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Report Highlights:

China's hog herd recovery in 2021 will be bolstered by larger sow inventories and high pork prices. However, animal disease outbreaks will moderate pork production. Domestic pork prices will encourage both swine operation expansion and strong imports. China's cattle herd will continue increasing in 2021 as producers expand their herd in response to strong domestic beef prices. Although, beef production will be constrained by competitive beef imports and high feed prices. E-commerce, cold-chain logistics, and changing consumer preferences for chilled beef will be important drivers in expanding beef consumption beyond China's 1st tier cities.

EXECUTIVE SUMMARY

Swine Production: China's slaughter in 2021 is forecast to reach nearly 600 million head. Production has been spurred by larger companies centralizing production, modernizing facilities and implementing biosecurity measures. However, animal diseases and low sow productivity rates will create issues for China's hog herd with the potential to undermine expansion.

Pork Production: Pork production in 2021 is forecast to increase by 14 percent following record low rates in 2020 as expansions by large companies over the last two years come into use. However, even with expansion in 2021, pork production will remain below pre-ASF levels keeping domestic prices relatively strong.

Pork Imports: Competitively priced imported pork and pork products will continue being an important component of the domestic pork supply. Pork imports in 2021 are forecast to reach 4.5 million metric tons as consumers are increasingly receptive to chilled or frozen pork.

Cattle Production: The cattle herd is forecast to grow to over 97 million head in 2021, driven by strong beef prices and increasing consumer demand for beef products. More beef cattle operators are modernizing production, incorporating imported genetics, and cross-sector integration between dairy and beef cattle production. However, beef cattle's comparatively longer life-cycle means investments and production will increase gradually.

Beef Production: Beef production is forecast to increase by 4 percent in 2021 as cattle retained in 2020 are brought to slaughter. Beef production will be constrained by the high cost of feed and lower priced imported beef products. Consumer demand for beef products has expanded beyond traditional HRI into ready-to-cook products and quick service delivery.

Beef Imports: Beef imports are consumed both in quick service and high-end HRI sectors. As the economy rebounds in 2021 demand from both food service sectors is forecast to drive increased imports. Additionally, consumer awareness of standardized international cuts such as ribeye, T-bone, and short rib are continuing to drive growth of imported beef.

SWINE

TABLE 1: PRODUCTION, SUPPLY AND DEMAND FOR SWINE

Animal Numbers, Swine	2019		2020		2021	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	428,070	428,070	310,410	310,410	340,000	406,500
Sow Beginning Stocks	37,000	37,000	27,000	30,000	34,250	42,000
Production (Pig Crop)	440,000	440,000	490,000	630,000	600,000	650,000
Total Imports	4	4	20	21	30	30
Total Supply	868,074	868,074	800,430	940,431	940,030	1,056,530
Total Exports	956	956	600	643	875	875
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	544,190	544,190	455,000	527,040	530,000	598,500
Total Slaughter	544,190	544,190	455,000	527,040	530,000	598,500
Loss and Residual	12,518	12,518	4,830	6,248	4,155	7,155
Ending Inventories	310,410	310,410	340,000	406,500	405,000	450,000
Total Distribution	868,074	868,074	800,430	940,431	940,030	1,056,530
All Units in 1,000 Head						

Not Official USDA Data

PRODUCTION

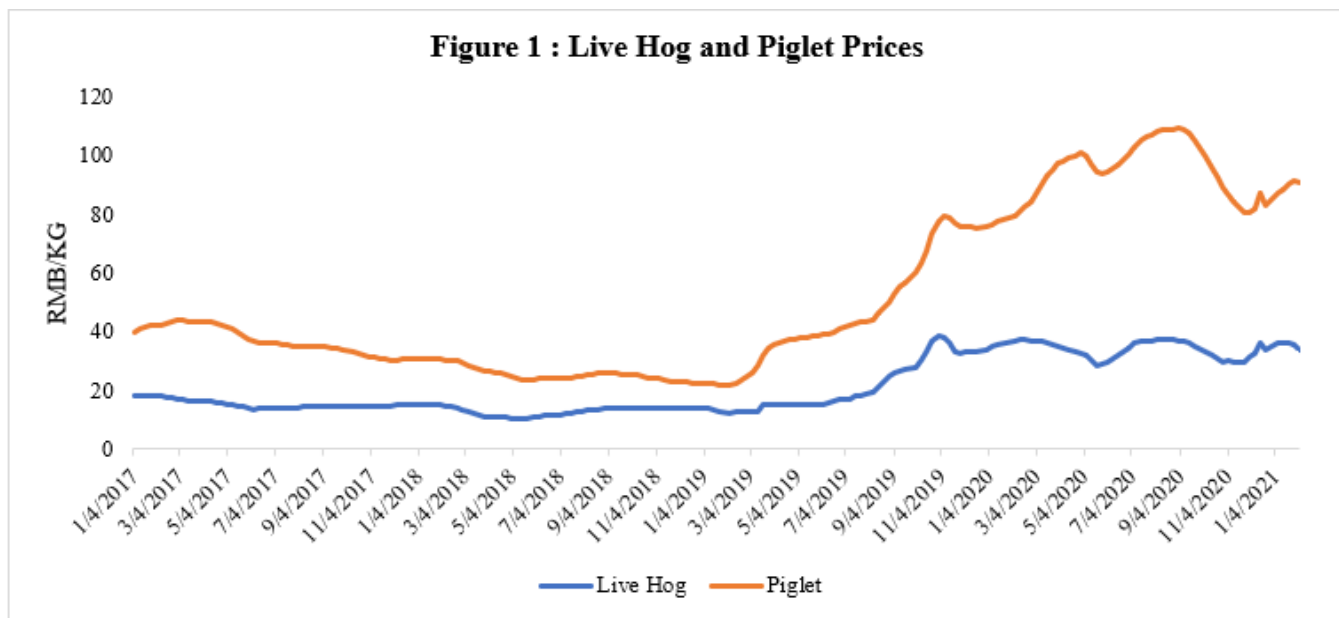
China's hog herd is forecast to increase but remain below 2017 levels

China's hog herd is forecast to grow, but overall pork production will remain below pre-African Swine Fever (ASF) levels as large new facilities increase production while also contending with low sow productivity and high feed prices. These factors, along with animal disease in breeding sows and piglets, will constrain China's hog inventory and pork production in 2021. China's National Bureau of Statistics (NBS) in January 2021 published year-end official estimates for 2020 for slaughter and ending inventories.

Piglets prices will remain elevated through 2021

In 2021, animal disease issues and less productive sows are forecast to keep piglet prices high. Industry sources noted that disease outbreaks in the last quarter of 2020 led to between 10 to 30 percent piglet mortality rates across China. Additionally, industry sources estimate that between 30 to 50 percent of China's sow inventory includes "cross-bred sows" or those originally intended for commercial meat production. Throughout 2020 China continued to add cross-bred sows to sow stocks increasing the pig crop in quantity, but at the expense of overall herd productivity. The use of commercial sows for

breeding produced smaller litters. Furthermore, some commercial sows were unable to produce sufficient milk to nurse piglets lowering the survival rates of piglets born. For these reasons, piglet prices remained high in 2020 as hog production increased (see Figure 1).

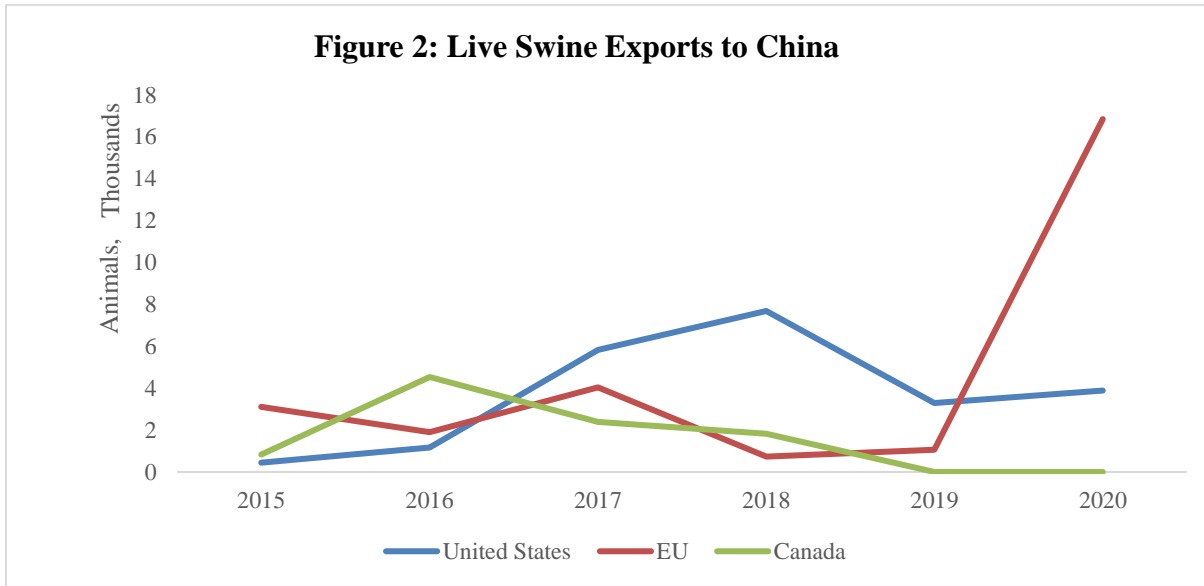


Source: Ministry of Agriculture and Rural Affairs (MARA)

Breeding genetics demand will continue in 2021

Demand for imported breeding sow genetics is forecast to be strong in 2021 as China strives to improve sow productivity rates. Imports of breeding sows in 2020 exceeded prior years, however industry sources indicated that overall demand was impeded by a limited supply, as well as testing and quarantine requirements (see Figure 2). Imports of U.S. breeding sows accelerated in the fourth quarter, with industry contacts noting continued interest to import additional live breeding swine. In order to ensure a steady supply of breeding sows in 2021 China will need to improve importation requirements (see Trade section below).

In addition, China’s Hubei Academy of Agricultural Sciences is collaborating with private entities to develop improved breeding genetics for the Chinese market. These studies are in the early stage and aim to incorporate local Chinese hog genetics.



Source: TDM

Biosecurity and disease mitigation remain an issue for China’s hog producers

Biosecurity remains an ongoing concern in China’s hog and breeding farms. Large producers have publicized high tech solutions to manage biosecurity issues arising from ASF and other animal diseases. For example, some companies have built multi-storied buildings with compartments for hog breeding and hog production separated by the age of the animal. Additionally, large producers have made significant investments in training staff to ensure biosecurity measures are followed.

However, some small and medium-sized producers unable to make such investments have administered unauthorized ASF vaccines to hogs starting as early as 2019. In late January 2021 media reports noted that unapproved ASF vaccines may have contributed to the development of new ASF strains. These new ASF strains and the resurgence of other animal diseases such as Porcine epidemic diarrhea (PED) and food-and-mouth disease are particularly dangerous to breeding sows and piglets. In addition, media reports indicate new ASF strains unrelated to the unauthorized vaccine strains have emerged in China. These strains, while less deadly, are harder to detect and effectively increase the exposure of ASF in China’s hog herd.

In 2020 and 2021, China reported numerous outbreaks of ASF in hog populations across the country to the World Organization for Animal Health (OIE). China is considered endemic for ASF and other transboundary animal diseases. Also concerning was Hong Kong’s February 6, 2021 notification to the OIE of the first case of ASF in over a year and a half. Hong Kong is the largest export market for live hogs from China.

Feed demand will remain strong in 2021

Feed demand in China will remain strong in 2021 as large-scale hog producers increase demand for piglet, sow, and hog feed. Feed rations in 2021 will be more diversified as feed mills substitute sorghum, barley, wheat, and rice for more expensive corn. Furthermore, China's January 2021 ban on the use of antibiotics in feed may create new opportunities for quality fiber feed ingredients to formulate new feed rations for hogs and sows. High pork and live hog prices are forecast to mitigate increased costs associated with the use of commercial feed and new feed ingredients.

“Big hogs” are forecast to continue in 2021 with limited impact on overall slaughter weights

Hog producer's decisions to raise heavier weight hogs (“big hogs”) will continue in 2021 only for a small portion of the market. This trend is regionally and seasonally concentrated. Big hogs in south China are used for craft sausages or cured meat (see Picture 1 and Picture 2 below). In 2020, farmers in northeast China raised larger hogs to benefit from high pork prices and a tight pork supply.

Big hogs have slaughter weights ranging from 130 to 140 kilograms (KG) per hog, whereas average sized hogs range from 100 to 120 KG. However, if the price of pork decreases, then slaughter companies will not provide sufficient premiums for farmers to raise big hogs.

Pictures 1 and 2: Meat market and dried & cured hams in Yunnan Province, China



TRADE

Breeding sow imports effected by testing requirements

Industry sources indicate that demand for high quality breeding sows remains strong in China (see Figure 2, above). China's current testing requirements for imported sows are impacting the number of sows able to be imported. By updating these requirements China can steadily increase the number of imported breeding sows available for domestic use.

PORK

TABLE 2: PRODUCTION, SUPPLY AND DEMAND FOR PORK

Meat, Swine	2019		2020		2021	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter	544,190	544,190	455,000	527,040	530,000	598,500
Beginning Stocks	0	0	0	0	0	0
Production	42,550	42,550	38,000	41,130	43,500	47,000
Total Imports	2,451	2,451	5,150	5,281	4,620	4,500
Total Supply	45,001	45,001	43,150	46,411	48,120	51,500
Total Exports	135	135	100	100	125	115
Human Dom. Consumption	44,866	44,866	43,050	46,311	47,995	51,385
Other Uses, Losses	0	0	0	0	0	0
Total Dom. Consumption	44,866	44,866	43,050	46,311	47,995	51,385
Ending Stocks	0	0	0	0	0	0
Total Distribution	45,001	45,001	43,050	46,411	48,120	51,500
All Units in 1,000 MT CWE, unless otherwise specified						

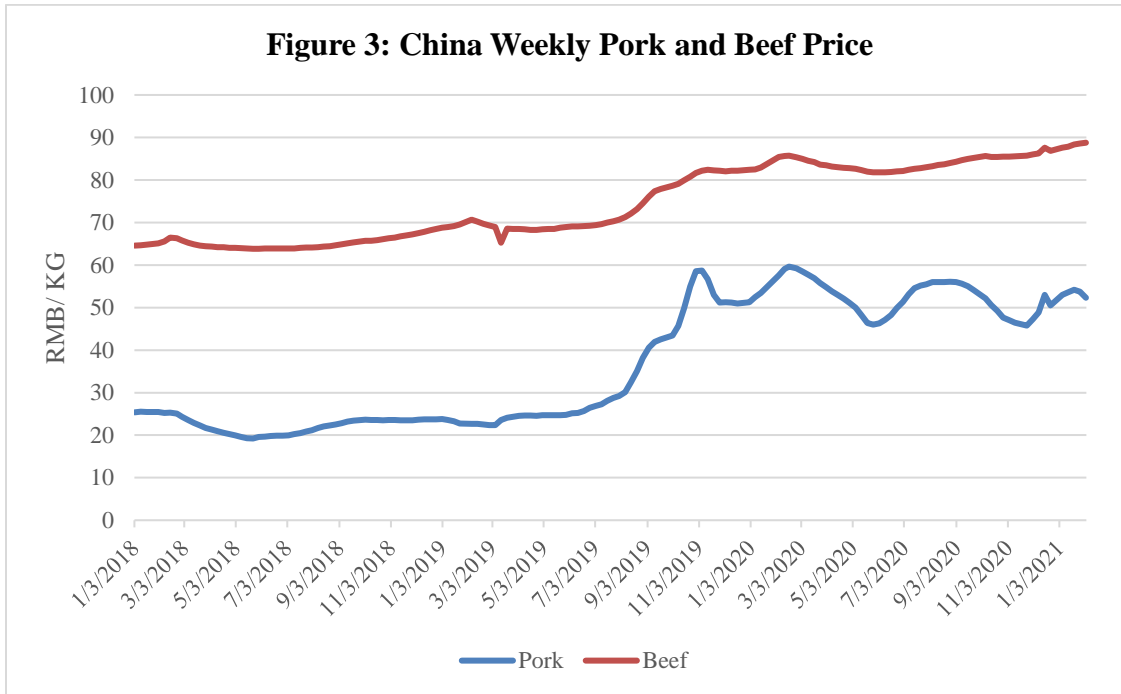
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Pork production is forecast to increase by 14 percent in 2021

Pork production is forecast to increase by 14 percent in 2021 after the bottoming out of China's pork production in 2020 due to the 2018 ASF pandemic. In 2021, increased pork production will be fueled by the aggressive expansions in hog breeding, production, and slaughter by large producers over the last two years. Over this same period, large producers (over 500 head) received subsidized loans from local and municipal governments to expand production. These loans have supported greater centralization and modernization of pork production. Improved biosecurity measures by fully integrated facilities will also allow for more stable pork production by these producers in 2021. These trends will increasingly concentrate China's pork production in larger farms and facilities. However, high piglet prices and lower sow productivity rates will limit the speed of expansion for pork producers in 2021. For these reasons, while pork production will increase in 2021 it is forecast to remain below pre-ASF levels.

Pork prices are forecast to remain high in 2021

Pork prices in China will remain above pre-ASF levels in 2021 as producers recoup investment costs in modernizing facilities and overall production remains below pre-ASF levels. In 2020, high pork prices (see Figure 3) incentivized expansions by China's largest pork producers. However, the expansions do not appear to be producing sufficient pork to lower domestic prices.



Source: MARA

Self-sufficiency goals will promote further pork production investment in 2021

China has emphasized a desire for self-sufficiency in animal protein production. For example, China’s National Conference of Departments of Agricultural and Rural Affairs in December 2020 set the annual pork production target for the 14th Five Year Plan to 55 million metric tons, nearly 35 percent above the current production rate. These published goals send signals to producers that investing in hog production expansion is supported by the government.

Government auctions expected to slow in 2021 as domestic supply increases

Government frozen pork auctions are expected to slow in the latter half of 2021 as production increases add pork in the domestic market. Additionally, demand for pork will strengthen in 2021 as the economy rebounds and reopens following COVID-19 market disruptions.

In 2020, China’s National Development and Reform Commission (NDRC) auctioned 670,000 metric tons of frozen pork. Since the beginning of 2021 the NDRC has auctioned an additional 200,000 metric tons of frozen pork. The beginning of the year includes two of China’s major holidays Spring Festival and Lunar New Year where pork is an important ingredient in celebratory cuisines. Industry sources consider such auctions as signals to pork producers to lower pork prices, rather than having an immediate effect on consumer prices.

Dalian futures hog market

On January 8, 2021 the Dalian Commodity Exchange debuted live hog futures contracts for September 2021, November 2021 and January 2022. The trading volume remains relatively low compared to more active and established exchanges such as soybean meal. Some of China's largest pork producers have joined as "physical delivery warehouses" for live hogs and indicated the exchange will help China's hog industry standardize products. Futures prices first declined but have recently increased with news regarding animal disease outbreaks across the country.

CONSUMPTION

Pork consumption forecast to increase in 2021 along with poultry meat consumption

Pork consumption is forecast to increase in 2021, gradually moving towards pre-ASF levels. Purchases of competitively priced alternatives to domestic pork, such as imported pork and poultry products, are expected to remain strong in 2021.

Price remains a strong driver for Chinese consumers. In 2020, NBS noted that the single greatest increase in food product prices was the cost of domestic pork which increased 55 percent over already high rates in 2019. On the other hand, the price for poultry meat and egg products declined by 7 and 14 percent, respectively.

Restaurants adjust to post-COVID consumer preferences

In 2021, consumers are expected to continue to purchase pork and pork products through e-commerce and home delivery. These habits were encouraged over traditional wet market purchases due to COVID-19 restrictions. In the first half of 2020, consumption shifted from indoor dining, schools, and institutional cafeterias to in-home consumption. Restaurants adjusted to greater at-home meal consumption by providing ready-to-cook or fully-cooked pork dishes in vacuum sealed packages for home delivery. In addition, the high price of domestic pork increased the number of poultry dishes on quick service menus.

In the second half of 2020, as COVID-19 restrictions were lifted, pork consumption also started to recover in the traditional food service sector. This recovery is nearly complete in China's 1st tier cities and will continue across China in 2021. China analysts rank Beijing, Shanghai, Guangzhou and Shenzhen as 1st tier cities. Up-and-coming cities colloquially known as 2nd tier cities (also known as the "New Tier 1") include up to 15 large and economically vibrant cities such as Chengdu, Wuhan, Chongqing, and Hangzhou.

Consumers are more open to frozen pork, but fresh meat remains important

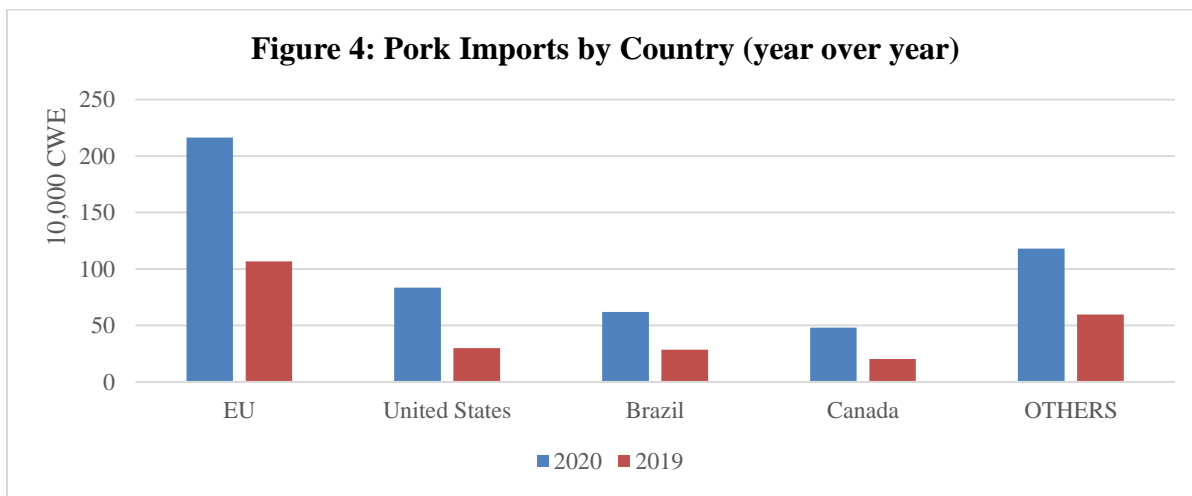
High domestic pork prices have caused a surge in imported frozen pork products (see Trade section below). In China's major cities, consumers have shifted from consuming fresh pork to chilled and

frozen pork products. As consumers become more receptive to chilled and frozen pork the competitive price of imported goods will support strong imports. The trend towards chilled meat is slower in 2nd and 3rd tier cities, where consumers prefer fresh pork. However, with increasing regulations on live animal and wet markets more municipalities may increase requirements for sales of fresh meat in city centers.

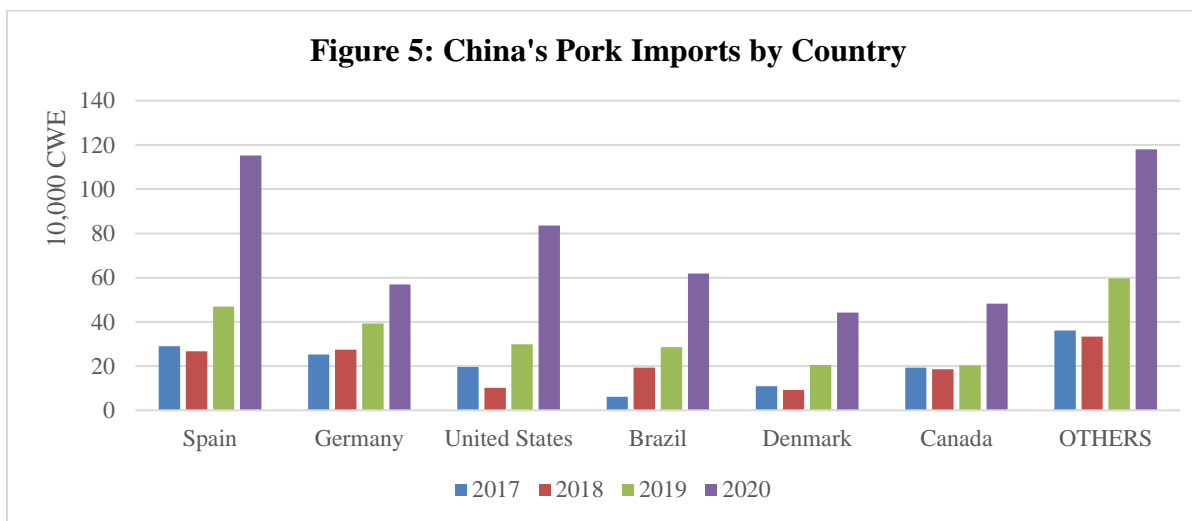
TRADE

Imports to China are forecast to decline by 15 percent, but remain relatively high

In 2021, competitively priced pork and pork product imports from countries like the United States, the European Union (EU), Brazil and Canada are forecast to reach 4.5 million metric tons in 2021, a 15 percent decline from 2020 rates but still relatively high (see Figures 4, 5).

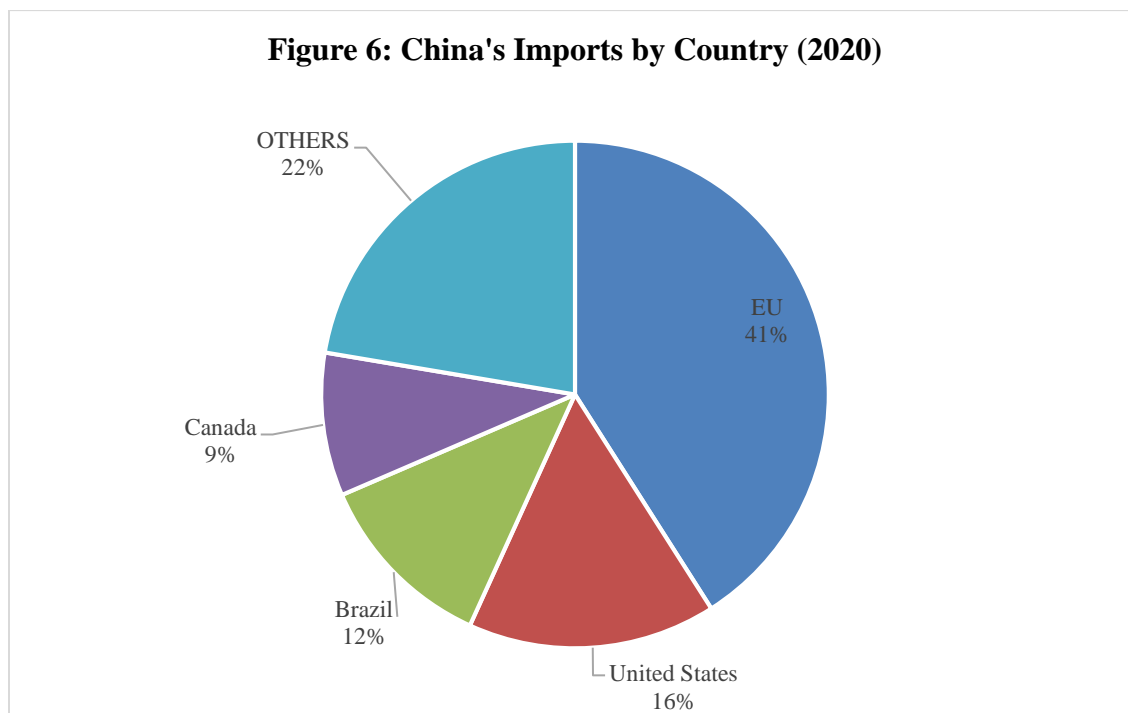


Source: China Customs



Source: China Customs

Separately, animal disease notifications in wild hogs in Germany have had a limited impact on overall imports from the EU – with Spain and Denmark absorbing Germany’s loss in market share.



Source: China Customs

In 2020, imports from the United States surged over 180 percent year-over-year – particularly in frozen pork and bone-in pork products (see Tables 3, 4). This is particularly impressive considering China continues to maintain Section 232 retaliatory tariffs of 25 percent on certain U.S. pork products (see Table 5).

China’s imports of U.S. pork and swine offal increased rapidly in 2020, after signing and implementation of the Economic and Trade Agreement between the United States and China (ETA). Commitments to purchase U.S. products, access for a wider scope of pork products, and implementation of tariff exclusions facilitated these increased imports. The ETA also restores access for processed U.S. pork products, which had previously been restricted due to registration-related issues. For more information about how the ETA may affect U.S. exports of pork and pork products, please see GAIN Report CH2020-0039 ([Update to the Export Process for U.S. Pork and Pork Products](#)).

Table 3: China's Chilled and Frozen Swine Meat Imports (HS 0203)

Calendar Year	2017	2018	2019	2020	Percent Change between 2019 – 2020
World Total	1,216,757	1,192,828	1,994,167	4,303,553	116
Spain	237,514	219,626	381,629	933,862	145
Germany	211,775	228,371	323,162	462,346	43
United States	165,741	85,650	244,973	696,157	184
Brazil	48,716	150,091	222,108	480,619	116
Canada	166,728	160,260	172,092	410,539	139
Denmark	88,733	72,261	164,333	359,596	119
Netherlands	86,419	84,709	159,962	264,544	65

Source: TDM, Unit: Metric Ton

Table 4: China's Imports of Swine Offal (HS 020649)

	2017	2018	2019	2020	Percent Change between 2019 - 2020
World Total	1,235,919	946,265	1,011,582	1,246,623	23
United States	416,322	177,041	173,031	247,515	43
Germany	147,107	132,300	168,771	163,937	-3
Spain	125,158	108,862	143,894	235,811	64
Denmark	144,250	140,803	140,468	148,451	6
Netherlands	100,603	107,474	118,584	107,284	-10
Canada	125,604	119,142	91,993	108,776	18
France	59,932	56,840	66,243	77,7718	17

Source: TDM, Unit: Metric Ton

COVID-19 testing restrictions, quarantine and disinfection slowing imported products

China has published multiple central and local government regulations on the testing and disinfection of imported cold-chain products, without WTO notification, domestic notice or comment periods. These measures have added market uncertainty for the importation of cold-chain products, including meat and poultry. Industry sources indicate that retailers and wholesalers have avoided imported cold-chain products to mitigate the burdensome documentation requirements and additional costs associated with these regulations. To date, a number of country facilities have either been suspended or voluntarily delisted, following alleged positive COVID-19 detections. China has not published laboratory results, testing methodology or other detailed information regarding alleged positive tested products. Some delisted facilities have been unable to successfully relist their facilities, even after providing extensive

documentation of mitigation measures. The current list of approved global exporter facilities is available on <http://jckspj.customs.gov.cn/spj/zwgk75/2706880/jckrljgzyxx33/2812399/index.html>

The U.S. Department of Agriculture, U.S. Food and Drug Administration and the U.S. Centers for Disease Control and Prevention put out a press release underscoring that there is no credible evidence of food or food packaging associated with or as a likely source of viral transmission of severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), the virus causing COVID-19.

The full press release can be found here: <https://www.usda.gov/media/press-releases/2021/02/18/covid-19-update-usda-fda-underscore-current-epidemiologic-and>

China’s retaliatory tariffs on U.S. products

China maintains Section 301 retaliatory tariffs on U.S. swine and pork products. However, on February 18, 2020, the State Council Tariff Commission (SCTC) announced a tariff exclusion process for U.S. agricultural commodities impacted by the retaliatory Section 301-tariffs levied by China. Importers may apply for tariff exclusions which are approved on a case-by-case basis. These exclusions do not automatically extend to all importers. Please refer to FAS GAIN report [Updated Guidance on China's Retaliatory Tariffs and Tariff Exclusions Process for US Products](#) for more information on the exclusion process.

Many pork importers have applied, and received, a tariff exclusion. Previously, on February 6, 2020, SCCTC reduced the additional 301-tariffs on certain commodities, including all pork products. This reduction was effective from February 14, 2020 (see the Tariff Schedule for U.S. Pork Products below). However, retaliatory Section 232 tariffs remain in effect accounting for an additional 25 percent tariff on certain U.S. pork products.

TABLE 5: Tariff Schedule for Pork Products

HS Code (8-digit)	Product Description	MFN Rate	232	301	Add'l tariff	Total Applied Tariff
	Implementation Date	Jan 1, 2019	Apr 2, 2018	Jun 1, 2019	Sep 1, 2019	Dec 15, 2019^[1]
02031110	Fresh or chilled, suckling pig: whole or half-carcasses	20%		25%		45%
02031190	Fresh or chilled, other meat of swine: whole or half-carcasses	20%		25%		45%
02031200	Fresh Or Chilled Unboned Hams, Shoulders & Cuts	20%	25%	25%	5% **	75%
02031900	Other Fresh Or Chilled Swine Meat	20%	25%	25%	5% **	75%
02032110	Frozen, suckling pig: whole or half-carcasses	12%		25%		37%

02032190	Frozen Swine, whole or half-carcasses, Nes	12%	25%	25%		62%
02032200	Frozen Unboned Hams, Shoulders & Cuts Thereof Of	8%*	25%	25%	5%**	63%
02032900	Other Frozen Swine Meat	8%*	25%	25%	5%**	63%

Note: * Tentative tariffs effective on January 1, 2020. **Additional tariffs were adjusted on February 14, 2020 and additional exclusions granted March 2, 2020

CATTLE

TABLE 6: PRODUCTION, SUPPLY AND DEMAND FOR CATTLE

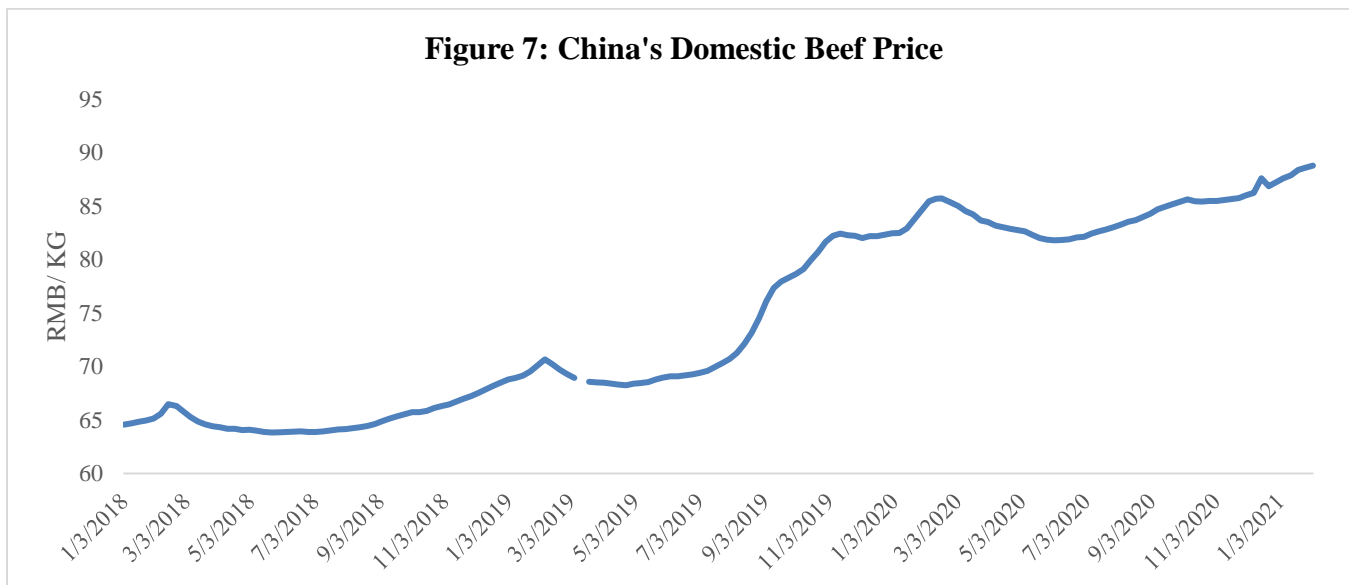
Animal Numbers, Cattle	2019		2020		2021	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stocks	89,153	89,153	91,380	91,380	95,700	95,620
Dairy Cows Beg. Stocks	13,000	13,000	13,600	13,600	14,000	13,900
Beef Cows Beg. Stocks	52,500	52,500	53,000	53,000	53,500	53,400
Production (Calf Crop)	50,750	50,750	51,900	51,900	52,000	52,200
Total Imports	210	210	230	365	250	175
Total Supply	140,113	140,113	143,510	143,645	147,950	147,995
Total Exports	17	17	15	15	15	15
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	47,500	47,500	46,600	46,650	47,600	49,500
Total Slaughter	47,500	47,500	46,600	46,650	47,600	49,500
Loss and Residual	1,216	1,216	1,195	1,360	1,335	1,155
Ending Inventories	91,380	91,380	95,700	95,620	99,000	97,325
Total Distribution	140,113	140,113	143,510	143,645	147,950	147,995
All Units in 1,000 Head						

Not Official USDA Data

PRODUCTION

Cattle production is forecast to grow in 2021

The high price of domestic beef is forecast to promote cattle production at a steady rate in 2021. Industry reports indicate that more dairy producers have decided to increase their beef cattle herds due to high beef prices (see Figure 7). The slaughter rate in 2020 declined as ranchers retained beef cattle longer in anticipation of higher prices later in the year and into 2021. Consequently, 2021 slaughter rates are expected to increase.



Source: MARA

Ruminant feed production highlights broader cattle expansion

Dairy production typically utilizes more professional feed than traditional beef cattle. As China’s dairy herd continues to grow, ruminant feed production is forecast to grow. In 2020, ruminant feed production increased 15 percent year-over-year based on MARA data. Industry sources note with increasing investment by producers into beef cattle production, demand for high quality feed ingredients will continue to see growth.

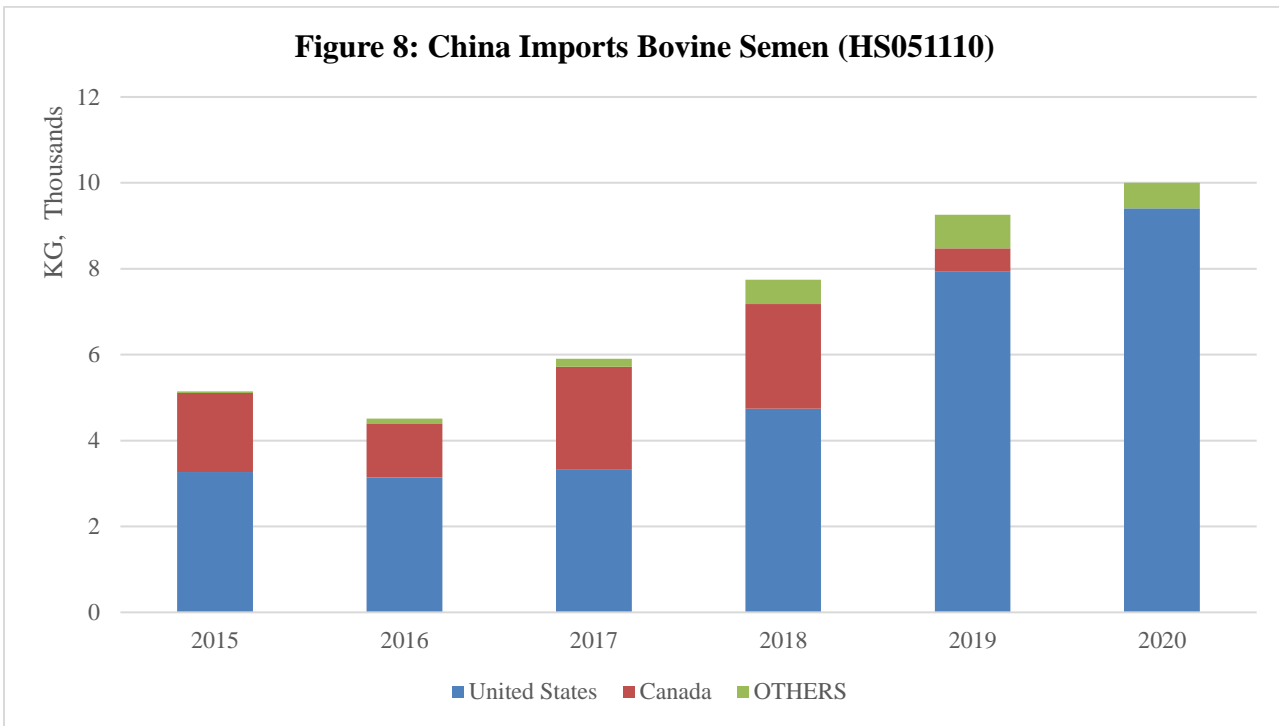
Dairy producers in China have invested substantial resources to develop integrated systems. Additionally, some dairy producers are expanding into beef production to take advantage of high beef prices. For example, some of China’s top dairy producers have invested millions of dollars in feed, beef and dairy production, and dairy processing facilities. These facilities have the intention to produce between 250,000 to 360,000 head of cattle over a five-year period. This cross-sector integration is an example of how industry sources expect the cattle industry to continue to develop in the next few years.

Animal Disease

Since 2019, lumpy skin disease has spread from Xinjiang province across China. Lumpy skin disease is not lethal but does negatively impact production. In 2020, Myanmar, Hong Kong, and Vietnam have each notified an occurrence of lumpy skin disease to the OIE.

Imports of live cattle decline in 2021

China’s live cattle imports in 2021 are forecast to decline on weaker slaughter cattle demand. However, imports of breeding cattle are expected to remain firm as well as demand for high quality beef and dairy cattle genetics. Imports of bovine semen (HS 051110) from the United States saw 38 percent growth year over year in 2020. The United States is the dominant provider of bovine semen followed by the EU in 2020.



Source: China Customs

BEEF

TABLE 7: PRODUCTION, SUPPLY AND DEMAND FOR BEEF

Meat, Beef	2019		2020		2021	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Slaughter	47,500	47,500	46,600	46,650	47,600	49,500
Beginning Stocks	0	0	0	0	0	0
Production	6,670	6,670	6,550	6,720	6,685	7,000
Total Imports	2,177	2,177	2,725	2,782	2,800	3,100
Total Supply	8,847	8,847	9,275	9,502	9,485	10,100
Total Exports	21	21	17	16	20	20
Human Dom. Consumption	8,826	8,826	9,258	9,486	9,465	10,080
Other Uses, Losses	0	0	0	0	0	0
Total Dom. Consumption	8,826	8,826	9,258	9,486	9,465	10,080
Ending Stocks	0	0	0	0	0	0
Total Distribution	8,847	8,847	9,275	9,502	9,485	10,100
All Units in 1,000 MT CWE, unless otherwise specified						

Not Official USDA Data

PRODUCTION

Beef production is forecast to grow in 2021, despite high feed and lower priced imports

In 2021, beef production is forecast to grow as cattle from 2020 are brought to slaughter, large producers investments in production, e-commerce demand by consumers and expanded cold-chain logistics. However, the increased costs of feed and lower priced beef imports constrain this expansion from being more robust. Separately, high domestic pork prices narrowed the price gap between beef and pork meat. Since beef is considered a luxury good, the decline in the price gap has encouraged consumers to consider swapping up for beef instead of pork. Regional differences are forecast to continue to effect beef consumption in China – with south China preferring fresh beef over frozen beef, while frozen imported beef and cold-chain products gain more consumer acceptance in north China.

CONSUMPTION

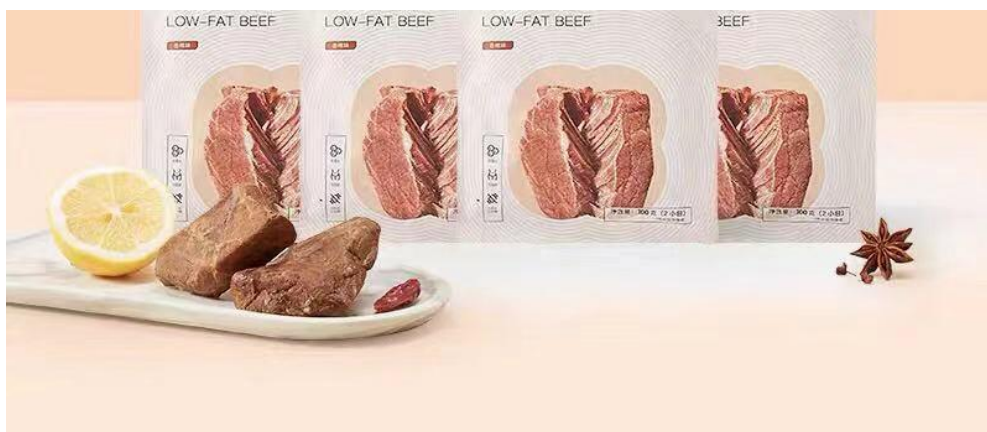
Beef consumption in China is forecast to grow by 6 percent in 2021

China's beef consumption in 2021 is forecast to grow with the availability of competitively priced beef imports, the rebounding of the HRI sector and high pork prices that make beef more attractive.

Generally, Chinese consumers prefer to consume premium beef products through the HRI sector. In 2021, the rebounding of dining-out will support greater beef consumption. Additionally, younger consumers are increasingly developing a familiarity with beef cuts such as ribeye, short ribs, T-bones and incorporating chuck and short plate cuts in hotpot dining.

Beef at-home consumption is also becoming more common place through quick service food delivery and e-commerce platforms in 1st tier cities. Beef consumption has also been promoted as a “healthy” protein option in salads or processed in ready-to-eat packages.

Picture 3: Example of ready-to-eat individually packaged beef

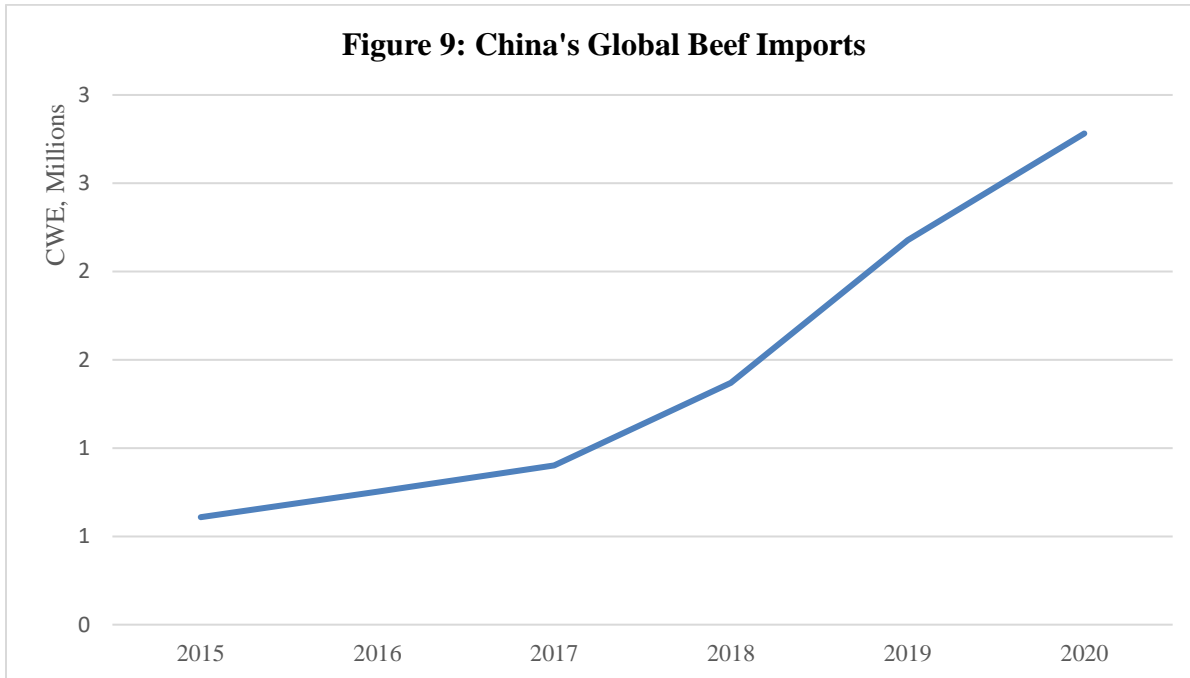


TRADE

Beef imports forecast for continued growth in 2021

Following the signing of the ETA, China expanded access for U.S. beef imports through the recognition of the U.S. beef traceability system, updating the number of facilities that can export to China, and lifting the ban on imports of U.S. beef and beef products from animals over 30 months of age. Additionally, China increased access for alfalfa pellets and cubes, among other forage products – feed ingredients for beef cattle and dairy production.

Generally, beef imports have seen strong growth in China over the last five years. Recently, this trend has been bolstered by high domestic beef and pork prices. Chinese importers indicate that quality, price, supply stability, brand and reliability are important factors. South American suppliers including Brazil, Argentina, Uruguay provide beef imports which are further processed in China. Australia, New Zealand and the United States premium-priced beef is consumed by the food service and retail sectors. The United States is seen as a premium-priced beef supplier providing consistent and standardized high-end cuts.



Source Chinese Customs

China's retaliatory tariffs on U.S. products

China maintains Section 301 retaliatory tariffs on U.S. beef products. Similar to pork products, importers may apply for tariff exclusions which are approved on a case-by-case basis. These exclusions do not automatically extend to all importers. Please refer to FAS GAIN report [Updated Guidance on China's Retaliatory Tariffs and Tariff Exclusions Process for US Products](#) for more information on the exclusion process. This reduction was effective from February 14, 2020 (see the Tariff Schedule for U.S. Beef Products below).

TABLE 8: Tariff Schedule for U.S. Beef Products

HS Code (8-digit)	Description*****	MFN Rate*	301**		Total Applied Tariff
			Jan 1, 2020	Feb 14, 2020	
	Implementation Date		Jan 1, 2020	Feb 14, 2020	Feb 14, 2020
02011000	Meat of bovine animals, fresh or chilled: whole or half-carcasses*****	20%		25.0%	45.0%
02012000	Fresh Or Chilled Unboned Bovine Meat (Excl. Carcasses)*****	12%		30.0%	42.0%
02013000	Fresh Or Chilled Boneless Bovine Meat*****	12%		30.0%	42.0%
02021000	Frozen Bovine Carcasses & Half	25%		25.0%	50.0%

	Carcasses****			
02022000	Frozen Unboned Bovine Meat (Excl. Carcasses)****	12%	30.0%	42.0%
02023000	Frozen Boneless Bovine Meat****	12%	30.0%	42.0%
02102000	Meat Of Bovine Animals, Salted, In Brine, Dried Or S	25%	30.0%	55.0%
16025010	Preparations Of Bovine Animal Meat & Offal, In Air	5%	2.5%	7.5%
16025090	Preparations Of Bovine Animal Meat & Offal, Nes	5%	25.0%	30.0%

Note: * Tentative tariffs effective on January 1, 2020. **Additional tariffs were adjusted on February 14, 2020 and additional exclusions granted March 2, 2020

Attachments:

No Attachments