

**Voluntary Report** – Voluntary - Public Distribution  
04,2021

**Date:** February

**Report Number:** CH2021-0021

**Report Name:** China Hastens Ag Import Diversification

**Country:** China - Peoples Republic of

**Post:** Guangzhou ATO

**Report Category:** Agricultural Situation

**Prepared By:** FAS-China

**Approved By:** Michael Francom

**Report Highlights:**

For the last decade, China has embarked on a campaign to diversify its sources of agricultural imports in response to growing domestic demand. Diversification has afforded Chinese consumers with more food choices, while at the same time providing importers with more options in dealing with potential supply-side disruptions resulting from bilateral trade tensions or COVID. In contrast to the past, when the United States was among just a handful of suppliers, the United States now faces growing international competition in China. This competition will become even more fierce in the future as China widens its import base and domestic food and ag products become more sophisticated. In response to this tougher competition, U.S. exporters should consider taking steps to differentiate their products from the mainstream.

## **China Continues Diversifying Sources of Ag Imports**

China continues diversifying its portfolio of countries from which it imports food and agriculture products. This trend, which appears to have really started in earnest during the last decade, is partially fueled by the country's economic growth, the rising middle class, and growing consumer demand for an increasingly diverse and affordable diet. In response to the situation, the central government has taken steps to widen its import base.

According to the central government's [2020 agriculture policy document](#), "[e]fforts will also be made to... expand diverse import channels and increase imports of agricultural products that meet domestic demand." Similar language appears in preceding policy documents for at least the last five years. However, unlike the last several iterations, the 2020 version does not explicitly mention the One Belt One Road (OBOR) countries as a means for diversifying imports. This omission may signal a return to a broader approach towards diversification.

Meanwhile, livestock disease outbreaks (e.g., African Swine Fever), bilateral trade tensions, manmade and natural disruptions to supply chains, and COVID-19 have all reinforced China's push to diversify its international supply chains. Without access to its ever-broadening mix of foreign suppliers, China may have responded differently to these situations.

## **Accelerating Pace of New Market Access Approvals**

In response to the central government's call for increased import diversification, China's General Administration of Customs (GACC) appears to have approved market access requests at a quicker pace than years past. In just two years (2019-20), GACC approved at least 100 new agricultural products from various countries, such as Dominican avocados, Zambian blueberries, Myanmar rice, Russian chicken, and Argentine pork. (See table 1) There also appears to be a parallel expansion in the number of registered foreign facilities exporting meat, dairy, and seafood to China.

In addition, bilateral trade agreements appear to have contributed to new product approvals. In the case of the [US-China Economic and Trade Agreement \(ETA\)](#), many U.S. products received new or expanded market access, such as [avocados](#), [blueberries](#), [nectarines](#), [alfalfa hay pellets and cubes](#), pet food, and poultry. At the same time, the bilateral goodwill coming from China's trade agreements with ASEAN countries, Australia, Peru, and Chile may have facilitated some of these new approvals. In the China-ASEAN FTA case, at least eight new products received market access between 2019-2020, such as Cambodian mangos, Indonesian dragon fruit, and Thai palm kernel meal.

## **As the Import Pie Grows, Competition Intensifies**

China's imports of food and agricultural products continue their steady climb upward in response to growing consumer demand. China is now the world's largest agricultural importer with imports totaling \$133.1 billion in 2019.<sup>1</sup> As imports have grown, China has begun widening its mix of international suppliers in order to avoid overreliance on any single market. The

---

<sup>1</sup> [China: Evolving Demand in the World's Largest Agricultural Import Market \(September 2020\)](#)

combination of these two factors – rising import volumes and increased diversification – has intensified import competition even as import volumes have grown.

In years past, the United States was generally one of just a handful of countries supplying certain agricultural products to China. However, in just the last 20 years, the number of new foreign competitors has increased considerably, not to mention rising competition from local agricultural products. For example, China is now importing Argentine beef, Brazilian chicken, Chilean cherries, Egyptian oranges, French wheat, South African apples, and Ukrainian corn. (Refer to table 2 for details.) These products, to varying degrees, compete against those coming from the United States. The lower or zero duties afforded under the abovementioned trade agreements also contribute to tougher competition.

### **Responding to Tougher Competition**

Imports of U.S. food and agricultural products will face increased import competition in the future as China continues to diversify its import sources. Similarly, competition from increasingly sophisticated, high-quality local agricultural products is expected to intensify going forward.

In order to do business in this competitive landscape, U.S. exporters should consider taking steps to differentiate their products from the mainstream. Focusing on the superior quality, safety, and sustainability of U.S. products is an important way to differentiate your product and attract consumer interest. As local consumers are increasingly focused on health and nutrition, they are willing to pay more for agricultural products featuring these characteristics. Targeted marketing and educational activities to highlight these unique characteristics are helpful ways to generate awareness and interest in U.S. products.

Please consult the [China: Exporter Guide](#) for additional advice on how to be successful in selling U.S. food and agricultural products to China.

<b>Table 1: GACC Market Access Approvals 2019-2020 1/</b>					
<b>Beef</b>	<b>Poultry Meat</b>	<b>Grain &amp; Feed</b>		<b>Produce &amp; Nuts</b>	
U.S. (>30 mos., add'l cuts)	U.S.	U.S. (pet food, Timothy hay, alfalfa hay pellets and cubes, almond meal pellets and cubes, rice, barley)	Kyrgyzstan (wheat flour, barley)	U.S. (avocados, nectarines, blueberries, chipping potatoes)	Malaysia (durian)
Bolivia	Russia		Lithuania (wheat, silage)	Argentina (cherries, table grapes, tangerines)	Mexico (bananas)
Kazakhstan			Mexico (sorghum)	Brazil (melon)	Panama (pineapples)
Lithuania		Argentina (soybean meal)	Mongolia (flour)	Brunei (melon) *	Philippines (avocados, coconut) *
Namibia		Belarus (beet meal)	Myanmar (rice) *	Cambodia (mango) *	Portugal (table grapes)
Panama		Bulgaria (sunflower meal)	Nigeria (sorghum)	Chile (hazelnut, citrus, pears) *	Spain (table grapes)
Russia		Benin (soybeans)	Russia (wheat, barley, soybeans, soybean meal, beet meal, rape seed meal, sunflower seed meal)	Colombia (avocados)	Tajikistan (lemons)
<b>Pork</b>	<b>Dairy Products</b>	Brazil (cotton seed meal)	Spain (olive meal)	Dominican Republic (avocados)	Turkey (pistachios)
U.S. (add'l cuts)	U.S. (ovine and caprine origin dairy products, and dairy permeate powder)	Bulgaria (DDGs)	Tanzania (soybeans)	Egypt (dates)	Uzbekistan (cherries, melon, peanuts)
Costa Rica *		Germany (beet meal)	Thailand (palm kernel meal) *	Greece (peaches)	Vietnam (mangosteen) *
Switzerland *	Croatia	Italy (rice, alfalfa hay)	Ukraine (rapeseed meal)	Indonesia (dragon fruit, mangosteen) *	Zambia (blueberries)
	Kazakhstan	Kazakhstan (barley, feed wheat flour, flax seed meal)	Uruguay (barley)	Italy (citrus)	
	Serbia			Kenya (avocado)	
	Slovakia				
	Vietnam *				

Source: GACC website and [US-China Economic and Trade Agreement \(ETA\)](#). Includes products granted new/expanded access under the ETA.

\* FTA partners.

<b>Table 2: Foreign Suppliers of Select Commodities Over Time 1/</b>									
	<b>Beef</b>	<b>Poultry</b>	<b>Pork</b>	<b>Soybeans</b>	<b>Wheat</b>	<b>Corn</b>	<b>Apples</b>	<b>Oranges</b>	<b>Cherries</b>
As of 2000	US Australia Canada New Zealand	US Argentina Australia Chile Canada Thailand Turkey UK	US Belgium Canada Denmark France Ireland Netherlands UK	US Brazil Argentina	US Australia Canada	US Australia	US Chile New Zealand	US New Zealand S Africa	US Kyrgyzstan
Imports started between 2001-2010	Brazil Uruguay	Brazil	Germany Spain	Uruguay	Kazakhstan	Laos Myanmar Thailand	Japan	Taiwan	Chile
Imports started between 2011-2020	Argentina	Russia Belarus	Austria Brazil Chile Italy Mexico	Russia	France Lithuania Russia	Bulgaria Russia Ukraine	France S Africa	Australia Egypt Spain	Australia Canada New Zealand Turkey

Source: China Customs

1/ Imports from countries with at least 1 percent market share by value.

**Attachments:**

No Attachments.