

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Netherlands

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### Dutch Dairy Processors Gear Up for Chinese Demand

**Report Categories:**

Dairy and Products

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**Report Highlights:**

In the Netherlands, Sweden and Denmark, the dairy sector is planning to expand its production of milk powder based products for the export to China. The dairy processors hope that the abolishment of the milk quotas in 2015 will supply them with sufficient milk deliveries.

The Dutch dairy company FrieslandCampina announced it will invest Euro 310 million in three Dutch factories producing baby formula products. At least one of the three plants will include the drying process of milk. Also the Swedish - Danish based dairy company Arla Foods is planning to increase its exports of milk powder based products to China. While domestic demand is stagnating, high demand for dairy products from third countries is spurring increased production in the North.

The growth strategy of FrieslandCampina and Arla Foods is based on the surging demand for in particular baby formula products in China. Chinese consumers prefer imported dairy products because they doubt the quality and safety of their domestically produced milk powder. Due to the Chinese demand, baby formula products are scarce in the Dutch supermarket shelves, and Dutch consumers are in some cases only allowed to buy one package each time.

The Chinese dairy sector is as well investing in the Dutch dairy sector. The Chinese company Xian Consummate has plans to invest Euro 30 million in the construction of a new baby formula plant. Beginning 2015, the plant is anticipated to be operational.

Dairy processors in the Netherlands and the Nordics hope that domestic milk production will keep up with the growing demand for dairy products in their export markets. FrieslandCampina expects milk deliveries of its members to increase after the abolishment of the milk quotas in 2015. FrieslandCampina is closely following the individual dairy farm management plans to assess if they will be able to expand production. Both Arla Foods and Friesland Campina expect milk prices to increase in 2013.