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Report Highlights:

In 2022, total imports of chicken meat (excluding paws) are forecast to increase by 3 percent to 930,000 MT. Chinese exports of chicken meat are forecast to grow to 440,000 MT as demand in major export markets is anticipated to recover from COVID-19 disruptions. In 2022, China's imports of chicken paws (feet) are forecast to reach 800,000 MT. U.S. exports of chicken paws to China have grown dramatically since the United States regained market access for poultry products after the signing of the U.S.-China Economic and Trade Agreement.

EXECUTIVE SUMMARY

Imports: In 2022, imports of chicken meat (excluding paws) by China are forecast to grow by 3 percent to 930,000 MT as imports remain competitively priced with domestic production, domestic pork prices increase, and consumer demand for chicken meat grows.

In 2022, imports of chicken paws (feet)¹ by China are forecast to reach 800,000 MT on rising demand from HRI, processors, and retail. In the first half of 2021, imports of U.S. chicken paws exceeded 100,000 MT based on Chinese Customs data – a nearly 200 percent increase from the same period last year.

Exports: In 2022, China’s chicken meat exports are forecast to grow by 4 percent to 440,000 MT as food service sectors in major export markets gradually recover from disruptions caused by the COVID-19 pandemic.

Production: After an expected decline in 2021, chicken meat production is forecast to rebound by 2 percent to 14.3 million MT in 2022 as large white feather (“broiler”) producers will utilize expanded production capacity from new facilities. In the next few years, large broiler producers are expected to drive chicken meat production gains. The market share and production of yellow-feather chicken is forecast to decline due to changing consumer habits and restrictions on live bird sales.

Consumption: In 2022, consumers are anticipated to bolster purchases of pre-packaged, half-cooked and fully cooked products made with broiler meat. Chicken meat consumption will be driven by growth in quick service restaurants and convenience stores across China, increased use of chicken meat by institutions, and the consumers perceptions that chicken is healthier.

¹ Chicken paws are excluded from PSD forecast estimates

PRODUCTION

TABLE 1: China’s Production, Supply and Distribution for Chicken Meat

Meat, Chicken	2020		2021		2022	
Market Begin Year	Jan 2020		Jan 2021		Jan 2022	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	
Production	14600	14600	14000	14000	0	14300
Total Imports	999	999	900	900	0	930*
Total Supply	15599	15599	14900	14900	0	15230
Total Exports	388	388	425	425	0	440
Human Consumption	15211	15211	14475	14475	0	14790
Other Use, Losses	0	0	0	0	0	
Total Dom. Consumption	15211	15211	14475	14475	0	14790
Total Use	15599	15599	14900	14900	0	15230
Ending Stocks	0	0	0	0	0	0
(1000 MT)						

Not Official USDA Data

*Note: Chicken paws are excluded from PSD forecast estimates

Chicken meat production to rebound in 2022 with consumer demand and price increases

Chicken meat production in 2022 is forecast to exceed 2021 as prices rebound, demand from cities outside of China’s “first tier”² category boost national consumption, and new facilities expand production capacity. The share of chicken meat production for white feather (broiler) is forecast to expand as broiler production absorbs market share declines from yellow feather chicken (yellow feather). Broilers also produce more meat per chicken compared to yellow feather. As a result, overall chicken meat production will increase.

In 2021, the price of pork declined rapidly. As such, chicken prices also fell as Chinese consumers are switched from chicken to pork, the preferred meat in China, when pork became less expensive. The impact of low chicken prices (Figure 1) coupled with high feed costs (Figure 2) and weak consumer demand squeezed profit margins for small and medium sized producers (SMSP) below their breakeven points. For these reasons, the production estimate in 2021 was revised downward to 14 million MT.

² China analysts rank Beijing, Shanghai, Guangzhou and Shenzhen as “first tier” cities. There are nearly 100 second and third tier cities emerging across China.

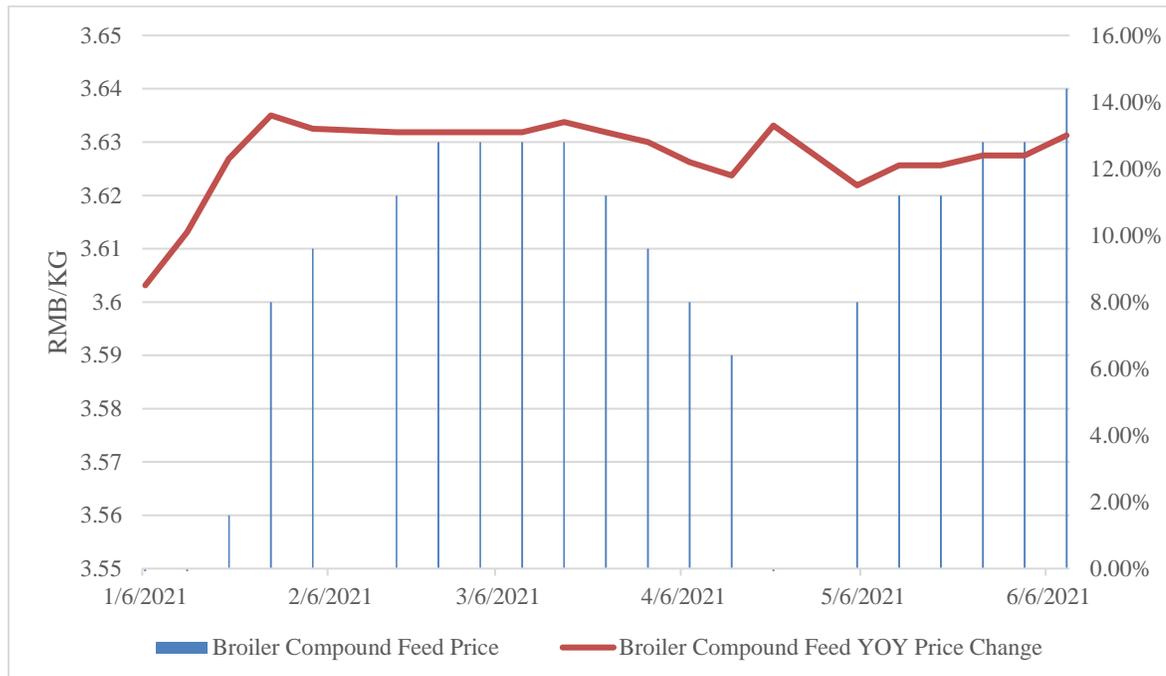
Industry contacts indicate that some SMSP, especially those that do not hold long-term contracts with large scale producers (and/or processors), have left the market. In 2022, large producers that withstood 2021 profit losses are forecast to absorb much of the market share lost by SMSP.

Figure 1: Profits Diminish as Live Chicken Price Declines (January – June 2021)



Source: Ministry of Agriculture and Rural Affairs

Figure 2: Higher Feed Prices Throughout First Half of 2021 (Compared to 2020)



Source: Ministry of Agriculture and Rural Affairs

In 2022, prior investments will expand broiler chick production

As noted in the 2021 Poultry Semi-Annual, producers of commercial broiler chicks at the end of 2020 reduced production and culled grandparent (GP) stock due to low chick prices. China relies on imported genetics for broiler production. Imported genetics are regarded by the industry as higher quality, more affordable, and readily available. Industry sources indicated that in the first half of 2021, China imported over 500,000 GP chicks to increase commercial stocks.

In the last few years, multiple companies have publicized plans to develop breeding farms including GP raising, hatching and quarantine farms. These farms depend on imported great grandparent (GGP) genetics to provide continually improving commercial chick stock. China would require substantial investments and coordination across industry and academia to independently develop domestic GGP genetics for largescale commercialization. For these reasons, China’s goals of becoming self-reliant in commercialized poultry genetics requires additional time.

For additional information on China’s goals to be more self-reliant in poultry and livestock genetics, among other agricultural policy initiatives, please see FAS GAIN report [China 2021 No 1 Document Underscores Seed Genetics Stable Grain and Pork Supplies for Food Security](#).

New facilities and new players in chicken production will increase capacity

In 2022, investments by established producers and new-to-market producers will support production gains for broiler chickens. Vertically integrated facilities, scheduled to come online in 2022, are estimated to increase production capacity by 20 percent. However, full utilization of the new production capacity is unlikely to occur until chicken prices rise. These new facilities are mostly concentrated in Shandong, Liaoning, Shanxi, Fujian and other northern central provinces. Most of these projects have been led by established producers with production capacity at or above 100 million broilers per facility per year. Two examples of new to market chicken meat producers include a large food service group with more than 10,000 restaurants that acquired one of China's largest broiler producers and a major pork producer which published plans to build a feed-to-slaughter facility with production capacity of 100 million broilers per year.

Yellow feather chicken production to decline in 2022

Producers of yellow feather chicken ("yellow feathers") have diversified into broiler production, as the price of feed increases and yellow feather sales decline. Yellow feathers have longer growing cycles than broilers, higher production costs, and smaller slaughter weights. Unlike broilers, yellow feathers do not have standard weights and the unique qualities of each bird are valued by consumers. With the closure of live bird markets fewer consumers can select birds prior to slaughter (see Consumption section below). The price of yellow feathers is determined by the bird's feathers (colors, appearance, etc.), body shape and other live-chicken characteristics. These desirable qualities cannot be ascertained after the birds have been slaughtered.

CONSUMPTION

In 2022, chicken use in food service to grow and pork prices expected to rise.

In 2022, consumer demand for chicken meat is forecast to grow as chicken becomes more competitively priced to pork. The food service sector and "healthy eating" trends will also increase demand for chicken meat. For example, convenience and quick service restaurants serving chicken products in cities outside of the "first tier" category are forecast to expand in 2022. Additionally, consumption of chicken meat in first and second tier cities is on the rise, as consumers consider chicken meat to be a "healthier" meat option. Finally, the purchase of pre-cooked or fully cooked chicken for home consumption, which grew during the COVID-19 pandemic, has remained post-pandemic.

In China, processed chicken meat accounts for nearly 15 percent of total chicken consumption. This category expanded during the COVID-19 pandemic, as food service and retail sectors adjusted to consumer demand for quick and convenient home delivery. Currently, three categories dominate China's processed chicken products: (1) pre-cooked, seasoned with sauces or spices, (2) preserved or aged products (such as sausages), and (3) heated such as fried, roasted, or pre-cut salad products. The first category (pre-cooked seasoned chicken) occupies more than 70 percent of total processed chicken,

while the other two categories occupy the remaining 30 percent. Demand for heated chicken products from quick service restaurants, retail and as ready-to-eat meals increased because of COVID-19 dining restrictions. Heated chicken products have remained popular even post-pandemic.

Yellow feather consumption declined as increasing numbers of live bird markets closed

Consumption of yellow feather has declined in many large cities as live bird markets have been closed by local governments. The outbreak of COVID-19 only accelerated this trend. In 2021, cities including Wuxi, Harbin, and Yulin announced they will gradually implement bans on live bird markets.

TRADE

Chicken meat imports to increase by 3 percent to 930,000 MT in 2022

Chicken meat imports are forecast to increase by 3 percent to 930,000 MT in 2022 as imports continue to be competitive to domestic production, pork prices rise, and consumer demand for chicken meat grows. In 2022, domestic chicken prices are forecast to rise, international shipping and port disruptions to improve, and demand for chicken meat to support strong Chinese imports. Imports in 2021 are forecast to decline, from exceptionally high levels in 2020, due to international shipping disruptions and lower domestic chicken prices.

Over the last few years, chicken meat imports from Brazil, Thailand, Russia and Argentina have remained strong even as U.S. shipments increased. Sources report that even with declines in domestic chicken meat prices, the price of chicken meat imports is between 20 to 50 percent lower than that of domestic chicken meat.

In 2022, international shipping and port issues caused by the COVID-19 pandemic are expected to improve. In 2020 and 2021, lack of vessel cargo space and shortages in refrigerated containers for chilled and frozen products caused widescale supply chain disruptions. Furthermore, importers of cold chain products appear to have adjusted to China's COVID-19 testing and disinfection requirements, noting the process has become smoother and less time consuming.

Marketing trends for chicken in China

At the retail level, chicken products are rarely differentiated by country of origin. Over 90 percent of imported chicken products are consumed in the HRI sector where the country-of-origin is not displayed. The most competitive U.S. chicken products in the market remain chicken legs and paws. The larger size of U.S. chicken legs means higher yields of meat for food processors and institutional food service companies looking for deboned chicken options. U.S. chicken paws (excluded from PSD forecast estimates) are preferred by processors and HRI due to their uniquely large size and high quality.

When selecting an overseas supplier, chicken meat importers focus on price, reliability, and consistent quality. Importers also pay close attention to the political landscape and possible policy changes which may affect price or supply. Major U.S. chicken meat competitors include Brazil, Russia, Thailand, and Argentina.

HPAI outbreaks have limited impact on chicken imports to China

In 2021, countries across Europe, the Middle East, Africa and Asia reported incidents of highly pathogenic avian influenza (HPAI) either in wild birds or domesticated poultry to the World Organization for Animal Health. However, these incidents did not impact imports to China as the outbreaks were not in key supplying countries. Between January and July 2021, China's Ministry of Agriculture and Rural Affairs notified six occurrences of HPAI in wild swans or birds across multiple provinces in China.

The United States and Russia have signed poultry regionalization agreements with China. For more information on the regionalization agreement between the United States and China please refer to the March 23, 2020 program update on USDA [Animal Plant Health Inspection Service](#) website.

Chicken paw imports from the United States³

In the first half of 2021, imports of U.S. chicken paws from the United States (excluded from PSD forecast estimates) to China exceeded 100,000 MT - accounting for 44 percent of all Chinese chicken paw imports. Industry sources indicate that stable supply channels for U.S. jumbo chicken paws continue to develop. As the supply chain of U.S. chicken paws matures Chinese imports are anticipated to increase. In 2021, Chinese imports of U.S. jumbo paws are forecast to exceed 250,000 MT, a 25 percent increase over 2020 imports, with growth slowing slightly in 2022.

China's retaliatory tariffs on U.S. products

China maintains retaliatory Section 301 tariffs on to U.S. chicken products, amongst other U.S. agricultural goods. 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 chicken importers have applied and received tariff exclusions. Previously, on February 6, 2020, SCCTC reduced the additional 301-tariffs on certain commodities, including all chicken products. This reduction was effective from February 14, 2020 (see the Tariff Schedule for U.S. Chicken Meat and Chicken paws below).

³ Chicken paws are excluded from PSD forecast estimates

China also maintains retaliatory Section 232 tariffs on a broad range of U.S. agricultural products, which do not qualify for tariff exclusions. China's retaliatory Section 232 tariffs do not apply to chicken products.

TABLE 2: Tariff Schedule for U.S. Chicken Meat and Chicken paws

HS Code (8-digit)	Product Description	MFN Rate	301	Add'l tariff (adjusted on Feb. 14, 2020)	Total Applied Tariff
		Jan 1, 2019	Jun 1, 2019	Feb. 14, 2020	Dec 15, 2019
02071100	Chickens, not cut in pieces, fresh or chilled	20%	25%	5%	50%
02071200	Frozen Whole Chickens	¥ 1.3/kg	25%	5%	30% + MFN
02071311	Fresh Or Chilled Cuts Of Chicken, With Bone	20%	25%	5%	50%
02071319	Fresh or chilled cuts of chicken, other	20%	25%	5%	50%
02071321	Fresh or chilled wing of chicken (excluding wingtips)	20%	25%	5%	50%
02071329	Fresh or chilled offal of chicken, other	20%	25%	5%	50%
02071411	Frozen Chicken Cuts, With Bone	¥ 0.6/kg	25%	5%	30% + MFN
02071419	Frozen Chicken Cuts, Nes	¥ 0.7/kg	25%	5%	30% + MFN
02071421	Frozen Midjoint Wing of Chicken	¥ 0.8/kg	25%	5%	30% + MFN
02071422	Frozen Chicken Paw	¥ 1.0/kg	25%	5%	30% + MFN
02071429	Frozen Offal of Chicken, Nes	¥ 0.5/kg	25%	5%	30% + MFN
16023210	Preparations of Chicken, In Airtight Containers	5%		2.5%	7.5%
16023291	Other Prepared Chicken Breast Filets	5%	10%		15%
16023292	Other Prepared Meat of Chicken Legs	5%		2.5%	7.5%
16023299	Other Prepared Chicken, Chicken Offal or Blood	5%		2.5%	7.5%

Source: Customs Import and Export Tariff of China

Additional tariffs were adjusted on February 14, 2020 and additional exclusions granted March 2, 2020

Chinese exports are forecast to grow to 440,000 MT

In 2022, Chinese exports of chicken meat products are forecast to grow to 440,000 MT. China's chicken meat exports to Japan and Hong Kong, the first and second largest export markets, respectively, are anticipated to improve as the food service sectors are expected to return to pre-COVID 19 levels. China primarily exports processed chicken meat products to Japan and chilled chicken meat products to Hong Kong.

On December 8, 2019 the USDA Food Safety Inspection Service (FSIS) published a federal register notice ([84 FR 60318](#)) allowing for the importation of fully cooked (non-shelf stable) chicken products from China. These products may be derived from birds that are slaughtered in China. In order to export to the United States, China must certify to FSIS that those establishments that wish to export chicken products to the United States are operating under requirements equivalent to those in the United States. In 2021, China exported over 50 MT of prepared or preserved chicken meat to the United States.

A list of eligible plants to export the United States may be found on https://www.fsis.usda.gov/sites/default/files/media_file/2021-02/china_establishments.pdf

RCEP Agreement

On November 14, 2020, China joined 14 Asia-Pacific countries in signing the Regional Comprehensive Economic Partnership (RCEP) agreement. This is the first trade agreement between China and Japan. This agreement lowers tariffs on Chinese exports of vegetable and fish products to Japan. However, sensitive goods such as poultry producers were excluded from tariff reductions.

The RCEP will have minor impacts on Chinese imports of U.S. agricultural products as most countries included in the RCEP agreement already receive low or zero tariffs under other bilateral FTAs, do not compete with U.S. exports to China or the implementation period (of between 10 to 15 years) will be gradual.

For additional information generally on the RCEP and the effects on U.S. agricultural exports to China please see the FAS GAIN report on the [Impact of RCEP on U.S. Agricultural Exports to China](#).

Attachments:

No Attachments