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Report Highlights:

On January 15, 2020, the United States and China signed the Phase One Economic and Trade Agreement (ETA). In accordance with ETA, China has implemented several changes to the scope and process of exporting U.S. beef and beef products to China. This report briefly mentions access conditions and regulations for U.S. beef and beef products, provides a market overview including competitors and distribution channels, and offers market-entry recommendations to consider when exporting U.S. beef and beef products to China.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF
AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

SENSITIVE BUT UNCLASSIFIED

SECTION I. PRODUCT DESCRIPTION AND ACCESS OVERVIEW

In December 2003 China banned imports of U.S. beef after bovine spongiform encephalopathy (BSE) was discovered in the United States. In 2006, China announced that it was open to lifting its blanket ban on U.S. beef products contingent on certain age requirements and the removal of BSE specified risk material such as the eyes, brain, spinal cord, etc. The United States government rejected China's unscientific-based requirements stating that they were not compliant with the World Organization for Animal Health BSE guidelines for trade in beef. After 11 years of continued discussions and technical consultations between the two countries, China agreed to allow imports of U.S. beef under conditions consistent with international food safety and animal health standards in May 2017. One month later, however, China insisted it would retain certain conditions relating to veterinary drugs, growth promotants, and animal health that were inconsistent with international food safety and animal health standards. Since then, U.S. beef exports to China have seen tremendous growth from USD \$3 billion in 2017 to USD \$8.3 billion in 2019.

On January 15, 2020, the United States and China signed the Phase One Economic and Trade Agreement (ETA). China expanded the scope of beef and beef products allowed to be imported, eliminated age restrictions on cattle slaughtered for export and recognized U.S. beef and beef products traceability system. For more specific information on the scope of products eligible to be exported to China, please refer to the FSIS Export Library:

<https://www.fsis.usda.gov/wps/portal/fsis/topics/international-affairs/exporting-products/export-library-requirements-by-country/peoples-republic-of-china>

SECTION II. MARKET OVERVIEW

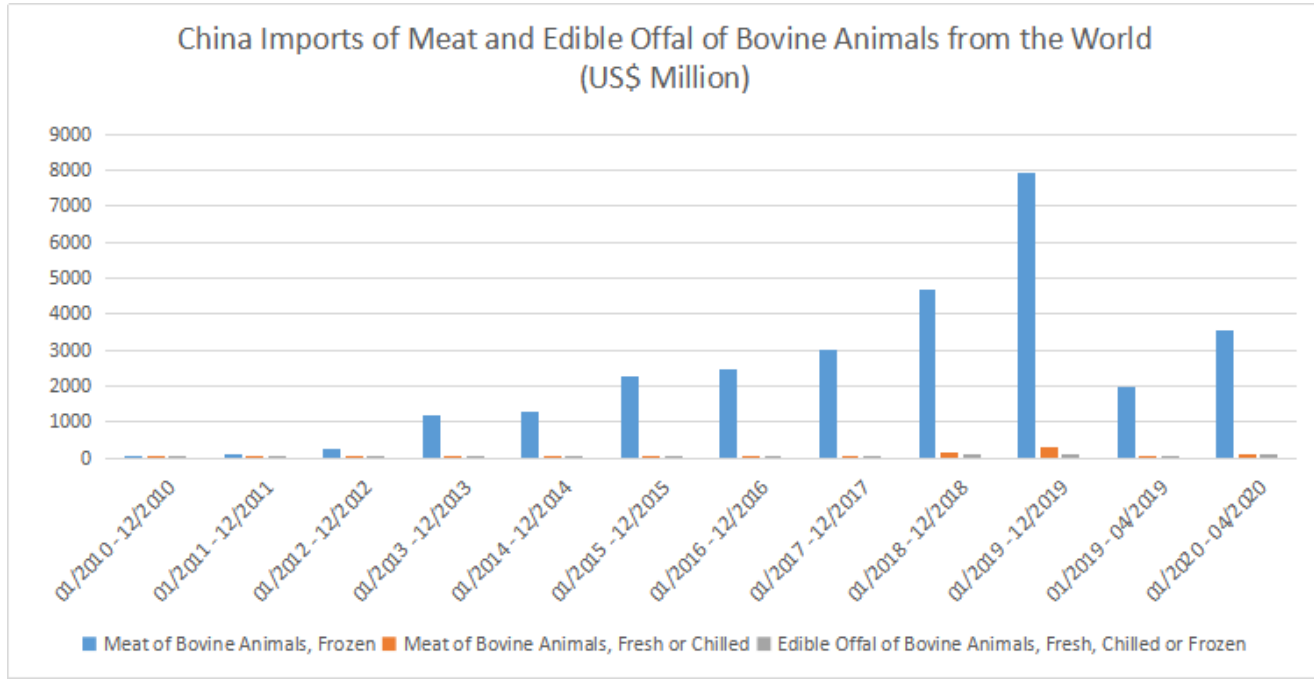
Unlike in the United States, beef is not a traditionally consumed protein source in China. With the development of China's economy and a growing awareness of the importance of diversified animal protein sources, domestic beef consumption has seen a rapid increase over the past decade. At the 2020 China Agriculture Outlook Conference, Ministry of Agriculture and Rural Affairs (MARA) researcher Zhu Cong forecast that beef production will hit 6.78 million metric tons in 2020, up 1.6 percent year-over-year.

The beef market in China is differentiated between domestically produced beef and imported beef. Although domestic production has dominated the market, limited natural resources for cattle production and increased environmental regulations, have accelerated growth in beef imports. Imported beef currently accounts for less than 30 percent of the overall beef supply. In 2019, China's total imports of meat and edible offal of bovine animals reached USD \$8.3 billion -- 2.6 times larger than in 2017, and 36 times larger than in 2010. In 2016, the ratio of import beef volume versus the domestic beef production was one to ten. In 2019, this ratio jumped to one to four.

Among different bovine animal products categories, frozen meat still dominates the market. However, imports of fresh or chilled meat have been growing at a remarkable pace (See Table 2-2). In 2019, China imported roughly USD \$8 billion of frozen beef, which accounted for 95 percent of total beef product imports. That same year, fresh or chilled beef imports totaled USD \$297 million, double the amount

from 2018. It is worth highlighting that in the first four months of 2020, when China's economy was hit hardest by the COVID-19 pandemic, fresh or chilled beef imports still reached USD \$124 million, compared to USD \$74 million for all of 2017.

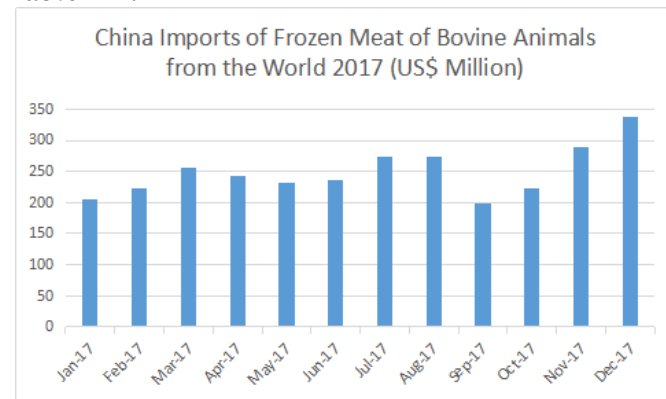
Table 2-1.



Source: Trade Data Monitor

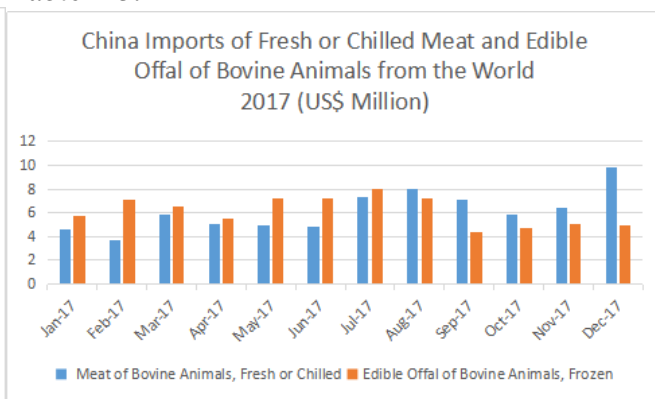
In regard to the seasonal aspect of imports, autumn and winter are higher selling seasons than spring and summer for frozen, fresh or chilled meat of bovine animals, as the overall animal protein consumption is higher in colder times. The import volume normally peaks in November and December in advance of the Chinese Spring Festival (Chinese New Year). Edible offal imports, on the other hand, fluctuate throughout the year with no apparent seasonal fluctuations.

Table 2-2.



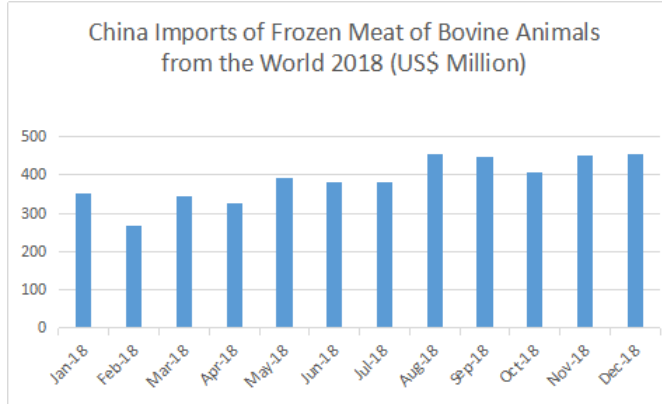
Source: Trade Data Monitor

Table 2-3.



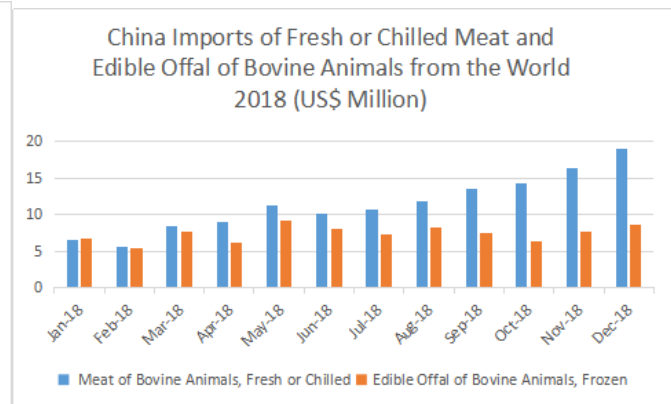
Source: Trade Data Monitor

Table 2-4.



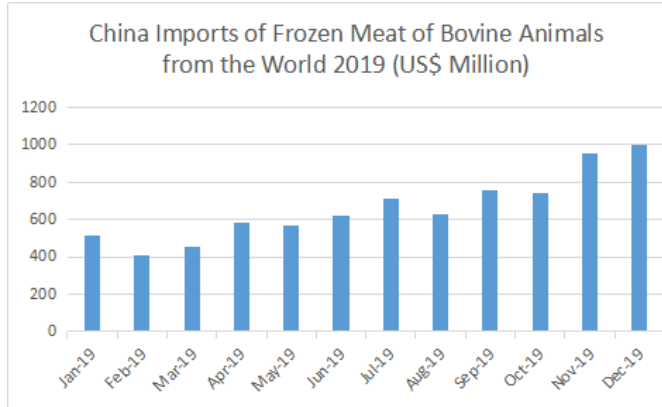
Source: Trade Data Monitor

Table 2-5.



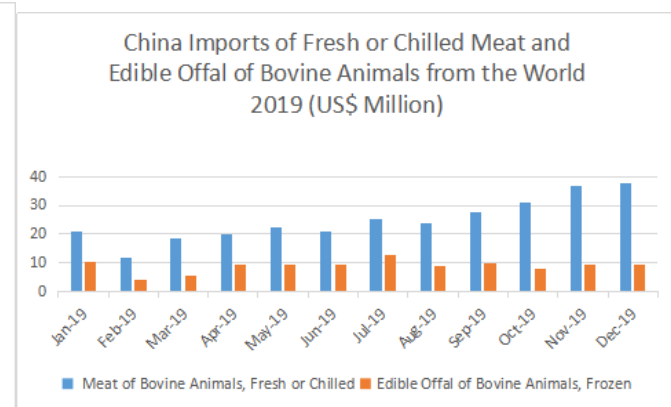
Source: Trade Data Monitor

Table 2-6.



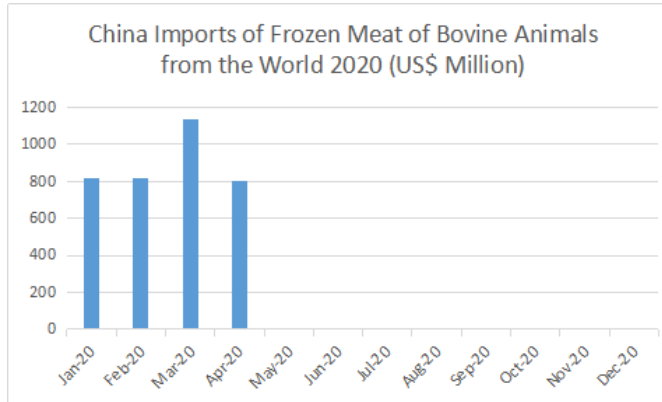
Source: Trade Data Monitor

Table 2-7.



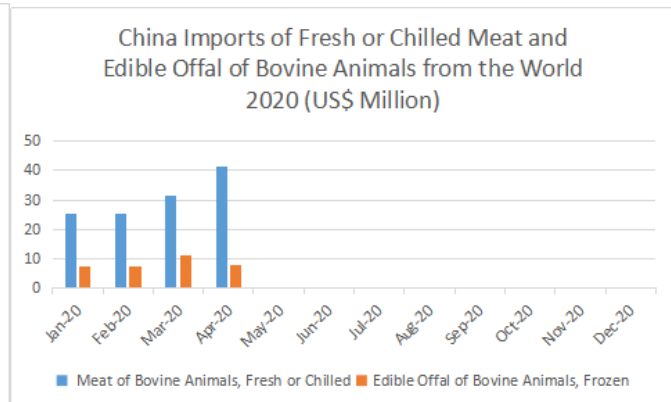
Source: Trade Data Monitor

Table 2-8.



Source: Trade Data Monitor

Table 2-9.



Source: Trade Data Monitor

Food service, retail, and processing plants are the three major channels of beef consumption. Beef consumption in 2020 was negatively impacted by the COVID-19 pandemic, especially in food service, which is forecast to remain in recovery mode in the short- to medium-term. According to the Chinese National Statistics Bureau, from January 2020 to April 2020, food service revenue reached just CNY 833.3 billion, a year-on-year decrease of 41.2 percent. Beef consumption from retail is expected to partially compensate for the lost share from food service, as more consumers who used to dine out have switched to home cooking, but the compensation so far has been limited.

For the beef trade outlook, importers are cautiously optimistic in the short-term as the country deals with economic impact caused by battling the spread of COVID-19. In the medium- to long-term, the same importers are very optimistic that beef consumption will see a gradual and steady increase, once the COVID-19 pandemic is behind us, as the middle class continues to grow and demand higher amounts of premium protein sources.

SECTION III. COMPETITORS

The major competitors in China's beef market include countries in South America, Australia, and New Zealand. Before U.S. beef returned to the Chinese market in 2017, suppliers from competitor countries had more than a decade to build solid sales networks with hotels, restaurants, and retail markets. Chinese importers got used to working with them and Chinese consumers became well informed about the superior quality and taste of foreign beef products. When U.S. beef (produced with additional stringent requirements compared to other producing countries' beef) returned to the Chinese market in 2017 with higher prices than its competitors, it was difficult at first for U.S. exporters to regain market share. In 2020, with many of the special import requirements lifted, that price of U.S. beef has fallen making it much more competitive in the market. Another factor that has helped drop the price of U.S. beef in China is the importers' ability to apply for exclusions to China's additional tariffs on U.S. beef. For more information about tariff exclusions, refer to the USDA FAS GAIN report "[China Announces a New Round of Tariff Exclusions](#)", and "[China Revises Step-By-Step Tariff Exclusion Guide](#)." Even with the tariff exclusions, however, the United States is still at a competitive disadvantage with certain countries that enjoy zero tariff due to the establishment of free trade agreements with China. Table 3-1 shows an example of the tariff difference among the top four fresh and chilled beef exporting countries to China.

By HS Code Comparisons:

HS Code: 0201

Meat of Bovine Animals, Fresh or Chilled

Fresh or chilled beef are the highest end beef products in China. Freshness and food safety are the two main factors in Chinese consumers' minds – along with price. Australia and New Zealand dominate this market (see table 3-1) as Chinese consumers associate these two countries with fresh grassland beef, advanced meat processing and logistics facilities. Both countries enjoy closer proximity, free trade agreements with China, and their exports to China have increased dramatically over the last three years. Australia exported USD \$66 million fresh and chilled beef to China in 2017, USD \$113 million in 2018,

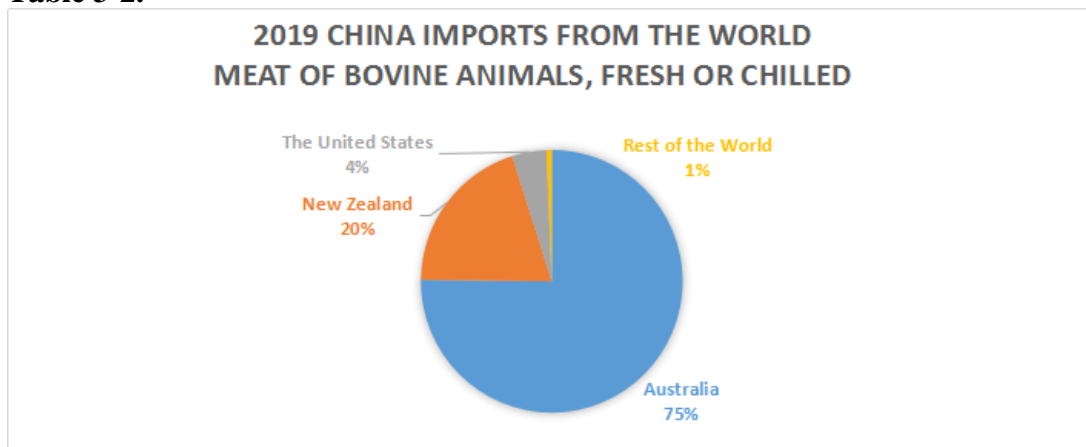
and USD \$223 million in 2019. In the first four months of 2020, Australian exports of fresh and chilled beef have already reached USD \$100 million, almost double the amount for the same period in 2019. The same trend is also seen in New Zealand exports to China - increasing from USD \$2.5 million in 2017, to USD \$19 million 2018, to USD \$59 million in 2019.

Table 3-1.

Export Tariff of China's Top Beef Suppliers						
HS Code: 0201200090						
Other meat of bovine animals, with bone in, fresh or chilled						
Export Value Ranking	Export Country	Tariff (%CIF)	Notes	VAT (%CIFD)	Additional Duty (%CIF)	Total
1	Australia	4.80%	Free Trade Agreement between the Government of Australia and the Government of The People's Republic of China	9%	0	14.23%
2	New Zealand	0	Free Trade Agreement Between the Government of the People's Republic of China And the Government of New Zealand	9%	0	9.00%
3	United States	12%	MFN (Most-Favored-Nation treatment)	9%	5%	27.08%
4	Uruguay	12%	MFN (Most-Favored-Nation treatment)	9%	0	22.08%

Sources: Trade Data Monitor, MOFCOM, and traders ¹

Table 3-2.



Source: Trade Data Monitor

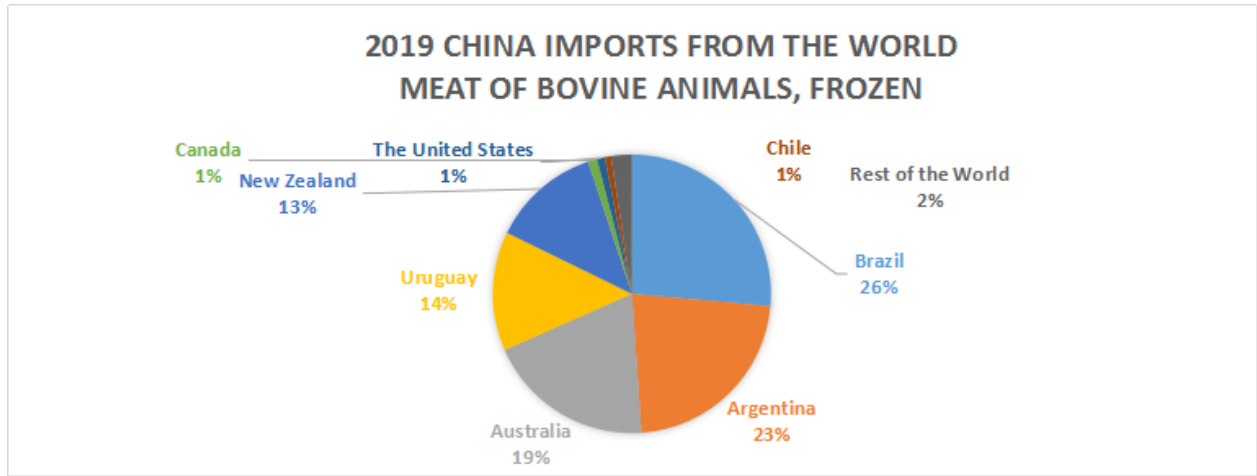
¹ Please note that tariffs and other taxes rates indicated in this report are for referential use only. U.S. exporters are advised to check with Chinese importers and Customs for the most updated rates.

HS Code: 0202

Meat of Bovine Animals, Frozen

Frozen beef has much larger market in China compared to fresh or chilled beef, due to lower costs. In 2019, China imported roughly USD \$8 billion from all countries. The top suppliers of frozen beef to China include Brazil, Argentina, Australia, Uruguay, and New Zealand (see Table 3-3). The United States had only one percent of China’s market share in 2019. South American suppliers, such as Brazil or Argentina, offer beef products at much lower prices. Importers do not expect as high a quality at those price points. These lower-priced beef products are sold at lower-end markets – generally not the target market for U.S. beef products. The real competitors to U.S. frozen, fresh, and chilled beef are Australia and New Zealand. After years of working with high-end supermarkets and restaurants, these two countries’ grass-fed beef dominate the upscale Chinese market. Consumers have become accustomed to the taste of “grass-fed” beef and consider it to be a healthier, more natural way source of beef, a message that has been intensely pushed for years by Australia and New Zealand marketing campaigns.

Table 3-3.



Source: Trade Data Monitor

Edible Offal of Bovine Animals

The United States was China’s largest supplier of offal products from 2011 to 2018. However, U.S. processing plants have been less competitive recently than some other countries in meeting China’s import specifications. European countries, such as Germany and Spain, have been able to supply specific offal cuts that do not require the Chinese industry to further process the products.

SECTION IV. REGULATIONS

For U.S. beef and beef products market access requirements by product scope, refer to Section I. To understand the basic procedures of exporting U.S. beef and beef products to China, refer to the USDA

FAS GAIN report “[Update to the Export Process for US Beef and Beef Products](#)”. A summary of the steps is provided below:

Step 1: U.S. federally inspected beef and beef products facilities that slaughter/process/store beef and beef products destined for export to China must submit FSIS Form 9080-3 through the FSIS Public Health Information System (PHIS).

Step 2: FSIS will certify the approved facilities to General Administration of Customs, P. R. China (GACC). (On a monthly basis, FSIS will submit an updated facility list to GACC.)

Step 3: GACC receives the updated list of facilities from FSIS. GACC has 20 working days to publish the updated list on its website.

Step 4: Once an exporter is listed on the GACC website and has a contract for a shipment, the Chinese importer applies for an import permit from GACC.

Step 5: Exporters submit FSIS export certification information and other additional information to GACC through PHIS for Advance Notification of Export Certification Documentation.

Step 6: GACC inspects the shipment at the point of entry (GACC officials may perform a visual inspection on the container and/or laboratory testing), release permit and the importer can take possession of the product.

Tariffs:

While China has not removed the additional tariffs that have been levied on U.S. beef and beef products, China opened a new round of tariff exclusions on March 2, 2020. Almost all U.S. beef muscle cuts are included in the official announcement as eligible for an exclusion from the retaliatory Section 301 tariffs. In addition, Chinese importers can apply for tariff exclusions for products not included on the official list. Notably, tariff exclusions will only be granted to individual importers and will not automatically apply to all beef imports.

SECTION V. DISTRIBUTION CHANNELS

The chart below describes how imported beef moves. U.S. beef is traditionally purchased by Chinese importers, but there is an increasing trend that more retailers, food services, and processors have the capability to import directly. However, different channels prefer different products. Traditional importers normally accept all kinds of products depending on the demand of their distributors. For food services and retailers, if they can import directly, they would normally prefer mixed containers of diversified beef cuts.

The 2C channels recently on trend include central kitchen, community group buy, and online sales. Central kitchens could import directly from the overseas supplier, or buy from Chinese distributors, the food ingredients they require have high quality standards. Community group buy and online sales saw significant increase in the first quarter of 2020, since the COVID-19 pandemic restrained consumers

from going out for dining or grocery shopping. Section VI will elaborate the strategy of how different product categories fit different distribution channels.

- 1) U.S. exporters → Chinese importers/agents → Chinese wholesalers/distributors → Beef processors → Retailers/E-commerce platforms/food services
- 2) U.S. exporters → Chinese importers/agents → Retailers/E-commerce platforms/food services
- 3) U.S. exporters → Chinese retailers/E-commerce platforms/food services/beef processors

SECTION VI. INDUSTRY OUTREACH AND MARKET ENTRY RECOMMENDATIONS

Trade Shows

SIAL China 2021

Dates: May 18-20, 2021

Venue: National Exhibition and Convention Center (Shanghai) (NECC)

SIAL China is one of the USDA-endorsed trade shows. It is an internationally integrated show for food and beverage. In 2019, the exhibition space covered 199,500 square meters. There were 4,300 exhibitors, and 117,595 professional buyers and visitors attended the show. 49 percent of all exhibitors came from overseas markets with the ten largest contingents coming from Korea, Russia, Brazil, Austria, Argentina, the United States, Turkey, Spain, Poland, and Germany.

FHC (Food & Hospitality China) 2021

Dates: November 9 - 11, 2021

Venue: Shanghai New International Expo Centre (SNIEC)

FHC Shanghai Global Food Trade Show is one of the USDA-endorsed trade shows and a leading comprehensive exhibition platform in China. Its main exhibits include seafood, high-end dairy products & oils; tea & coffee, bakery & gelato; snacks, confectionery & chocolate; high-end food supply chain; catering design & decoration. In 2019, there were 3,500 exhibitors and brands, among which 43 percent were international exhibitors from 49 international countries and regions, in exhibition halls covering 180,000 square meters. More than 130,000 visitors from 110 countries visited the show, and 40 percent of professional visitors were importers and distributors.

Major Chinese Trade/Industry Associations

China Chamber of Commerce of Import & Export of Foodstuffs, Native Produce & Animal By-Products (CFNA) was established in September 1988. The membership of CFNA has exceeded 6,500 companies that target domestic and international markets. The members can also be categorized as growing, farming and processing enterprises, science institutes, and agricultural associations at local levels. The product line of CFNA members involves all agricultural, forestry, food and farm products. Beef and beef products are included in CFNA's Meat and Seafood Department. The services CFNA provides include information and consultancy, trade fair and exhibition services, training and seminars, legal services, global cooperation, and trade promotion. For more information, please find CFNA's

official website:

<http://en.cccfna.org.cn/read.php?id=1>

Market Entry Recommendations

Understanding the product categories eligible to export to China and completing the registration process to be a legitimate exporter are the first steps. For more information, please refer to the chapter of market access and regulations. The next and most important step is to understand the China market and find the right clients.

The U.S. beef cuts that have proved popular since U.S. beef regained China market access in 2017 are rib and loin cuts such as ribeye, short rib, tender loin, and rib fingers. By contrast, forequarter cuts and round cuts are less popular. The channel of food service including restaurants, hotels, and institutions has been a relatively more popular channel to sell U.S. beef.

New-to-market exporters could refer to the cuts and channel above, but as the overall economy including the food service industry in China has been largely marred by the COVID-19 pandemic, exporters could also be innovative in finding new channels and new products. For high-end products such as grain-fed higher grades beef cuts, rib and loin cuts, new retail channels could provide good opportunities. Currently in first and second tier cities, competitors have conducted beef grading education for years, while the United States just started. New retail that combines both on-line and off-line sales naturally has the advantage for consumer education: detailed knowledge on U.S. beef grading could be indicated on the on-line stores and U.S. high grade beef could be tasted in off-line stores.

For lower-end products such as lower grades cuts, forequarter cuts, and round cuts, beef from old cattle and cows, processing plants could be a good option. U.S. plant exporters are suggested to work with traders to develop processing channels, as most of the processing plants tend to be small in scale, and rather difficult for a U.S.-based plant to build relationships directly.

Importers, food processors, and food service buyers could be identified through trade shows such as SIAL and FHC, or trade events organized by U.S. Meat Export Federation. Besides the traditional first tier cities where imported food is generally popular, exporters are also suggested to explore “new” first tier cities such as Hangzhou and Chongqing.

Additional Considerations

According to the April 28, 2016, Foreign Non-governmental Organization (FNGO) Management Law, China requires all FNGOs, including agricultural trade associations, to register before undertaking certain marketing activities (e.g., public gatherings, promotions, trainings, conferences). The requirements include securing a Chinese sponsoring organization and registering a permanent office or filing for a temporary activity permit. This typically takes up to six months to complete. Certain activities may be exempt from this law, and it does not apply to for-profit businesses and governmental organizations. For more information about the Law, see the USDA GAIN report [China’s Foreign NGO Management Law: A Review for U.S. Agricultural Trade Associations.](#)

For More Information about this report, please contact:

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This office covers East China: Shanghai, Zhejiang, Anhui, Jiangxi, Jiangsu, and Hubei Provinces

Attachments:

No Attachments.

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