China May Block New Zealand Baby Formula

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BEIJING (AP) — China has tightened controls on imports of infant formula in a move an industry official in New Zealand, a major supplier, said might block some products.

The announcement coincides with an effort by Beijing to build up its dairy industry following a 2008 tainted milk scandal that killed at least six babies and prompted many parents to switch to imported formula.

Only milk products from foreign sources that are registered with the government can be imported, the Administration for Quality Supervision, Inspection and Quarantine said on its website. A list issued by the government showed foreign brands including European units of Abbot Laboratories, Mead Johnson Nutrition Co. and Nestle Group have registered.

An industry group in New Zealand said only six of the country's 13 suppliers were approved. The chairman of the New Zealand Infant Formula Exporters Association said that might result in some shipments to China being blocked.

"We lost a whole lot of ground this morning," said Michael Barnett at a news conference, according to the New Zealand Herald newspaper.

Demand for imported milk soared after the 2008 scandal in which some Chinese supplies were found to contain melamine, a chemical that can cause kidney damage and other injuries. Some suppliers added it to fool protein tests on watered-down supplies.

Suppliers from New Zealand, Australia, Europe and elsewhere took market share from Chinese competitors, setting back the communist government's efforts to build a domestic dairy industry.

The brand at the center of the 2008 scandal, Sanlu, was broken up and tighter quality standards imposed on the industry. However, that has failed to restore the confidence of Chinese parents. Imported brands have such a strong reputation for quality that customers pay up to three times the price of local brands in supermarkets.

In August, regulators fined five foreign milk suppliers and one from Hong Kong a total of $108 million on charges they violated China's anti-monopoly law by setting minimum retail prices for stores.

In the latest effort to build a domestic industry, the city government of Beijing will give 10.8 million yuan ($1.7 million) to a major local brand, Sanyuan Group, to develop "safe and healthy infant milk powder," the newspaper Beijing Youth Daily

reported.

Demand for imported formula is so strong that smugglers bring supplies from Hong Kong, Australia and elsewhere. That has prompted Hong Kong and some other markets to limit purchases to ensure local customers have adequate supplies.

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