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Report Highlights:

In 2023, imports of breeding swine and pork are expected to decline to 5,000 head and 1.85 million metric tons (MMT), respectively, due to lower domestic hog and pork prices. Consumer price sensitivity and competition among producers are expected to constrain pork and hog price increases, squeezing margins. Strong carryover stocks of beef cattle from 2022 into 2023 will support an increase in cattle and beef production to 52.575 million head and 7.4 MMT, respectively. Imports of cattle and beef are forecast to decline to 300 thousand head and 2.5 MMT, respectively, in 2023 on a less optimistic economic outlook, COVID-19 restrictions and uncertainty in the HRI sector, and tight global supplies.

EXECUTIVE SUMMARY

Swine Production: Swine production in 2023 is expected to reach 675 million head. The collapse of hog and pork prices in 2021 and the first half of 2022 caused severe losses, especially for large producers with significant investments. However, large producers remained steadfast even as losses mounted and are expected to meet production targets in 2023 to maintain market share. Midsized producers are expected to expand production in 2023 on steady hog and pork prices.

Swine Imports: Imports of live breeding swine in 2023 are estimated at 5,000 head. Imports will be pressured by lower hog and pork prices in 2023. Additionally, higher transportation costs for transporting breeding swine, stringent import quarantine and testing requirements, and ongoing COVID-19 restrictions for airline crew entering China are expected to weigh on imports.

Pork Production: Pork production in 2023 is expected to grow and reach 52 million metric tons (MMT), below pre-African Swine Fever (ASF) levels but in line with consumer demand and a less optimistic economic outlook. High feed costs are expected to lower average live hog weights in 2023. The practice of “second fattening” (where standard weight hogs are retained for additional fattening by intermediary producers) is expected to have a minimal impact on overall pork production in 2023.

Pork Imports: Pork imports in 2023 are forecast at 1.85 MMT, an 8 percent decline compared to the revised estimate for 2022. The import estimate for 2022 has also been lowered, by more than half from the previous estimate published in the FAS China semi-annual report. Pork imports in 2023 are expected to decline from strong levels witnessed in the last few years as domestic production and prices stabilize. Additionally, imports are expected to be constrained as global pork prices are less competitive compared to domestic prices.

Cattle Production and Imports: In 2023, production of beef cattle is expected to rise to 52.575 million head. Stronger carryover stocks are expected to increase both beef cattle and beef production. Multiple provincial authorities have allocated resources to increasing the breeding and production of beef cattle. Imports are expected to decline to 300 thousand head due to a ban on New Zealand live cattle exports by sea that is scheduled to enter into force in April 2023. Additionally, South American exports are expected to decline due to tight supplies, exports of beef cattle for breeding over dairy cattle, and strong demand in local markets.

Beef Production and Imports: Beef production in 2023 is expected to rise to 7.4 MMT on high cattle inventories reaching maturation and market weight. In 2023, imports of beef are expected to decline to 2.5 MMT on high global beef prices, lower domestic prices, and a weaker economy impacting consumers purchasing decisions of high value products such as imported beef.

SWINE

Table 1. China: Swine Production, Supply, and Distribution

Animal Numbers, Swine	2021		2022		2023	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	406500	406500	449220	449220	0	457000
Sow Beginning Stocks	39500	39500	40000	40000	0	42000
Production (Pig Crop)	655000	655000	662000	662000	0	675000
Total Imports	24	23	20	5	0	5
Total Supply	1061524	1061523	1111240	1111225	0	1132005
Total Exports	881	881	1150	1150	0	1500
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	600000	600000	660000	645000	0	660000
Total Slaughter	600000	600000	660000	645000	0	660000
Loss and Residual	11423	11422	8090	8075		7505
Ending Inventories	449220	449220	442000	457000		463000
Total Distribution	1061524	1061524	1111240	1111225		1132005
All Units in 1,000 Head						

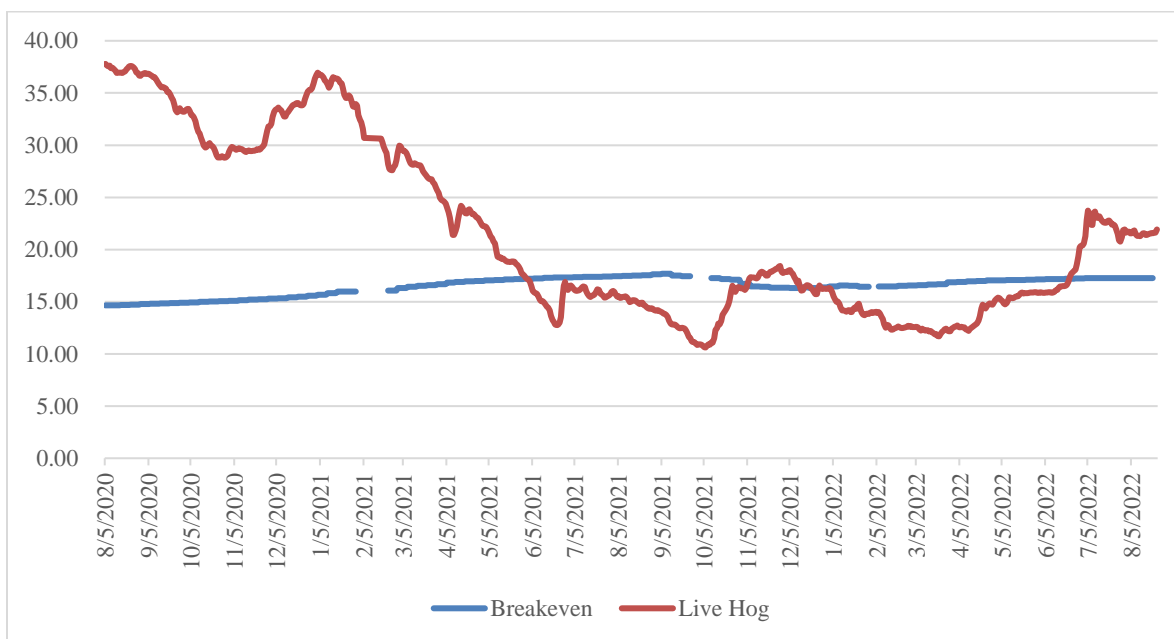
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PRODUCTION

2023 sow beginning stocks forecast to increase 5 percent over 2022 levels

China's sow population has rebounded over the past several years since the 2018 outbreak of African Swine Fever (ASF) led to lower hog numbers and high hog and pork prices. Over the last year and a half, live hog prices declined due to the expanded supply (see **CHART 1**). China's Ministry of Agriculture and Rural Affairs (MARA) calculates the "breakeven" price based on a corn-to-hog cash price ratio, which fluctuates depending on commodity prices. The breakeven point for hog producers has recently fluctuated between 15 RMB/KG (U.S. \$2.17) and 17.5 RMB/KG (U.S. \$2.53).¹

Chart 1. China: National Average Hog Price (RMB/KG)



Source: MARA and industry sources

In May 2021, significant financial losses due to low hog prices and high feed costs forced producers to liquidate inefficient sows. However, prices at the mid-year point of 2022 rebounded and stabilized as the supply of hogs and pork contracted. In this environment, producers are expected to limit culling of inefficient sows and respond to higher prices by investing in the sow herd.

NOTE: MARA noted that sow inventories peaked at 52.6 million head in July 2021 and have declined sharply until June 2022. China's National Bureau of Statistics in the July 2022 quarterly public report indicated that China's breeding sow population reached 42.77 million head.

¹ The USD to RMB exchange rate was calculated on August 30, 2022, at 1 USD to 6.91 RMB.

In 2023, large producers expect to meet production targets

Industry sources and media reports indicate that large producers are intending to meet production targets but suspend further expansion in 2023. China’s top five hog producing companies reported over RMB 39 billion (U.S. \$5.7 billion) in losses in 2021. Producers are expecting consumption to strengthen based on seasonal pork demand and an easing of COVID-19 restrictions. Producers are expecting that by meeting production goals and increasing market share, they may recoup some of their prior losses.

Piglet prices in 2023 are expected to decline as pork production and prices stabilize

In 2023, piglet prices are expected to decline as pork production and prices stabilize. The growth in piglet prices starting in April 2022 (see **CHART 2** below) appears to be the consequence of producers retaining piglets to capitalize on a perceived increase in pork prices later this year. Companies continue to angle for greater market share at the expense of profits, input prices (such as feed) remain high, and consumers show an increasing sensitivity to price changes. Piglet and pork prices will be constrained by these factors in 2023.

Chart 2. China: Average Piglet and Pork Prices (RMB/KG)



Source: MARA

Disease situation remains unchanged

The animal disease situation in China remains generally unchanged. A common practice is to remove only symptomatic diseased hogs and retain the remaining herd. This practice keeps animal diseases circulating throughout the country.

In some regions, local governments have taken steps to limit the spread of disease. For example, Guangdong Province instituted regulations that limit the importation of live hogs for slaughter. These regulations are intended to mitigate the disease spreads across provincial borders. In May 2021, the Guangdong Provincial Department of Agriculture and Rural Affairs further limited the importation of live hogs for slaughter within the province to no more than 1,000 kilometers “point to point.” Guangdong is a net importer of pork and these regulations are expected to push consumption towards “chilled” (refrigerated or frozen) rather than “warm” (recently slaughtered and transported without refrigeration) meat products. According to industry sources, the gradual shift towards chilled meat products (rather than warm meat) was hastened by the ASF outbreak.

Image 1. China: Live Hogs Transport



Hog production in 2023 is estimated to exceed 2022 rates by 2 percent

In 2023, growth in China’s hog production will be driven by midsized producers. Midsized producers invested far less into vertical integration facilities, allowing these producers to expand in 2023. China’s large hog producers made significant investments in vertical integration facilities and incurred heavy losses as pork and hog prices dropped. In 2023, large producers are expected to respond to stable domestic prices and strong competition by maintaining current production levels and operating with slack capacity at their facilities.

Small producers, the nimblest group of hog producers in China have suffered sufficient losses (over the last year and half, as well) and are expected to be reluctant to re-enter the market until prices show sustained increases. Small producers are more often engaged in secondary fattening (see Pork section below). It is unclear whether the rise in prices in 2023, which is not expected to reach 2020 levels, will be enough to encourage a substantial number of small producers to re-enter the market.

Consumer demand has remained weak with sensitivity to price increases

In 2023, China's economic slowdown and continued zero-tolerance COVID-19 policies are expected to weigh on consumption. In 2022, China lowered its GDP growth target. Private analysts cut China's GDP growth rate to 4 percent largely due to widescale lockdowns and COVID-19 restrictions. China's zero-tolerance COVID-19 policies have dramatically impacted the hotel, restaurant and institutional (HRI) sectors. Throughout 2022, catering, large conferences and events, trade shows, and other large gatherings have been heavily restricted and often cancelled. Consumers are expected to remain sensitive to price increases for staple food products, including pork, in 2023.

TRADE

In 2023, live swine imports are estimated to reach 5,000 head

In 2023, the high costs and difficulties associated with importing live breeding swine will weigh heavily on imports, which are expected to reach 5,000 head – primarily from the United States, Denmark, and France. In 2023, hog producers are expected to rely on local herds, genetics, and commercial breeding sows to support production goals.

Importing live swine requires extensive planning and capital investments. In the first half of 2022, China's imports of live swine dropped over 90 percent to just over 1,750 head. Total live swine imports for 2022 are not expected to exceed 5,000 head. In 2020 and 2021, high domestic hog prices and strong pork demand drove a surge in imports. However, as demand and domestic prices have weakened companies are expected to be less motivated to take on the high cost of transport, quarantine, and delivery for imported breeding swine.

Live swine exports to Hong Kong and Macao expected to increase 4 percent

In 2023, Hong Kong and Macao are expected to continue to be the sole destinations for China's live swine. Live swine exports in 2023 are expected to increase by 4 percent to 1.5 million head. In the first half of 2022, the unit price of live hogs exported from China to Hong Kong and Macao declined year-on-year by 45 percent and 30 percent, respectively. Similarly, exports of live swine to Hong Kong and Macao increased by nearly the same rates (45 percent and 22 percent, respectively).

PORK

Table 2. China: Pork Production, Supply, and Distribution

Meat, Swine	2021		2022		2023	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	615000	600000	660000	645000	0	660000
Beginning Stocks	0	0	0	0	0	
Production	47500	47500	51800	51000	0	52000
Total Imports	4330	4330	2150	2000	0	1850
Total Supply	51830	51830	53950	53000	0	53850
Total Exports	104	104	110	110	0	125
Human Dom. Consumption	51726	51726	53840	52890	0	53725
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	51726	51726	53840	52890	0	53725
Ending Stocks	0	0	0	0	0	0
Total Distribution	51830	51830	53950	53000	0	53850
All Units in 1,000 MT CWE, unless otherwise specified						

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PRODUCTION

2023 pork production expected to rise 2 percent on lower live hog slaughter weights

In 2023, domestic slaughter is expected to rise to 660 million head on increased production as large producers meet targets and midsized producers expand production. However, high feed costs and consumer price sensitivity will squeeze margins and lower producers' incentives to raise large hogs. For this reason, average live hog weights are expected to decline.

A process called "secondary fattening" has been identified by industry and media sources. Secondary fattening involves the purchase of standard weight hogs by intermediary producers who retain these

hogs to add weight in the hopes that prices will rise in the future. This practice is not expected to affect overall pork production figures in 2023.

Pork and hog prices are expected to stabilize in 2023 and intervention by the Merchandise Reserve Management Center (MRCM) is not expected to impact prices. In 2022, the MRCM instituted multiple auctions to either purchase pork from the market or sell pork to the market – but these auctions were unsuccessful. In total, the MRCM was able to secure less than 25 percent of the pork notified to be purchased. On August 29, the National Development Reform Commission (NDRC) announced plans to sell State pork reserves in the fall – to limit price increases. Based on the limited success of the MRCM auctions, it is unclear whether the NDRC’s announcement will be effective.

CONSUMPTION

Pork distribution is expected to climb to 53.85 MMT

In 2023, pork distribution (e.g., total exports and total human domestic consumption) is forecast at 53.85 MMT, a 2 percent increase over 2022 assuming stable prices and normal seasonal variation. In 2023, pork consumption is expected to increase primarily due to the availability of affordably priced pork products. A slow economy and uncertainty surrounding COVID-19 lockdowns is expected to make consumers sensitive to price increases and weigh on overall consumption.

There is a growing supply of and demand for particular pork products. These are quality standardized cuts, prepacked, partially, or fully cooked pork products for at home consumption and food service use. The long-term trend for the industry will be increasingly standardized pork cuts, which is likely to support profits and margins for specialized producers and slaughter facilities.

TRADE

Imports in 2023 expected to drop to 1.85 MMT

In 2023, imports of pork products are forecast to decline 8 percent to 1.85 MMT. In 2022, strong domestic hog production and weaker consumer demand lowered domestic pork prices. In the first half of 2022, pork imports fell by over 60 percent, to 1.1 MMT. In 2023, ample domestic production and lower domestic prices are expected to curb pork imports. Post lowered 2022 import estimates from its earlier report in line with ongoing trends. High transportation and energy costs, along with higher global pork prices are expected to reduce the competitiveness of imported products. COVID-19 testing, disinfection and certification measures remain in effect across China putting an additional burden on imported products to clear customs and cross provincial borders.

In 2023 pork exports are expected to grow to 125 thousand MT

In 2023, domestic pork prices are expected to support exports of pork products to Hong Kong and countries in Southeast Asia. China’s exports are expected to reach 125 thousand MT, an increase of 14

percent over 2022 rates, but still below historical pre-ASF rates. In the first half of 2022, Hong Kong remained the primary export market for China's pork products. Exports of prepared and preserved pork products to Japan, on the other hand, have declined and are not expected to rebound until Chinese tourists resume travel to Japan again.

U.S. pork exports continue to be subject to China's Section 232 and 301 retaliatory tariffs, for more information see the appendix.

CATTLE

Table 3. China: Cattle Production, Supply, and Distribution

Animal Numbers, Cattle	2021		2022		2023	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stocks	95009	95009	97559	97559	0	101390
Dairy Cows Beg. Stocks	13900	13900	14000	14000	0	14050
Beef Cows Beg. Stocks	53400	53400	53450	53450	0	53475
Production (Calf Crop)	50525	50525	52500	52500	0	52575
Total Imports	361	361	375	375	0	300
Total Supply	145895	145895	150434	150434	0	154265
Total Exports	15	15	16	15	0	15
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	47070	47070	47820	47820	0	50000
Total Slaughter	47070	47070	47820	47820	0	50000
Loss and Residual	1251	1251	1209	1209	0	1200
Ending Inventories	97559	97559	101389	101390	0	103050
Total Distribution	145895	145895	150434	150434	0	154265
All Units in 1,000 Head						

Not Official USDA Data

PRODUCTION

Production of beef cattle expected to increase slightly to 52.575 million head on higher inventories

In 2023, production of beef cattle is expected to rise to 52.575 million head. Stronger carryover stocks are expected to increase both beef cattle and beef production. Slaughter is expected to rise as the 2022 inventory of beef cattle reach maturation in 2023.

In the first half of 2022, cattle and beef prices declined due to COVID-19 lockdowns. COVID-19 travel restrictions also limited producers' ability to slaughter market weight cattle, increasing the concentration of finished cattle for slaughter in the second half of 2022. Slaughter rates in the second half of 2022 are expected to weigh on live cattle and beef prices causing price declines. Post expects that calf prices will also be negatively affected. However, overall cattle production is unlikely to suffer.

Cattle production remains a priority for multiple provincial governments, which have allocated resources to improving and increasing production. In 2022, Inner Mongolia, Ningxia, Heilongjiang, and Jilin province have all announced support programs for expanding cattle breeding and production in their regions.

Disease situation to remain unchanged in 2023

In 2023, China is expected to continue to suffer from disease outbreaks impacting the beef cattle and dairy herds. In 2022, China reported multiple disease events for foot and mouth disease and lumpy skin disease to the World Organization for Animal Health (OIE).

TRADE

Cattle imports to decline in 2023 to 300 thousand head

Cattle imports from South America are expected to remain lower for differing reasons. Uruguayan cattle exports to China are shifting to high quality beef cattle for breeding (over dairy cattle), which will lower exports. Argentinian and Chilean live cattle exports are expected to decline as domestic prices rise, transportation and inputs cost increase, and local supplies tighten. Overall imports will decline, due to the anticipated implementation of a ban on exports of New Zealand live cattle by sea, a major live cattle exporter. Consequently, imports from Australia will dominate the market – with the potential for additional growth compared to 2022.

Policy updates

In the summer of 2022, the General Administration of Customs of the People's Republic of China (GACC) lifted a ban on cattle imports from Laos due to lumpy skin disease. This change is unlikely to affect cattle imports.

Exports remain unchanged

Exports of live cattle to Hong Kong and Macao are expected to remain unchanged in 2023.

BEEF

Table 4. China: Beef Production, Supply, and Distribution

Meat, Beef and Veal	2021		2022		2023	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	47040	47040	47820	47820	0	50000
Beginning Stocks	0	0	0	0	0	0
Production	6830	6980	7100	7100	0	7400
Total Imports	2950	3024	3100	3100	0	2500
Total Supply	9780	10004	10200	10200	0	9900
Total Exports	17	17	20	20	0	20
Human Dom. Consumption	9763	9987	10180	10180	0	9880
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	9763	9987	10180	10180	0	9880
Ending Stocks	0	0	0	0	0	0
Total Distribution	9780	10004	10200	10200	0	9900
All Units in 1,000 MT CWE, unless otherwise specified						

Not Official USDA Data

PRODUCTION

Post is in concurrence with USDA official estimates for 2022 beef production.

In 2023, production expected to grow by 4 percent reaching 7.4 million metric tons (MMT)

In 2023, beef production is expected to grow 4 percent to 7.4 MMT as producers' slaughter an increasing quantity of cattle due to increasing inventory of carryover beef cattle, support from provincial authorities for beef production and a delay in slaughter caused by 2022 COVID-19 travel restrictions. In total, these factors will support an increase in domestic beef production, which is expected to moderate prices for beef (see **CHART 4**).

Chart 4. China: Average Price of Beef (RMB/KG)



Source: MARA

CONSUMPTION

Post is in concurrence with USDA official estimates for 2022 beef consumption.

In 2023, beef consumption is expected to decline 3 percent but remain above historic levels

In 2023, domestic beef consumption is estimated to decline 3 percent to 9.9 MMT based on lower imports and a weak economy. However, beef is considered a luxury product by consumers and consumption is expected to be impacted to a greater extent by the economic outlook than price. Moderated domestic beef prices will support beef consumption in popular cuisines, such as hot pot dishes. On the other hand, imported beef is primarily consumed in the HRI sector. Declines in imported beef consumption are expected to be impacted, to a greater extent, by uncertainty of COVID-19 restrictions in 2023 than higher imported beef prices. Imported beef, typically higher quality beef and standardized muscle cuts, is expected to remain popular among consumers in barbeque and other high-end restaurants.

TRADE

Post is in concurrence with USDA official estimates for 2022 beef imports or exports.

In 2023, beef imports expected to decline on a weak economy, uncertainty on COVID-19 restrictions

In 2023, imports of beef products are expected to decline to 2.5 MMT primarily due to a weak economy and uncertainty in the HRI sector caused by ongoing COVID-19 restrictions. Strong global beef prices

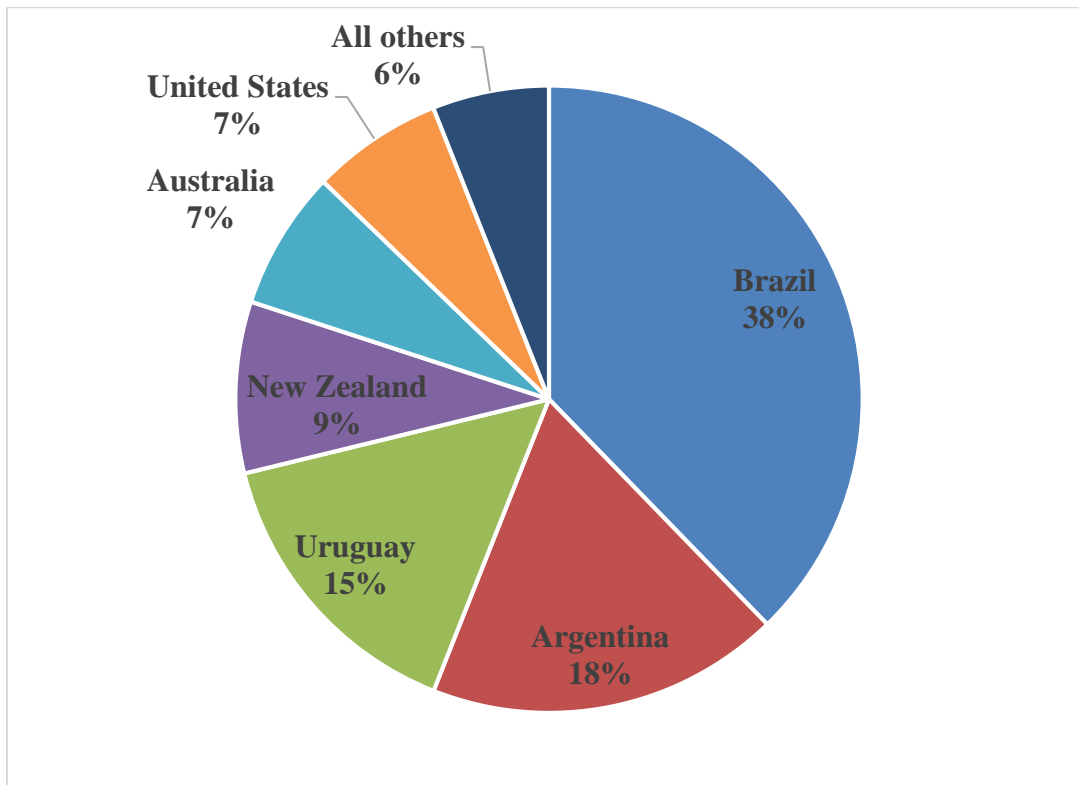
in 2023 and losses suffered by speculative importers in 2022 are also expected to weigh on import volumes in 2023.

In 2022, importers stocked up on beef products just as PRC officials instituted COVID-19 lockdowns across major cities and the economy slowed. In the first half of 2022, beef import prices grew by over 37 percent causing difficulties for many beef importers. In the second half of 2022, sources note that some importers may decide to sell below their purchase price to avoid refrigeration and storage costs.

China’s imported beef market is dominated by Brazil, Argentina, Uruguay, New Zealand, Australia, and the United States (see **CHART 5** below). As noted in the Pork Trade section above COVID-19 testing, disinfection and certification measures remain in effect across China putting an additional burden on imported products, including beef, to clear customs and cross provincial borders. In 2022, GACC suspended meat facilities from multiple countries for reasons including alleged COVID-19 detections on outer packaging, video inspections, and other reported reasons. In August 2022, GACC temporarily suspended two U.S. beef facilities from presenting beef for customs clearance.

U.S. beef exports continue to be subject to China’s Section 301 retaliatory tariffs, for more information see the appendix.

Chart 5. China: Beef Imports by Country, Market Share (January - July 2022)



Source: China Customs

China's 2023 beef exports are expected to remain steady at 20 thousand MT

In 2023, higher domestic beef production and lower domestic prices will support stable exports. In the first half of 2022, the leading export markets for beef products were Hong Kong (nearly 75 percent of exports) and Japan (12 percent).

APPENDIX

China's retaliatory tariffs on U.S. products

The tariff exclusion process introduced by the State Council Tariff Commission (SCTC) in March 2020 (see GAIN report [CH2020-0017](#)) remains in effect. The program allows importers to apply for tariff exclusions from China's Section 301 retaliatory tariffs on U.S. products, including pork and beef products (see **TABLE 5** and **TABLE 6** for specific tariff rates).

However, the exclusion process does not apply to China's retaliatory Section 232 tariffs. U.S. pork products are among certain agricultural products that are still subject to China's Section 232 retaliatory tariffs.

Table 5. China: Tariff Schedule on U.S. Pork Products

HS Code (8-digit)	Product Description	Tariff Type, Implementation Date, and Percent			
		MFN Rate	232	301*	Total Applied Tariff
		Dec 15, 2021	Apr 2, 2018	Jun 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 Bone-In Hams, Shoulders & Cuts	20%	25%	25%	75%
02031900	Other Fresh Or Chilled Swine Meat	20%	25%	25%	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	12% **	25%	25%	63%
02032900	Other Frozen Swine Meat	12% **	25%	25%	63%

Note: *Additional tariffs were adjusted on February 14, 2020, and additional exclusions granted March 2, 2020. ** Tentative tariffs effective on December 15, 2021 (See GAIN Report [CH2021-0169](#)).

Table 6. China: Tariff Schedule on U.S. Beef Products

HS Code (8-digit)	Description	Tariff Type, Implementation Date, and Percent		
		MFN Rate*	301*	Total Applied Tariff
		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 Carcasses	25%	25.0%	50.0%
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 Salted	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: *Additional tariffs were adjusted on February 14, 2020, and additional exclusions granted March 2, 2020.

Attachments:

No Attachments