

Chinese Safety Concern Empties Distant Shelves

By MATT SIEGEL

Published: January 7, 2013

SYDNEY, Australia — A surge in sales of one of Australia's most popular brands of infant formula has led to an unusual sight for this wealthy nation: barren shelves in the baby aisle and even rationing of baby food in some leading retail outlets.

But the run on formula is not the result of a local baby boom. Instead, it is being attributed to Chinese visitors, who are apparently concerned about domestic [food safety](#) standards and are believed to be buying in bulk and carrying it home.

The run is one of the odder examples of how [China's](#) thirst for high-quality products can upend faraway consumer markets, particularly amid concerns about the quality of its food supply.

A number of recent high-profile scandals involving tainted food products in China have shaken public confidence in the safety of domestic supplies. In 2009, two Chinese milk producers were executed for selling contaminated milk powder after infant formula and other products were found to have the industrial chemical [melamine](#). Six children died and about 300,000 became ill, provoking a nationwide panic among parents.

Last June, China's biggest milk producer, the Inner Mongolia Yili Industrial Group, was compelled to recall six months' worth of production.

With about 16 million births a year, China is one of the world's largest markets for baby food and infant formula, representing around 23 percent of the \$41 billion global market, according to a recent study published by Euromonitor International, a research firm in London.

Concerns about the safety of domestic supplies have led to a sharp rise in demand for imported formula among urban middle-class households, sending prices of foreign brands soaring in Chinese supermarkets. According to the United States Department of Agriculture, the retail price of a 28-ounce package of imported formula is 290 to 350 renminbi, or \$46 to \$56 — about 50 percent higher than most domestic brands.

Hoping to stem the loss of market share to foreign competitors — and perhaps to reap the higher margins on foreign milk — some Chinese producers are investing in plants overseas. One of China's leading makers of baby formula, Synutra

International, announced plans in September to invest about \$130 million in a new milk-drying plant in the western French region of Brittany that will be operated by Sodiaal, a French dairy cooperative.

The plant, which is expected to open in 2015, will produce around 100,000 tons of “high-quality” whey and milk powder a year exclusively for Synutra, the company said.

With Chinese visitors to Australia reaching record numbers in 2012, local merchants say it is common for these travelers to stock up on formula.

“This has been happening for maybe five years,” Edward Karp, who owns Pymont Pharmacy in Sydney, said in an interview. “Their pilots and their flight attendants used to stay at the hotel in the other block, and they used to come in and buy cartons of baby formula to take back home for their family and friends. They used to come in in their uniforms with the trolleys, put the bags on the trolleys, and off to the airport they’d go.”

The phenomenon is not unique to Australia. Mainland Chinese visitors to Hong Kong, for example, have put such pressure on formula supplies that retailers routinely limit purchases to four cans per customer, analysts say. Thousands of Chinese households are also placing international orders for formula online, either directly or through friends and relatives living overseas.

The shortages in Australia are primarily limited to the Karicare Aptamil Gold brand of formula, which is produced by a New Zealand-based subsidiary of the French food-product giant Danone. It remains unclear why that brand is in greater demand than others, but Australia’s leading supermarket chains, Coles and Woolworths, acknowledged this week that they were struggling to meet demand.

A spokeswoman for Woolworths, speaking on the condition of anonymity in line with company policy, said that while the chain had not instituted formal rationing, it would restrict the amount that customers may buy at any one time.

“Woolworths is not a wholesaler; we reserve the right to limit the number of identical products any one customer can buy during a single visit,” the spokeswoman said in an e-mailed response to questions. “While there is no specific limit set, our stores are encouraged to use a common-sense approach to ensure stock is only sold in retail quantities.”

Alistair Bradley, the general manager of Nutricia, which produces the formula at its New Zealand factory, [told the newspaper The Australian](#) on Friday that the company

was struggling to keep its products on the shelves, despite having increased production to 20,000 tons from 5,000 in 2012 to cope with growing domestic demand.

“This, coupled with food safety concerns overseas, has generated an unexpected increase in demand for Karicare and Aptamil formula,” he said. “We are currently not always able to ensure that adequate amounts.”

In Perth, on Australia’s west coast, Richard McWatt, the manager of the Superchem Family Pharmacy, said by telephone that a customer had called him on Thursday to buy 100 cans of the formula. Similar stories have been reported in the Australian news media, although it is unclear how the products are being taken out of the country without the imposition of export duties.

“Some families will buy six tins at a time and send it back to their home country, but never that many at one time,” Mr. McWatt said.

Some of the purchases, though, could be the result of hoarding by residents fearful of shortages.

Nicola Clark contributed reporting from Paris.