

Demand for milk quantity and safety in urban China: evidence from Beijing and Harbin*

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Urban households account for most of the milk consumption in China, but their consumption is hampered by safety concerns. Using survey data collected in Beijing and Harbin in 2010, this paper simultaneously analyses urban households' milk consumption using a multiple linear model and their willingness-to-pay for milk safety using an ordered choice model. The results of this study show that as income increases, urban households consume more milk and are willing to pay a higher premium for milk safety. Modern food marketing channels play a positive role in stimulating milk consumption and building consumers' confidence in milk safety. The growth in the elderly population influences milk consumption positively, but their demand for milk safety is negatively affected by higher price. The combined analysis of households' demand for milk quantity and safety may be useful to the Chinese government in promoting the development of the domestic milk industry and to dairy firms in exploring the milk market in China.

Key words: China, food safety, milk consumption, ordered choice model, willingness-to-pay.

1. Introduction

Milk consumption in urban China accounts for over 90 per cent of milk consumption of the entire country (Dong 2006). It has experienced rapid growth since 1990s, with per capita consumption of fluid milk in urban China increasing from 4.62 kg in 1995 to 18.83 kg in 2004 (Ministry of Agriculture of China (MOA) 2012). Several mutually reinforcing factors contributed to this rapid growth of milk consumption, including rising incomes, changing urban lifestyles, the development of more sophisticated marketing channels and government promotion of the domestic dairy industry (Fuller *et al.*

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