

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** New to Market Product Report - Timothy Hay

**Country:** China - Peoples Republic of

**Post:** Guangzhou ATO

**Report Category:** Grain and Feed, Livestock and Products

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**Report Highlights:**

Timothy hay was among a number of U.S. agricultural products that received new or expanded access under the U.S.-China Economic and Trade Agreement, which was signed on January 15, 2020. This report briefly mentions the market access parameters for U.S. Timothy hay, discusses key market conditions (including import competition), and offers market-entry recommendations to consider when exporting this livestock feed ingredient to China.

## Product Description and Access Overview

The U.S.-China Economic and Trade Agreement, which was signed on January 15, 2020, paved the way for expanded access for several U.S. hay products, including double compressed bales of Timothy hay.<sup>1</sup> China's General Administration of Customs of China (GACC) published a [notice](#) granting market access for U.S. Timothy hay bales on May 13, 2020.

Additionally, GACC has registered 25 U.S. facilities exporting Timothy hay as approved to export to China.<sup>2</sup> Other U.S. exporters interested in exporting Timothy hay should contact their [state APHIS office](#) to initiate the facility registration process. Of note, facilities already approved to export alfalfa are still required to undergo this registration process to become eligible to export Timothy hay. New establishments will be added within 20 business days of the United States notifying GACC that APHIS approved the facility and found it in compliance with the U.S. Timothy hay phyto-sanitary export protocol.

## Market Overview

Relatively small amounts of imported Timothy hay are used as a fiber-based ingredient in dairy rations, which are primarily made up of alfalfa. Timothy demand is expected to grow as the country's dairy sector continues to expand and end-users become more familiar with the product's quality and characteristics. Farms have grown in scale and efficiency in response to rising consumer demand for dairy products. For more information on China's dairy sector, please refer to the latest FAS-China GAIN report - [China: Dairy and Products Semi-annual](#).

In addition to the dairy sector, China's emerging equestrian industry uses imported, higher-value Timothy hay than that used by the dairy sector. As an increasing number of affluent households look to enroll their children in non-scholastic activities, such as horse riding, the demand for Timothy hay is expected to keep growing, especially as the sport becomes more popular. The 2008 Olympics and 2010 Asian Games have helped fuel interest in the sport.

According to a local horse magazine, China has more than 2,100 equestrian clubs. Most members are young female riders from affluent families who can afford expensive membership and boarding fees. In Shanghai, which boasts the most expensive equestrian clubs, members pay as much as RMB 38,400 or about \$5,500 on annual boarding fees, with a 45-minute riding lesson costing nearly RMB490 or nearly \$70.

With few local breeds suitable for riding, China has imported horses from abroad to build up its equestrian industry. From 2105-2018, the country imported about 7,700 horses, most of which were from Mongolia and the Netherlands.

In preparation for the 2022 Asian Games, China will soon start construction on an RMB 2.5 billion (\$357 million) equestrian center in Hangzhou. After the games, the facility will likely be converted to a club or public equestrian center. The equestrian venue from the 2010 Asian Games in Guangzhou was converted to a horse training facility for the Hong Kong Jockey Club, which is now home to more than

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<sup>1</sup> [USTR Phase One Agreement Commodity Fact Sheet - Animal Feed](#); Double compressed bales of Timothy hay are hereafter referred to just Timothy hay.

<sup>2</sup> A list of U.S. establishments eligible to export Timothy hay is available at <http://www.customs.gov.cn/dzs/2747042/2883227/index.html>

1,200 racehorses.

### Competitors

Canada is the only other approved supplier eligible to export Timothy hay to China. In 2019, Canada exported a little more than 9,200 tons (\$2.5 million) of Timothy hay to China, which is among Canada's top five export destinations for this particular product.<sup>3</sup> Canadian exports to China represented just 3 percent of the country's overall Timothy hay exports, suggesting that Canada likely has the capacity to increase exports to China if favorable market conditions prevail. See table 1.

Partner	Calendar Year (Tons)				
	2015	2016	2017	2018	2019
World	205,571	203,048	254,066	278,932	292,765
China	3,929	10,777	5,586	3,210	9,223
% to China	2%	5%	2%	1%	3%

Source: TDM, Statistics Canada

Additionally, oat hay from Australia will compete against U.S. Timothy hay for dairy and horses. In 2019, China imported about 240,900 tons of Australian oat hay worth nearly \$86 million. Refer to table 2 for historical trade figures. Meantime, while China grows small amounts of Timothy hay, it is not expected to compete directly with U.S. product.

Calendar Year (Tons)				
2015	2016	2017	2018	2019
151,490	222,688	308,146	293,641	240,901

Source: TDM, China Customs

1/ Based on the understanding that imports of Australian hay are limited to just oat hay, Post is using HTS 12149000 (Other forage products, nes) to calculate these import numbers.

U.S. price competitiveness will hinge on the availability of tariff exclusions. In addition to the MFN duty of 7 percent, imports of U.S. Timothy hay are subject to a Section-301 retaliatory tariff of 25 percent. See table 3. Chinese importers can apply for a waiver of this retaliatory duty even though Timothy hay is not among the approximately 150 products currently listed as eligible for tariff exclusions.

For more details on the tariff exclusion process, please refer to the following GAIN reports: [China Announces a New Round of Tariff Exclusions](#), [China Publishes Step-By-Step Tariff Exclusion Guide](#), [China Publishes Frequently Asked Questions Document on Tariff Exclusion Process](#).



<sup>3</sup> China Customs does not have an HTS code for Timothy hay.

NES)				
MFN Rate as of Jan 1, 2020	Section-232 Retaliatory Tariff (Apr 2018)	Section-301 Retaliatory Tariff (Jun 2019)	Add'l Tariff (Adjusted on Feb 14, 2020)	Total Applied Tariff
7%	0%	25%	0%	32%

### Regulations

Shipments of U.S. Timothy hay must comply with the agreed upon phyto-sanitary requirements, as outlined in [GACC notice #66 from May 13, 2020](#), and be accompanied by a USDA APHIS-issued phyto-sanitary certificate. Only Timothy hay from eligible facilities is eligible for export.

China does not have a national standard for hay. U.S. exporters are encouraged to work directly with Chinese importers to ensure the product meets relevant regulations, where applicable, as well as commercial standards.

### Distribution Channels

The commercial and distribution networks for hay and hay products, including Timothy hay, are well established inside and across the dairy and horse sectors.

Most imported hay is purchased by animal feed importers and manufacturers. These companies typically sell directly to both big and small end-users through their individual distribution networks. End-users generally want to know the origin of imported hay and are willing to pay a premium for high-quality product.

Building a brand image, especially for higher-end horse feed, could help promote brand recognition and sales. For U.S. companies seeking to distribute products in China, registering the brand name and trademark with the Trademark Office of the National Intellectual Property Administration as early as possible is highly recommended.

### Market Entry Recommendations and Industry Outreach

Established U.S. exporters already supplying alfalfa bales to Chinese end-users can build upon their existing commercial networks to develop opportunities for Timothy hay. In contrast, new-to-market suppliers should consider attending major livestock trade shows (mentioned below) to develop commercial connections with different end-users in the dairy and horse industry. A list of prospective importers can be provided by FAS-China's Agricultural Trade Offices upon request.

The [China Exporter Guide \(2019\)](#) contains practical information for U.S. agricultural, forestry, and fishery exporters interested in doing business in China. The report includes useful information on local business practices, a review of consumer preferences, food standards and regulations, and import and inspection procedures.

#### *Major Chinese trade/industry associations*

[China Animal Agriculture Association \(CAAA\)](#) is a quasi-governmental association with members from across China's livestock sector. The association is responsible for organizing the country's largest

livestock trade show – the China Animal Husbandry Expo – which is a good venue for showcasing U.S. feed ingredients.

#### *Trade shows*

There are several trade shows that could be useful in promoting U.S. Timothy hay in China including those mentioned below. Please note that these shows could be delayed or canceled because of the worldwide COVID-19 situation. Furthermore, as mentioned above, because of the current COVID-19 travel limitations, U.S. exporters may want to have their importers/distributors showcase product on their behalf.

[China Animal Husbandry Expo](#), Changsha (Hunan Province), September 4-6, 2020 – China’s largest livestock trade show that offers an ideal platform to showcase U.S. feed ingredients to Chinese buyers and end-users from across China’s livestock sector, including swine, broilers, layers, sheep/goats, beef cattle, and rabbits.

[China Horse Fair](#), Beijing, September 18-20, 2020 – The largest horse trade show in China that provides a unique venue to feature U.S. feed ingredients to the country’s horse industry.

[China Dairy Expo](#), Shijiazhuang (Hebei Province), October 11-13, 2020 – China’s largest dairy trade show that provides an good opportunity to promote U.S. feed ingredients.

#### *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 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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**Attachments:**

No Attachments.