No Quick-Fix for China's Troubled Dairy Industry

ALEXA OLESEN,Associated Press

BEIJING (AP) — China learned hard lessons from a contaminated milk scandal that left six babies dead four years ago but its dairy industry is still plagued by quality lapses, from toxic mold in milk to mercury in baby formula.

Experts say the new scandals have a silver lining: they show the industry's new transparency. But the persistent problems also underscore that milk is a new addition to the Chinese diet and it will be a long time before it's truly safe.

The latest company to run into a problem is Bright Dairy and Food Co, which this week announced that one of its factories had accidentally flushed alkaline water, used for cleaning, into cartons of milk. The recall of some 300 cartons didn't happen until consumers complained about foul smelling milk.

The problems have sent people over the border into Hong Kong to buy milk powder for their babies, and have been reported in the usually tightly controlled state media. One columnist, Wang Xiaoshan of the Beijing News, has lobbied online for dairy boycotts. He regularly vents to his nearly 1 million micro blog followers about Mengniu Dairy Group, an industry leader who was among those found to have the industrial chemical melamine in their products in 2008.

"The safety problems have never stopped happening," said Wang. "I only drink water."

After six babies died from melamine-laced formula in 2008, Chinese Premier Wen Jiabao vowed the leadership would prevent anything like it happening again but despite such pledges, dairy scandals keep emerging.

In December, Mengniu announced it had destroyed a batch of milk found tainted with cancer-causing mold aflatoxin but admitted some had already reached consumers. An investigation linked the tainted milk to dirty cow feed. At low doses aflatoxin is not considered harmful to humans, though high doses are linked to cancer, especially in the liver.

Earlier this month, Yili Industrial Group said it had recalled infant formula because it was tainted with "unusual" levels of mercury.

Once a rarity in the Chinese diet, dairy has become a staple as incomes have risen, and though demand has skyrocketed, supply has lagged. Chinese herds are small, feed is substandard and yields are low.

David Mahon, managing director of Mahon China Investment Management, a Beijing research and investment advisory firm, said China has around 12 million cattle. A large percentage of those cows are part of small backyard herds milked by hand by

a single farmer, he said.

Mahon said chronic shortages led to the practice of watering down milk that spawned the melamine scandal, and that shortages today still lead to corner cutting and quality problems. Farmers are too reluctant to dump milk, even if it has problems.

"What we see in China is particular to a country that has a medieval farming system serving a product to a 21st century market," said Mahon.

China knows it needs to boost output. It is expected to produce around 32 million metric tons of raw milk this year, according to a U.S. Department of Agriculture forecast, but the Chinese government's target for 2015 is 50 million metric tons.

To that end, consolidating small holdings into bigger farms is being pushed. Government figures show that the percentage of Chinese dairy farms with 100 or more cows grew 17 percent last year and now make up 28 percent of the national total.

To spur consolidation and streamline supply, China introduced a rule in 2008 that dairy product producers had to have control over at least 70 percent of their milk supply. Mahon said this rule isn't yet strictly enforced but it has pushed companies in the right direction.

Mengniu said this month it's starting to build eight to 12 mega-farms in China's northeast with between 1,000 to 10,000 cows as part of a plan to cut out all of its small-scale suppliers within the next three years.

Jim Cullor, a professor and director of the Dairy Food Safety Laboratory at the University of California Davis, has visited numerous Chinese dairy farms, including one in Inner Mongolia last summer run by Yili Industrial Group. He came away impressed by how quickly the bigger ones are being upgraded and mechanized.

"The transformation of the dairy industry over the past few years has been remarkable," said Cullor. "The physical facilities on the dairy farms have improved greatly and seem to be continuing down that path."

What even the big farms still lack, Cullor said, is expertise, "more on-farm managers with experience and training in animal health" who are able to properly deal with problems like livestock infections and mold-tainted feed.

Developing that expertise will take time. And Mahon stresses that it will also take time to build the herds, consolidate them, improve care and improve feed — all of which are needed to stop the kind of food safety problems dogging the industry.

On the bright side, though, the government and the public are paying more attention and catching scandals in real time. Companies are under pressure to inform the public of problems and the government, fearful that food fears could trigger social unrest, is doing a better job of policing the industry.

"We just know more," said Mahon.

Source URL (retrieved on *09/23/2014 - 11:59pm*):
http://www.chem.info/news/2012/06/no-quick-fix-chinas-troubled-dairy-industry