



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - Public Distribution

Date: 6/4/2003

GAIN Report #CH3606

China, Peoples Republic of

Poultry and Products

Accredited Importers as the Gate Keepers for

Importing U. S. Poultry to China

2003

Approved by:

Samuel Wong

U.S. Consulate General Guangzhou

Prepared by:

Julie Zhu Lizhi

Report Highlights:

China's import of US poultry is significant for U.S.-China trade. Between 1997 and 2001, the import grew from 100,815 MT to 564,505 MT, an increase of 460 per cent. Any change in the modus operandi of the import business will have a marked impact on the poultry industry in the United States.

China issued a list of 72 accredited importers of poultry products for all of China for 2002. They are the gate keepers for importing U.S. poultry products to China.

US Poultry Sales to China

China's import of US poultry is significant for US-China trade. Between 1997 and 2001, the import grew from 100,815MT to 564,505MT, an increase of 460 per cent (Table 1). Any change in the modus operandi of the import business will have a marked impact on the poultry industry in the United States.

Table 1
China's Import of US Poultry Products, 1997-2001

1997	1998	1999	2000	2001	Percent Increase
100,815MT	87,016MT	497,325MT	664,575MT	564,505MT	459.9

Source: World Trade Atlas

The Role of An Accredited Importer

Currently, China restricts the importing of poultry products by a quota system, a non-tariff barrier to import, and by using a network of select accredited importers. Only accredited importers are eligible to bring poultry products into China. The precondition for a trader to become an accredited importer is the trader having the import and export right (authority).

In addition to the import and export right, the trader has to hold the Import Meat Quarantine and Inspection Permit (hereinafter "import permit") and the Automated Import License (hereinafter "import license") if he/she wants to import poultry products from other countries. China's State General Administration for Quality Supervision and Inspection and Quarantine (AQSIQ) in Beijing issues the import permit. The provincial branch of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC)* of the People's Republic of China issues the import license. The permit is a prerequisite for importing meat and poultry products while the license is an additional requirement for importing poultry products. (*MOFTEC has been changed to Ministry of Commerce as of March 2003 at the national level. However, at the provincial level, it is still known as MOFTEC.)

To secure an import permit, the trader has to submit the required documents to the provincial AQSIQ for initial examination and verification. Upon passing at the provincial level, the documents are submitted to the State AQSIQ headquarters office in Beijing for final examination and issuance of the Import Permit. Usually, it takes 3 working days for the provincial AQSIQ and 5 working days for the State AQSIQ headquarters office in Beijing to process the application.

In addition, the trader has to get approval from the MOFTEC at the provincial level for the Import License before he/she can import from other countries. MOFTEC at the provincial level will decide whether the applicant is qualified according to the applicant's facility, equipment, past performance, and other criteria. Processing the application takes 2 working days.

It may happen that MOFTEC approves the application for an import license while AQSIQ disapproves the issuance of an import permit, or vice versa. Unless the trader gets both the

license and the permit, he/she is not allowed to import poultry products to China.

China issued a list of 72 accredited importers of poultry products for all of China for 2002; all of them are members of the China Food Association's Poultry Branch. At present, 18 of them no longer handle imported poultry products. Of the remaining 54 accredited importers, 35 are in Guangdong, accounting for 64.8 per cent of this select circle of traders. This concentration of accredited importers makes Guangdong a primary gateway for importing poultry products to China.

Before 2002, AQSIQ did not restrict the number of poultry importers. Members of the China Food Association's Poultry Branch who had the import and export right (authority) are eligible to apply for the Import Meat Quarantine and Inspection Permit for poultry importation. In 2000, the number of accredited importers in China exceeded 200.

The number of accredited importers of poultry products was reduced to 72 in 2002, about one third of the number in 2000. The justification for decreasing the number was to exercise stricter food safety control. In 2001 some of the imported poultry products were found contaminated by E. Coli O-157.

The Movement of Poultry Products

The quota of the Import Permit for imports of poultry products used to be 200 MT per shipment. Now, the quota management is less stringent. Quotas exceeding 200 MT are allowed. If a quota is not used up for one shipment, it can be extended to another shipment within the validity period, usually in the same calendar year. It is not extended to the next calendar year. The Import License is used for one shipment only; it has no quota allocation. Importers are required to present both the permit and the license each time they clear customs.

Currently, 70 percent of US poultry products enter China through Guangdong, in South China, a 90- minute train ride from Hong Kong. From Guangdong, the products are redistributed to other parts of China. The Guangdong ports through which poultry products are handled include Panyu, Foshan, Zhongshan, Zhuhai, Shunde, Nanhai, Zhaoqing, Huidong, Huangpu, Shantou and Shenzhen. This network of ports reiterates Guangdong's role as a primary gateway for importing poultry products to China.

Despite State sponsorship and media promotion, Shanghai handles only 10 percent of US poultry products. Dalian, Liaoning, Qingtao and Yantai in Northeastern China import about 20 per cent. According to US Customs' statistics, China's direct imports of poultry products from the United States in the first three quarters of 2002 reached 49,492 metric tons (MT), an increase of 44% over the same period in 2001. The value was US\$25.6 million, a growth of 51%.

According to Hong Kong Customs, re-exports of US poultry products from Hong Kong to China reached 278,005 MT in the first three quarters of 2002. With China's direct imports of 49,492 MT in the same period, the total imports in China reached 327,497 MT. However, according to China Customs, China imported 386,181 MT of poultry products from the United States in the

same period, 58,684 MT more than China ' s direct imports plus Hong Kong re-exports to China.

It is probable that some poultry products imported to China were not from the United States but products shipped to Hong Kong from other countries. They are re-packaged and re-labeled in Hong Kong and re-exported to China as US products. No one knows the exact amount of these re-labeled products. While the practice of re-labeling has diminished, it is still in operation despite government crackdown on smuggling.

Impacts of the accredited importers system:

According to Chinese regulations, all import of poultry products must go through the 72 accredited importers, most of whom are state-owned enterprises or closely connected with the Chinese Government. Only a few private companies are accredited importers. Since it is difficult to become eligible for the import and export right and to have the Import Permit and the Import License, most traders do not apply for accreditation. They turn to "transportation companies" to move their imports. Transportation companies also known as "customs clearance companies" are essentially one-stop import service brokers to whom a trader pays a service fee for bringing in products from foreign countries. The fee, which includes tariff, customs clearance fee, transportation fee, value added tax and other miscellaneous fees, varies from time to time. Under this business arrangement, some accredited importers can just "sell" the right to use their import permit and import license instead of engaging in actual import.

Apparently, the poultry business in China is highly profitable. That's why it draws a herd of Chinese companies. Traders believe that as long as the quota system exists, the gray market will exist as a coping mechanism. Orderly development of the market depends on allowing the market forces to dictate profits and losses without the State imposition of tariff, VAT, quota, and providing unsecured loans as de facto subsidies. China may need a network of accredited importers to mitigate the adverse effect of negative and destructive intra-industry competition, but the selection of the accredited importers must be transparent and their performance subject to review.

Appendix: List of Accredited Importers of Poultry Products

Anhui Cereal Oil & Foodstuff I/E (Group) Corp.	Anhui	Active
Cereal Food Livestock, Poultry & Meat I/E Co.	Beijing	Active
China Far East Hainan Int'l Co.	Hainan	Inactive

China Fuli I/E Group Co.	Beijing	Inactive
China Huitong Group Co.	Beijing	Active
China National Com. New Tone Trading Dev. Co.	Beijing	Active
China Zhenhua I/E Co.	Beijing	Inactive
Dongning Fengjia Econ. Trade Co.	Harbin	Active
Foshan Haiyuexing Imp./Exp. Co., Ltd.	Guangdong	Active
Fujian Great World Enterprise Group Co., Ltd.	Fujian	Active
Fujian Oriental Star I/E Co., Ltd	Fujian	Active
GD Commercial Trading Imp./Exp. Co.	Guangdong	Active
GD Foreign Economic Development Huidong Co.	Guangdong	Active
GD Huidong Food Imp./Exp. Co.	Guangdong	Active
GD Huizhou Aquatic Products Imp./Exp. Co.	Guangdong	Active
GD Huizhou Native Products Imp./Exp. Co.	Guangdong	Active
GD Light Industry -Trade Imp./Exp. Co. Ltd.	Guangdong	Active
GD Machinery Equipment Zhongshan Imp./Exp. Co.	Guangdong	Active
GD Nanhai Food Imp./Exp. Co. Ltd.	Guangdong	Active
GD Overseas Foreign Econ. & Trade Foshan Shiwan Co.	Guangdong	Active
GD Shaoguan Light Industry Products Imp./Exp. Co.	Guangdong	Active
GD Youhe Imp./Exp. Co., Ltd.	Guangdong	Active
GD Youhe Trade-with-Taiwan Trading Co.	Guangdong	Active
Guangxi Wason Food Co., Ltd.	Guangxi	Inactive
GZ Cereal Oil & Foods (Panyu) Imp./Exp. Co.	Guangdong	Active
GZ Foreign Economic Development Dongshan Co.	Guangdong	Inactive
GZ Nansha Nanying Foreign Economic & Trade Group Co., Ltd.	Guangdong	Active
GZ Yo-Spirit Imp./Exp. Ltd.	Guangdong	Active
Hebei Food I/E Co.	Hebei	Inactive
Hubei Cereal Oil & Foodstuffs I/E Co.	Hubei	Active
Huidong Aquatic Products Group Co.	Guangdong	Active
Huidong County Harbor Imp./Exp. Trading Co.	Guangdong	Active
Huidong Yanzhou Imp./Exp. Trading Co.	Guangdong	Active
Huizhou Dayawan Econ. & Tech. Dev. ZoneForeign Econ. Co.	Guangdong	Active
Huizhou Dayawan Foreign Econ. Dev. Co.	Guangdong	Inactive
Huizhou Foreign Trade Transportation Co.	Guangdong	Active
Panyu Township Enterprises Imp./ Exp. Co., Ltd.	Guangdong	Inactive
Qingdao Delijia Econ. & Trading I/E Co., Ltd.	Shandong	Active
Qingdao Dewei I/E Co., Ltd	Shandong	Active
Qingdao Huaqing Ind. Co., Ltd.	Shandong	Inactive
Shandong Changle Foreign Trade Co.	Shandong	Inactive
Shandong Fengxiang Group Co.	Shandong	Inactive
Shandong Meat & Egg Imp./Exp. Co.	Shandong	Active
Shandong Mouping Yinhe Trading Co.	Shandong	Active
Shandong Zhucheng Foreign Trade Group Shunwang I/E Co.	Shandong	Active

Shanghai Dah Chong Hong Food Ind. Ltd.	Shanghai	Active
Shanghai Food (Group) Co.	Shanghai	Active
Shanghai Foodstuffs I/E Co. Poultry Co.	Shanghai	Active
Shanghai ST Food Ind. Co., Ltd	Shanghai	Active
Shantou Dayang (Group) Duty Free Trading Co.	Guangdong	Active
Shantou Food Enterprises Group Co., Ltd.	Guangdong	Active
Shantou Santong (Group) Yulong Co.	Guangdong	Inactive
Shenzhen Aquatic Products Co.	Guangdong	Active
Shenzhen Changjiang Duty Free Trading Co.	Guangdong	Inactive
Shenzhen Food Co.	Guangdong	Active
Shenzhen Haodefeng Imp./Exp. Co., Ltd.	Guangdong	Active
Shenzhen Hetong Ind. Dev. Co., Ltd.	Guangdong	Active
Shenzhen Huashen Ind. Imp./Exp. Trading Co.	Guangdong	Inactive
Shenzhen Huihonghua Investment Dev. Co., Ltd.	Guangdong	Inactive
Shenzhen Huihua Group Co., Ltd.	Guangdong	Inactive
Shenzhen Longshun Ind. Dev. Co.	Guangdong	Active
Shenzhen Mengkai Ind. Dev. Co.	Guangdong	Active
Shenzhen Runxingda Industrial Co., Ltd.	Guangdong	Active
Shenzhen Shatoujiao Foreign Econ. Dev. Co.	Guangdong	Active
Shenzhen Tuantai Ind. Dev. Co., Ltd.	Guangdong	Active
Shenzhen Weideng Trading Co., Ltd.	Guangdong	Active
Shenzhen Xinle Trading Development Co., Ltd.	Guangdong	Active
Shenzhen Yingdahua Investment Dev. Co., Ltd.	Guangdong	Active
Shenzhen Yinhetai Ind. Co., Ltd.	Guangdong	Inactive
Tianjin Foreign Trade Group	Tianjin	Active
Wuzhou Foreign Econ. Trade Co.	Guangxi	Inactive
Zhongda I/E Co., Ltd.	Beijing	Active

