	1,588	1,530	1,534	1,495	1,490
Total Use	1,609	1,609	1,590	1,591	1,555	1,535
Ending Stocks	145	145	120	130	110	110
Total Distribution	1,754	1,754	1,710	1,721	1,665	1,645

Note: Not Official USDA Data

PRODUCTION

Post revised down its 2026 production forecast due to reduced surplus milk available for processing, while the year-on-year declining trend remains unchanged from the previous report. WMP remains the primary outlet for milk that cannot be absorbed through other channels, and a large share of milk continues to be converted into WMP. However, with cow milk production expected to decline slightly in 2026, the volume of surplus milk diverted to WMP will also drop, resulting in lower production.

Shift Toward Higher-Value Products Reduces WMP Output

Processors tend to allocate more milk to higher-value dairy products, particularly butter, cream, and cheese, which offer stronger returns than WMP. Recent investments in regions such as Ningxia and Inner Mongolia reflect this shift, with new facilities expanding capacity for butter and cream. As output of these higher-value products increases, they absorb a growing share of milk supply, reducing the volume available for WMP production. However, these higher-value products still absorb only a limited share of total milk supply, and WMP remains the dominant outlet for most milk.

WMP has a shorter shelf life than SMP, reducing its suitability for storage and inventory management. In addition, processors can achieve higher returns by separating milk into butter and SMP. As a result, processors tend to limit WMP production unless it is required to absorb surplus milk.

CONSUMPTION

WMP Consumption in 2026 to Decline Amid Reduced Reconstitution Use and Weak Downstream Demand

Post revised down its 2026 consumption forecast due to weaker downstream demand and reduced usage in key applications, while the overall declining trend remains consistent with the previous report. The implementation of the revised National Food Safety Standard for Sterilized Milk (GB 25190-2010, as amended), which took effect on September 16, 2025, requires sterilized milk to be produced from raw milk and prohibits the use of reconstituted milk which continues to constrain the use of WMP in reconstituted milk applications. As a result, a portion of demand that previously relied on WMP has been structurally reduced.

Simultaneously, demand for products that utilize WMP as an input has weakened, leading to slower inventory turnover and more cautious procurement behavior. WMP is commonly used in processed foods and dairy-based beverages. Sources indicate that slower sales of these downstream products have resulted in elevated inventories at the enterprise level. In response, processors prioritize inventory reduction and scale back new purchases of WMP, further reducing overall consumption. In addition, WMP's relatively shorter shelf life compared to skim milk powder (SMP) reduces its storage flexibility, further limiting its attractiveness in inventory management and ingredient selection.

While demand from the bakery sector continues to expand, Post expects changes in WMP usage within this channel to be modest and insufficient to offset the decline in other applications discussed above. Bakery production can incorporate a range of dairy ingredients, including liquid milk and milkfat, with WMP representing only one of several input options, allowing processors flexibility in formulation. Post expects WMP ending stocks to decline in 2026, as processors reduce WMP production more aggressively than overall demand declines. As less surplus milk is directed into WMP production, tighter domestic supply is expected to support continued inventory reduction.

TRADE

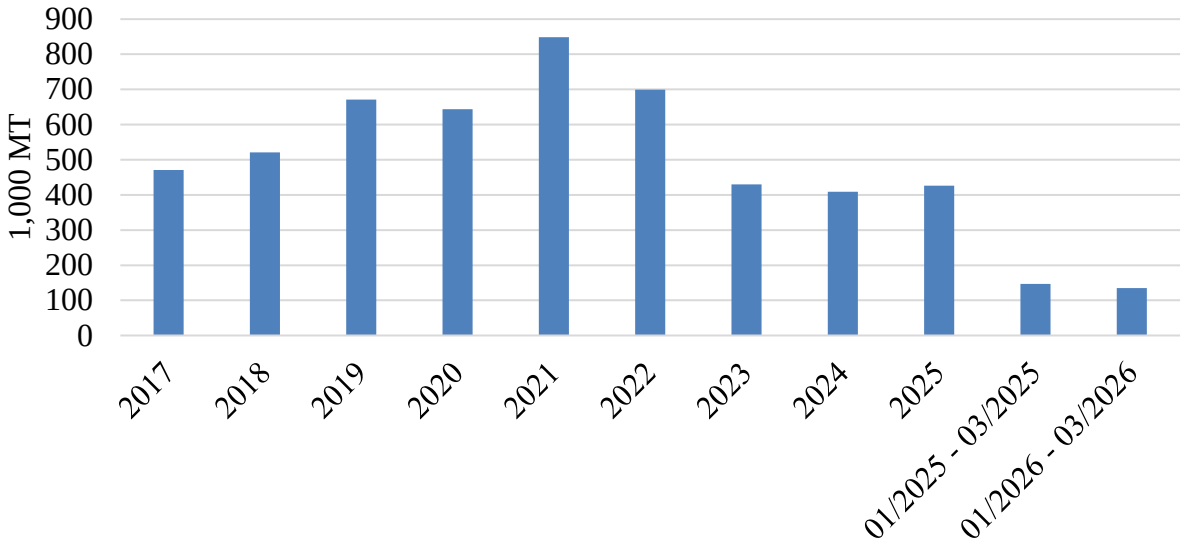
WMP Imports in 2026 to Decline Further amid Decreased Demand

Post lowered its 2026 import forecast due to weaker overall demand for WMP and continued substitution by lower-cost domestic products. Overall demand for WMP is expected to decline, as discussed in the consumption section. At the same time, competitively priced domestic WMP continues to replace imported products in applications that are less sensitive to quality, particularly in price-driven segments. This substitution is most evident in processing uses such as

bakery products, confectionery, and reconstituted dairy beverages, where formulation flexibility allows processors to prioritize cost efficiency over product origin. As a result, import demand is expected to weaken further, even as imports continue to serve a role in higher-specification or quality-sensitive applications.

Trade data for early 2026 support this assessment. In the first three months of 2026, China's WMP imports declined compared to the same period in 2025 (see Chart 3). However, Post expects import volumes to remain at a meaningful level**,** as imports could continue accounting for more than 25 percent of domestic WMP consumption, despite a moderate decline in overall import volumes..

Chart 3. China: Imports of WMP



Source: Trade Data Monitor, LLC

China continues to source the majority of its WMP imports from New Zealand (82 percent market share), which remains the dominant supplier by a wide margin. Australia serves as a secondary supplier (13 percent market share), contributing a much smaller share of total imports. This indicates that even as imports decline, China's sourcing pattern remains largely unchanged, with New Zealand continuing to dominate supply.

SKIM MILK POWDER

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

Dairy, Milk, Nonfat Dry	2024		2025		2026	
Market Begin Year	Jan 2024		Jan 2025		Jan 2026	
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	51	51	56	63	60	75
Other Imports	229	229	225	210	225	195
Total Imports	229	229	225	210	225	195
Total Supply	280	280	281	273	285	270
Other Exports	2	2	12	12	10	12
Total Exports	2	2	12	12	10	12
Human Dom. Consumption	278	278	269	261	275	258
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	278	278	269	261	275	258
Total Use	280	280	281	273	285	270
Ending Stocks	0	0	0	0	0	0
Total Distribution	280	280	281	273	285	270

Note: Not Official USDA Data

PRODUCTION

Production in 2026 to Increase Driven by Rising Butter Output

Post increased its 2026 production forecast as higher butter output is expected to generate additional skim milk powder as a byproduct, while the upward year-on-year trend remains consistent with the previous report. As processors expand butter output, the resulting skim milk byproduct is dried into SMP. This makes SMP production a function of the milk separation process rather than a response to standalone demand.

Industry sources indicate that this shift has already taken place, with more milk directed to butter production and associated SMP output. Several new projects incorporate butter, cream, and powder production within the same system. In addition, leading dairy companies prioritize the use of internally produced SMP across product lines, reinforcing the role of SMP as a byproduct within an integrated processing chain.

CONSUMPTION

Post lowered its 2026 consumption forecast following a downward revision to 2025 consumption, though consumption in both years is expected to remain broadly flat year-on-year. SMP is primarily used as an industrial ingredient across a range of applications, including infant formula, bakery products, and other processed foods. Demand is therefore closely linked to food manufacturing and foodservice sectors rather than direct retail consumption.

Demand trends vary across end uses. Consumption of SMP in bakery products continues to increase, supported by the expansion of baked goods. In contrast, demand from the infant formula sector continues to decline due to falling birth rates. At the same time, usage in processed food applications remains relatively stable. Post expects these opposing demand trends could offset each other and keep overall consumption broadly stable.

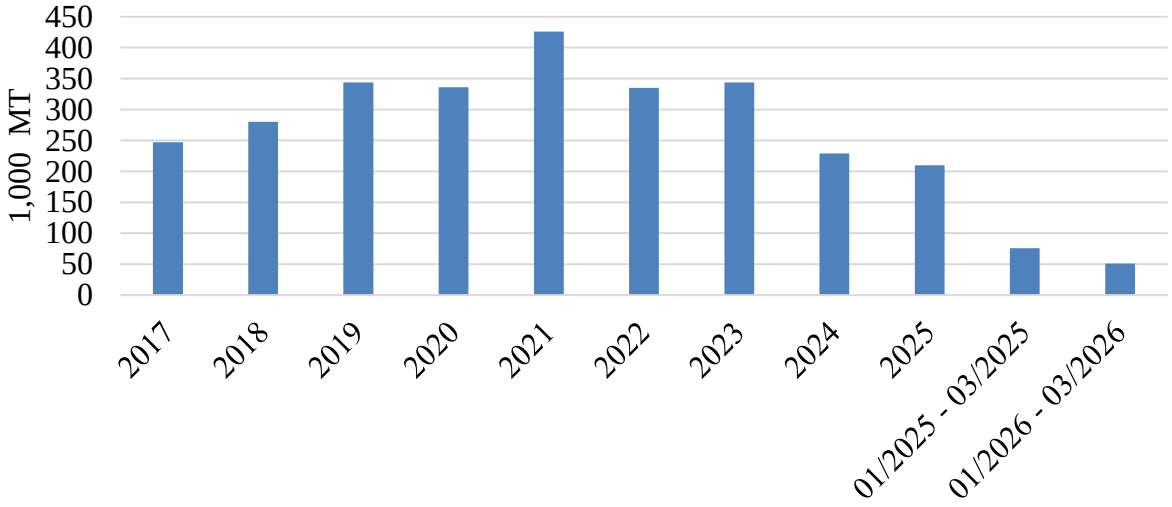
Domestic SMP production costs remain relatively high, so processors typically prioritize in-house use rather than external sales. SMP is commonly used within integrated dairy operations as an input for further processing and manufacturing.

TRADE

Imports in 2026 to Decline amid Stable Demand and Increased Domestic Supply

Post reduced its 2026 import forecast following weaker-than-expected import volumes in early 2026 (see Chart 4). Overall demand remains stable, with declining use in infant formula offset by growth in bakery products, while other processed food applications remain relatively stable. At the same time, increased domestic supply, mainly driven by higher butter production, reduces the need for imported SMP and displaces part of import demand. Trade data for the first three months of 2026 show imports declining compared to the same period in 2025. Post expects that the downward trend could continue into 2026.

Chart 4. China: SMP Imports



Source: Trade Data Monitor, LLC

China continues to source the majority of its SMP imports from New Zealand, which remains the dominant supplier due to its scale, stable export availability, and established position in China's dairy import market. Australia remains a secondary supplier, although at a significantly smaller volume. Imports from both countries declined in early 2026, consistent with the broader reduction in China's SMP imports. Although domestic SMP supply is increasing, imported SMP continues to play an important role in applications that require more consistent quality and specifications, particularly infant formula and other higher end uses.

CHEESE

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

Dairy, Cheese	2024		2025		2026	
Market Begin Year	Jan 2024		Jan 2025		Jan 2026	
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	28	28	30	32	32	36
Other Imports	173	173	190	197	192	235
Total Imports	173	173	190	197	192	235
Total Supply	201	201	220	229	224	271
Other Exports	1	1	1	1	1	1
Total Exports	1	1	1	1	1	1
Human Dom. Consumption	200	200	219	228	223	270
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	200	200	219	228	223	270
Total Use	201	201	220	229	224	271
Ending Stocks	0	0	0	0	0	0
Total Distribution	201	201	220	229	224	271

Note: Not Official USDA Data

PRODUCTION

Production to Increase in 2026

Post revised up its 2026 production forecast as domestic processors continue to expand output in response to rising foodservice demand, with growth stronger than previously anticipated. Low milk prices reduce input costs, while cheese offers higher returns compared to liquid milk and WMP, encouraging processors to expand output. Policy measures affecting imported cheese further support domestic production and create a favorable environment for capacity expansion. Cheese production absorbs milk at a relatively high conversion rate. Industry estimates indicate that producing 1 MT of cheese requires roughly 10 MT of milk. This high milk-use intensity

gives cheese a larger role in rebalancing milk utilization as processors shift away from lower-value products.

Capacity Expansion Supports Higher Output

Capacity expansion in 2026 further supports higher output. For example, in Inner Mongolia, new integrated dairy processing facilities handling approximately 600 MT of milk per day have entered operation, including production of mozzarella and other cheese products. In Ningxia, facilities with daily processing capacity of about 1,000 MT of milk are coming online, with additional expansion phases incorporating cheese production. Other projects in northwestern regions process roughly 150,000 MT of milk annually and are expanding into products including mozzarella and cream cheese. In Shanxi, a plant with daily milk processing capacity of around 400 MT is expected to begin trial operations in 2026, including cheese production as part of a broader product mix. These developments indicate that cheese capacity is expanding through broader integrated dairy processing investments rather than through standalone facilities.

Sources indicate domestic cheese production is primarily concentrated in standardized cheese products for foodservice use. Domestic cheese generally lacks the quality characteristics of imported cheese, particularly in terms of flavor complexity, texture, and aging profiles. Domestic products tend to compete on cost and supply stability, while imported products retain advantages in flavor and product diversity. As a result, domestic production growth is expected to be concentrated in mid-range and foodservice segments rather than premium categories.

CONSUMPTION

Foodservice Expansion and Broader Usage Increase Consumption in 2026

Post increased its 2026 consumption forecast to reflect stronger-than-expected growth compared to the last report, driven primarily by expanding foodservice demand and broader application across multiple consumption channels. Increased use of cheese in restaurant and bakery products, as well as continued expansion of consumption beyond traditional snack formats, is fueling this growth.

Foodservice remains the primary driver of consumption growth. In Western-style fast food, cheese usage continues to increase in products such as pizzas, burgers, and baked items, where it enhances texture and product appeal. In bakery products, cheese is increasingly incorporated into both savory and sweet items, often combined with other ingredients to create more complex flavor profiles. These applications increase the intensity of cheese use per product and support steady growth in overall consumption. Foodservice accounts for a large share of cheese consumption, with industry estimates suggesting it represents around 70 percent of total demand.

Consumption patterns are also shifting as cheese is used more frequently as an ingredient rather than a standalone product. Industry feedback indicates that cheese is increasingly incorporated into prepared foods, cooking, and foodservice menus, which expands its role within the broader food system and supports more consistent demand.

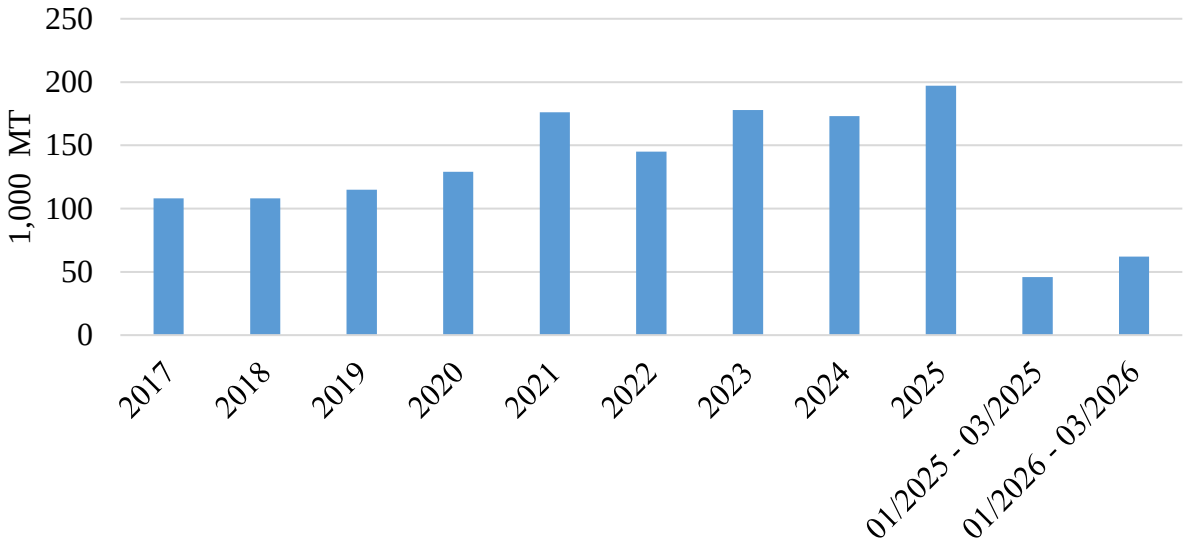
Geographically, consumption remains concentrated in economically developed regions, particularly first-tier cities,[3] where foodservice sectors are more mature and consumer acceptance is higher. At the same time, demand in lower-tier cities continues to expand as western-style food and bakery chains penetrate new markets.
Although consumption is increasing, growth remains gradual rather than rapid. Cheese is still not widely adopted as a daily staple, and demand expansion largely depends on its integration into familiar food formats. As a result, consumption growth is likely to continue through incremental increases in usage within existing food categories rather than through a sharp shift in consumer preferences.

TRADE

Imports in 2026 to Increase While Policy Changes Influence Supplier Composition

Post raised its 2026 import forecast following stronger import performance in the first three months of 2026 (see Chart 5). Continued expansion in domestic consumption, particularly from the foodservice sector, is driving import growth. Sources indicate that some imported varieties remain preferred in applications that require more consistent melt performance, stretchability, and flavor consistency, which are important for product standardization across chain operations.

Chart 5. China: Imports of Cheese



Source: Trade Data Monitor, LLC

On February 13, 2026, China implemented countervailing duties on certain dairy products imported from the European Union following a final determination by the Ministry of Commerce (MOFCOM) under Announcement No. 9 of 2026. The measures apply to cheese products under

[3] First-tier cities in China generally refer to Beijing, Shanghai, Guangzhou, and Shenzhen, which are widely recognized as the country's leading economic and commercial centers. In addition to these four first-tier cities, some market rankings identify a group of "new first-tier cities," typically including large and fast-growing urban centers such as Chengdu, Hangzhou, and Chongqing, among others.

HS codes 04061000, 04062000, 04063000, 04064000, and 04069000, as well as certain high-fat dairy products such as cream, with ad valorem duty rates generally ranging from approximately 7.4 to 11.7 percent for a five-year period. In 2025, EU-origin cheese accounted for approximately 14 percent of China's total cheese imports, while New Zealand and Australia together accounted for nearly 80 percent. As a result, Post expects the countervailing duties to have a limited impact on China's overall cheese import volume, but the measures may influence supplier composition at the margin, particularly among secondary suppliers.

China continues to source the majority of its cheese imports from New Zealand and Australia due to their cost competitiveness, stable production, and established trade relationships. While EU products remain present in the market, particularly in higher-value segments, the new policy environment may encourage some shift toward alternative suppliers rather than reduce overall import demand.

The United States will remain a relatively small supplier of cheese to China in 2026. Additional tariffs on U.S. dairy products continue to limit price competitiveness, and past adjustments to tariff measures have raised concerns among importers. As a result, U.S. cheese exports to China will remain constrained and will not represent a major share of the market.

BUTTER

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

Dairy, Butter	2024		2025		2026	
Market Begin Year	Jan 2024		Jan 2025		Jan 2026	
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	115	30	125	37	130	44
Other Imports	144	144	160	160	162	162
Total Imports	144	144	160	160	162	162
Total Supply	259	174	285	197	292	206
Other Exports	6	6	10	10	10	10
Total Exports	6	6	10	10	10	10
Domestic Consumption	253	168	275	187	282	196
Total Use	259	174	285	197	292	206
Ending Stocks	0	0	0	0	0	0
Total Distribution	259	174	285	197	292	206

Note: Not Official USDA Data

PRODUCTION

Production to Increase in 2026

Post raised its 2026 production forecast as processors expand milkfat utilization to capture higher returns. Low milk prices continue to support margins for dairy processors. Butter offers higher returns compared to liquid milk and WMP, encouraging greater allocation of milk to fat-based products. Stable demand from bakery, foodservice, and beverage sectors provides underlying support for increased domestic production.

New Capacity Drives Production Growth

Investment trends further support production growth. New processing capacity continues to come online across key dairy-producing regions. For example, in Inner Mongolia, integrated dairy operations with herd sizes exceeding 10,000 head are expanding into butter, cream, and cheese production using self-produced milk. In Ningxia, a large-scale project with daily processing capacity of approximately 1,000 MT of raw milk is scheduled to begin operations in early 2026, with additional expansion phases already planned. Another facility in the same region, which began operations in February 2026, processes around 150,000 MT of milk annually and focuses on cream and other fat-based products. In Shanxi, a new plant with daily processing capacity of approximately 400 MT of milk is expected to enter trial production in mid-2026. These projects reflect a broader shift toward integrated processing systems that include cream and butter production, supporting continued growth in butter output.

Sources indicate domestically produced butter is typically positioned for mid-range and industrial uses, supported by cost advantages and stable supply. Compared to imported butter, which often emphasizes flavor and premium applications, domestic products tend to have a more neutral profile and are widely used in bakery, foodservice, and other business-to-business channels.

CONSUMPTION

Butter Consumption in 2026 to Continue Growing Due to Foodservice Demand and Product Upgrading

Post revised up its 2026 consumption estimate to reflect ongoing structural shifts in dairy patterns. Expanding bakery and foodservice usage, consistent with previous trends, is driving demand as consumers continue to upgrade to premium downstream products. Within these sectors, manufacturers are increasingly reformulating recipes to achieve richer taste profiles and improved eating characteristics. The growing presence of butter-intensive baked goods, such as laminated pastries and other products that rely on higher butter content for structure and flavor, reflects this shift and results in higher butter usage per unit of production.

In foodservice, butter use is expanding as restaurants incorporate it more widely to improve flavor and texture in Western-style, fusion, and localized menu items, including butter-based stir-fried dishes, baked rice, and butter-infused sauces used in seafood and hot dishes. As menus

evolve and standardize across chain operations, butter becomes a more consistent input, supporting higher overall usage in this channel. This trend aligns with broader consumption upgrading, as dairy consumption gradually shifts from fluid milk toward higher value-added products such as butter and cheese. China's per capita butter consumption remains low compared to developed markets, indicating continued room for growth.
Policy developments also support consumption. The revised National Food Safety Standard for Cream, Butter, and Anhydrous Milk Fat (GB 19646-2025), implemented on March 16, 2026**,** requires that butter products contain only milk fat and prohibits the use of non-dairy fats in products labeled as butter. This change strengthens product definition and improves consumer confidence, supporting demand for butter in both foodservice and retail channels.

TRADE

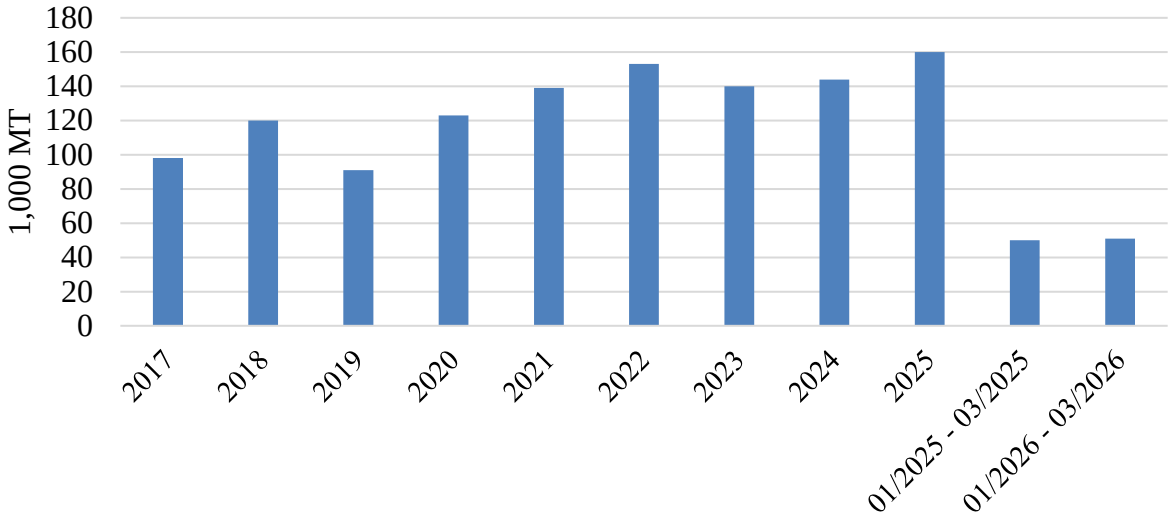
Butter Imports in 2026 to Remain Stable amid Expanding Demand

Post expects China's butter imports to remain broadly stable in 2026. Expanding demand, particularly from bakery and foodservice sectors, continues to support overall market growth, while increasing domestic production meets a larger share of incremental demand.

Domestic production has expanded, allowing processors to meet a larger share of demand growth and limit the need for additional imports. However, domestic output does not fully substitute for imports. Locally produced butter mainly serves price-sensitive and large-scale applications, while imports remain essential for premium segments, including high-end bakery products and Western-style foodservice, where consistent quality, specific fat composition, and established brand characteristics are required. As a result, domestic production growth and import demand coexist, supported by increased underlying demand.

Imports increased in 2025 and remained broadly stable in the first three months of 2026 compared to the same period in the previous year (see Chart 6). New Zealand remains the dominant supplier of butter to China, accounting for most imports. Its position reflects established trade relationships, consistent product quality, and stable supply. European suppliers account for much smaller volumes compared to New Zealand.

Chart 6. China: Imports of Butter



Source: Trade Data Monitor, LLC

WHEY AND WHEY PRODUCTS

China's whey demand remains structurally strong, supported by both food and feed applications. Post expects whey demand to remain robust in 2026, consistent with previous reporting. Whey is widely used in functional food products, including sports nutrition, medical nutrition, and protein-fortified foods, where its nutritional profile and digestibility support continued consumption growth. However, industry contacts note that strong domestic demand in the United States, particularly for whey protein and related products, has tightened export availability, which may limit supply to international markets, including China.

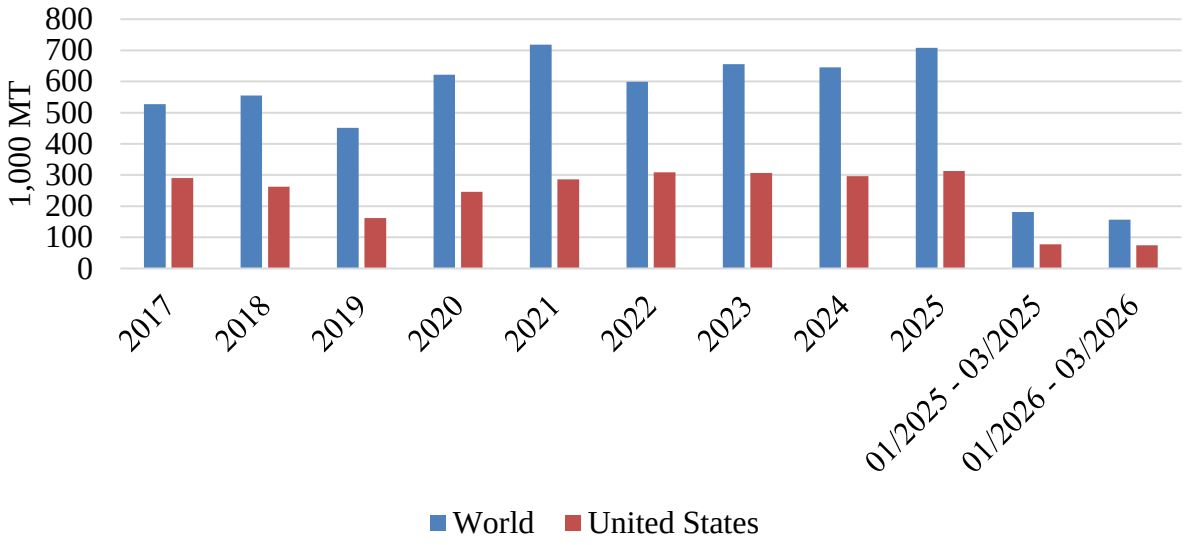
Feed use remains a key pillar of whey demand. Whey powder is commonly used in piglet starter feed due to its lactose content and digestibility. According to National Bureau of Statistics (NBS) data, China's hog slaughter, pork production, and overall inventory continued to increase in the first quarter of 2026. While the number of breeding sows declined, improvements in productivity, including pigs per sow per year (PSY), suggest that piglet supply may not decrease significantly. Contacts indicate that feed producers are unlikely to reduce whey inclusion rates even during periods of low hog prices, as substitution would negatively affect feed efficiency and is not considered cost-effective. As a result, feed demand continues to provide a stable and relatively inelastic base for whey consumption.

Domestic whey production remains limited and is unlikely to significantly alter import dependence. Whey is primarily a byproduct of cheese production, and China's relatively small cheese processing sector constrains domestic supply. In addition, domestically produced whey products face ongoing challenges related to quality consistency and the production of high-end specifications. As a result, domestic production is not sufficient to meet demand across key applications.

Trade data indicate some short-term fluctuations in import volumes. In the first three months of 2026, China's whey imports declined compared to the same period in 2025 (see Chart 7).

Despite this decline, overall import volumes remain substantial, reflecting continued reliance on imported whey to meet domestic demand. The United States remains the dominant supplier, followed by the European Union, and the overall supplier structure remains stable.

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



Source: Trade Data Monitor, LLC

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.

According to contacts it also appears that China's automatic tariff exclusions on whey for feed use (HS04041000, protein content by weight 2-7 percent and lactose content of 76-88 percent) expired on February 28, 2025. However, importers can still apply for exemptions on a case-by-case basis.

Dairy Facility Registration

U.S. dairy exporters should follow procedures for exporting to China as outlined by FDA for food products and USDA for feed products. For food products, please refer to GAIN Report CH2024-0070 on 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