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HD **China** Pulls Permits From Some Infant-Formula Makers; Food-Safety Push Aims to Bolster Local Producers in Market Led by Imported Brands
BY Chuin-Wei Yap
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BEIJING—**China**'s food-safety regulators pulled production permits from more than a third of the country's infant-formula makers, pushing for consolidation and greater control in an industry that has suffered quality scandals.

The **China** Food and Drug Administration said on Friday that it granted production permits to 82 companies out of 133 that had applied, as it wound down a six-month review that officially ends on Saturday.

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The review caps a six-year campaign to rebuild **China's dairy** industry after a scandal over melamine-tainted baby **milk** in 2008 put local brands under a cloud. The incident killed six infants and sickened 300,000 others. Beijing has sought to reshape the industry, in part to force it to compete more effectively with foreign brands.

"On the question of consolidating these 51 companies, we are coordinating with the industry ministry on how to approach it. Consolidation will increase as we step up supervision," said Ma Chunliang, a supervisory department head with the administration, at a briefing on Friday.

Of the 51 infant-formula producers that didn't make the cut, 23 had asked for extensions for further review, said Bi Yu'an, a supervisor with the administration. It wasn't immediately clear when the government would decide on the extensions.

Last year, the Ministry of Industry and Information Technology said it wanted to shrink the sector to 50 manufacturers by 2018.

Administration officials credit tighter restrictions, including the certification process and more stringent spot checks, for an unblemished record in the past year.

China has prioritized food safety and building a strong domestic food industry, as consumers flock to imported foods, citing lack of trust in local producers as a main concern. The slimmed-down domestic industry will be competing with about 41 foreign enterprises that are allowed to import and sell infant formula here, said Yingchao Zhang, an analyst with investment bank North Square Blue Oak. Foreign brands account for about 55% of **China's** infant-formula market, analysts say.

While regulators' core motive is improving food safety, there is also an element of local protectionism, said David Mahon, a **dairy** expert and managing director of investment consultancy Mahon **China** Investment.

"There's an ongoing struggle for market share for **China's** local infant formula manufacturers," said Mr. Mahon, adding that "they are under huge pressure to perform against foreign makers."

Because of high growth and profit margins in **China's** infant formula market, many companies have jumped in to sell to consumers, creating a highly fragmented market. But the fragmentation has made it difficult for regulators to keep a tight watch over food safety.

China continues to be a price-taker in the global baby-**milk** market, despite a market that is poised for further growth as Beijing relaxes its one-child policy. As public trust in domestic producers plunged after the 2008 scandal, **Chinese** families looked abroad for infant **milk** powder.

Authorities acted last year to stem what they said were high prices charged by foreign producers. The National Development and Reform Commission, **China's** top economic planning agency, fined six global **dairy** companies 669 **million** yuan (\$109 **million**) on complaints of "anticompetitive" practices.

Currently, infant formula **sold** in Europe for about 130 yuan is **sold** in **China** for as much as 470 yuan, said Jiang Yujun, deputy director of the National **Dairy** Industry Engineering and Technology Research Center. Premium domestic brands were pricing at similar levels, which is buoying prices across the **board**, Mr. Jiang said. Such prices are typical for tins of formula that range from 800 to 900 grams each.

Chinese food regulators also said Friday they have applied the same quality standards to domestic brands as they do with imports, as another means to force prices to converge.

"Everyone here hopes that domestic infant-formula powder producers will account for an ever increasing share of the market," said Mr. Jiang.

Corrections & Amplifications In an earlier version of this article, the caption on the accompanying photo incorrectly identified the person portrayed as a customer, not a store employee.

CO csfada : China Food and Drug Administration

IN i413 : Dairy Products | i0 : Agriculture | ibabyf : Baby Food | i41 : Food/Beverages/Tobacco | icnp : Consumer Goods | ifood : Food Products

NS mdair : Dairy Markets | e1110 : Agricultural Production | c26 : Product Safety | c13 : Regulation/Government Policy | cbrand : Branding | c31 : Marketing | ccat : Corporate/Industrial News | e11 : Economic Performance/Indicators | ecat : Economic News | m14 : Commodity Markets | m141 : Agricultural Commodity Markets | mcat : Commodity/Financial Market News | mlvstk : Livestock/Meat Markets | ncat : Content Types | nfact : Factiva Filters | nfce : FC&E Exclusion Filter | nfcpin : FC&E Industry News Filter

RE china : China | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | asiaz : Asia | apacz : Asia Pacific | easiaz : Eastern Asia | austr : Australia | nz : New Zealand

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