

Required Report: Required - Public Distribution

Date: August 26, 2021

Report Number: CH2021-0101

Report Name: Livestock and Products Annual

Country: China - People's Republic of

Post: Beijing

Report Category: Livestock and Products

Prepared By: Alexandra Baych

Approved By: Adam Branson

Report Highlights:

In 2022, China's hog production is forecast to decline by 5 percent. Low prices and disease outbreaks in 2021 led to significant slaughter and delayed restocking. Pork production in 2022 will decline by 14 percent as fewer hogs come to market and government policies designed to limit price fluctuations inadvertently undermine expansion. Pork imports will rise to 5.1 million MT as consumer demand for pork exceeds domestic production. Cattle and beef production will grow slowly in 2022. High beef prices will encourage investments by large producers. However, small producers with poor herd genetics and space constraints will continue to dominate production. Cattle imports will be stable at 350,000 head. Beef imports will grow to reach 3.3 million MT, but at a slower rate, as high beef prices are balanced by more diverse beef suppliers entering the market.

EXECUTIVE SUMMARY

Hog Production: In 2022, hog production will decline by 5 percent due to low inventories and a smaller sow herd, which resulted from significant slaughter and delayed restocking in 2021. In 2022, government policies will disincentivize small- and medium-scale operations by controlling how quickly pork prices increase. Large, well-capitalized operations will benefit from other subsidy policies. As fewer small- and medium-scale operations remain in the market, the share of hogs produced by large-scale operations will continue to grow.

Hog Imports: Imports of live breeding swine in 2022 will decline by 14 percent to 30,000 head as pork price management by China's regulatory and planning agencies tempers expansion. However, other policies to develop China's domestic genetics production and improve overall sow productivity will ensure that imports of live breeding swine do not sharply decline.

Pork Production: In 2022, pork production will decline by 14 percent as fewer hogs reach market weight compared to prior years. In 2021, the slaughter of a significant number of over-weight hogs boosted pork production and dramatically lowered pork prices during the first half of 2021. In 2022, government price controls will undermine hog and pork production. Consequently, Chinese pork exports will fall 10 percent to 90,000 metric tons (MT).

Pork Imports: In 2022, a tight pork supply will drive pork imports to reach 5.1 million MT (MMT). In 2021, significant slaughter increased pork production and frozen pork reserves. Higher consumer and institutional demand in the fall and winter months of 2021 will deplete frozen pork reserves. For this reason, pork imports are forecast to rise in 2022 as pork supplies tighten.

Cattle Production: Cattle production in 2022 will increase slightly as small operations marginally increase their herd and as investments by large operations come online. However, small farm sizes, limited availability of grazing pastures, and environmental regulations on animal husbandry will constrain production increases. Propelled by high beef prices, cattle production will grow in well-established provinces and in new areas. Herd quality will remain an issue.

Cattle Imports: Imports of live cattle will remain stable in 2022, with beef cattle increasingly occupying a greater proportion of total imports. Dairy cattle imports are expected to decline in 2022.

Beef Production: In 2022, beef production will grow by 2 percent to 7 MMT with the uptick in the herd. However, the quality of beef and efficiency of production will remain an issue due to poor herd genetics.

Beef Imports: In 2022, imports of beef will reach 3.3 MMT driven by consumer demand and limited domestic supply. However high beef prices will temper more significant growth.

SWINE

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

Animal Numbers, Swine	2020		2021		2022	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	310410	310410	406500	406500	0	375660
Sow Beginning Stocks	31000	31000	38500	38500	0	36000
Production (Pig Crop)	565000	565000	565000	580000	0	550000
Total Imports	28	28	35	35	0	30
Total Supply	875438	875438	971535	986535	0	925690
Total Exports	643	720	875	875	0	700
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	460000	460000	550000	600000	0	530000
Total Slaughter	460000	460000	550000	600000	0	530000
Loss and Residual	8295	8218	10660	10000	0	4990
Ending Inventories	406500	406500	410000	375660	0	390000
Total Distribution	875438	875438	971535	986535	0	925690
All Units in 1,000 Head						

Not Official USDA Data

PRODUCTION

In 2022, hog production will decline by 5 percent

In 2022, China's hog production will decline by 5 percent due to delayed restocking of hog farms in 2021, lower piglet inventories, and smaller profit margins. In 2022, the pork price system instituted by the National Development and Reform Commissions (NDRC)¹ is expected to cap pork prices and inadvertently disincentivize new market entrants (See section on Government Regulations to Curb Price Fluctuation below).

The NDRC and MARA signaled to the market that excessive pork price fluctuations will be controlled by China's planning and regulatory bodies. For this reason, producers will moderate their expectations for profits and the supply of piglets and sows will respond gradually to price changes. In 2022, the share of hog production by large-scale operations will increase. These operations are better able to manage fluctuations in feed costs and must continue to recoup investments made in 2020 and 2021.

¹ In the end of June 2021, China's NDRC initiated a price monitoring system to mitigate against fluctuations in domestic pork prices. Due to the declining pork price, in 2021, the price monitoring system has provided a floor for China's live hog prices. Similarly, a price ceiling may emerge as prices climb.

Government regulations to curb pork price fluctuations, lower production in 2022

In 2022, the extent to which production will respond to demand will depend on the extent to which China's policy planning and regulatory agencies (i.e., the NDRC and MARA) allow pork prices to climb as pork supplies tighten. The NDRC's managed pork price system is designed to limit price fluctuations. Small-scale operations that would normally enter the market when profits are high will be disincentivized.

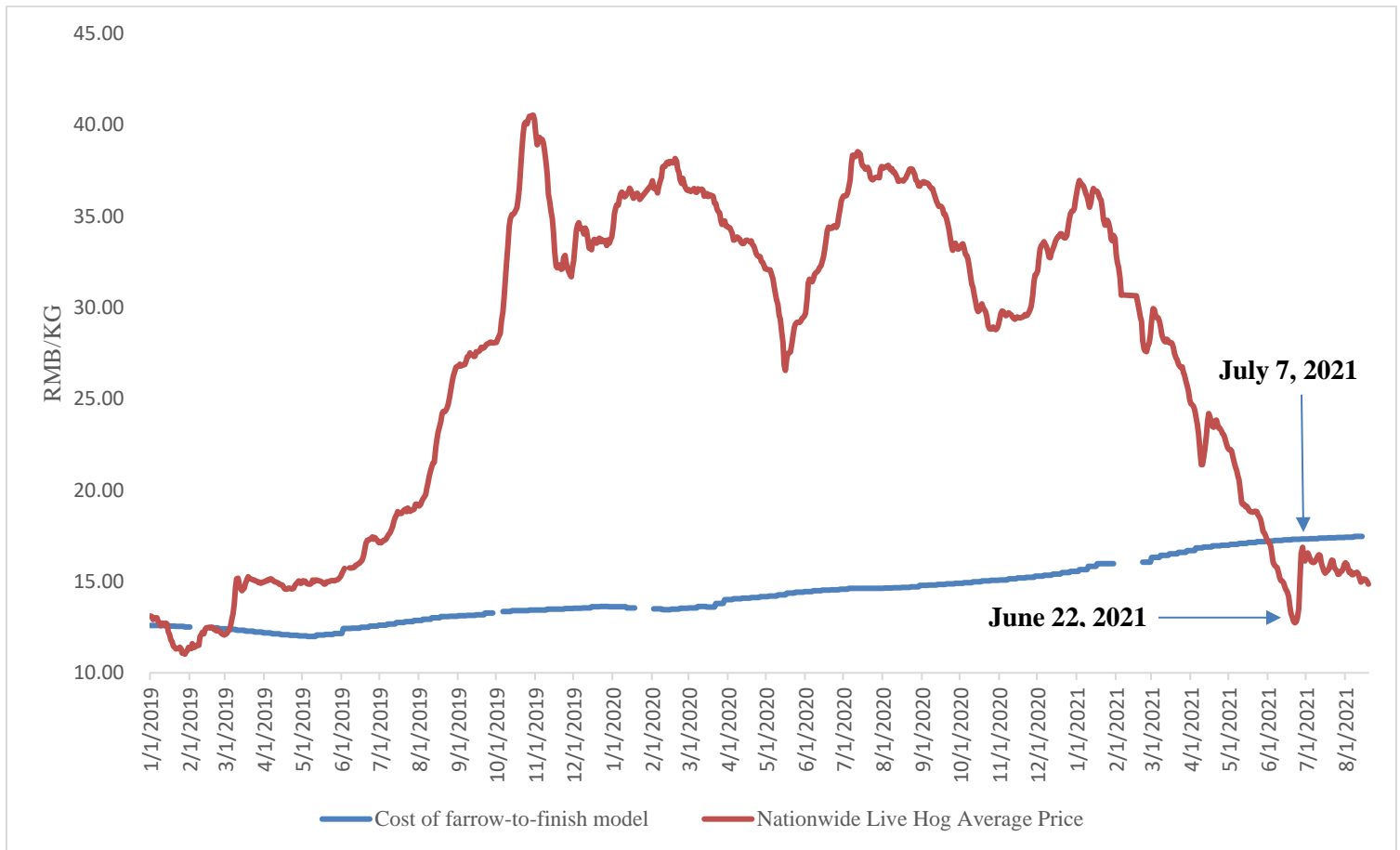
On June 22, 2021, China's average live hog price fell to under 13 RMB/kg (see Chart 1). In response, the NDRC made several announcements warning of excessive live hog and pork price drops. Finally, on July 7, 2021, the NDRC made the announcement of an intent to purchase of frozen pork from the market. This announcement signaled the second stage of NDRC's pork price control mechanism and provided to the market a floor price for pork.

The NDRC has not published specific floor prices for pork or live hogs. In 2021, the NDRC published a hog price to feed price ratio between 6:1 and 5:1 calculated as the "break-even" price for hog and pork producers. At the 6:1 ratio, the NDRC published alerts to warn the market that the price was reaching breakeven. At the 5:1 ratio, the NDRC announced the intent to purchase frozen pork from the market for China's state reserves. If these measures are unsuccessful, the NDRC has indicated it would instruct provincial and local governments to address any further price declines through unspecified actions. Sources indicate that a price ceiling for pork will be managed in a similar fashion. Ratios exceeding 9:1 may push the NDRC to institute price controls.

Since July 4, 2021, the NDRC has announced an intent to purchase up to 42,500 MT of frozen pork. Since NDRC first auctioned purchases of frozen pork, the decline in prices has been less extreme, but the decline in prices has not yet been reversed (see Chart 1).

In a press conference on July 21, 2021, MARA confirmed the government would take measures against sharp price increases. MARA warned farmers that price speculation and the period of "high hog profit farming" is over - signaling continued government intervention in the market.

Chart 1. China: Live Hog Price and Farrow-to-Finish estimate



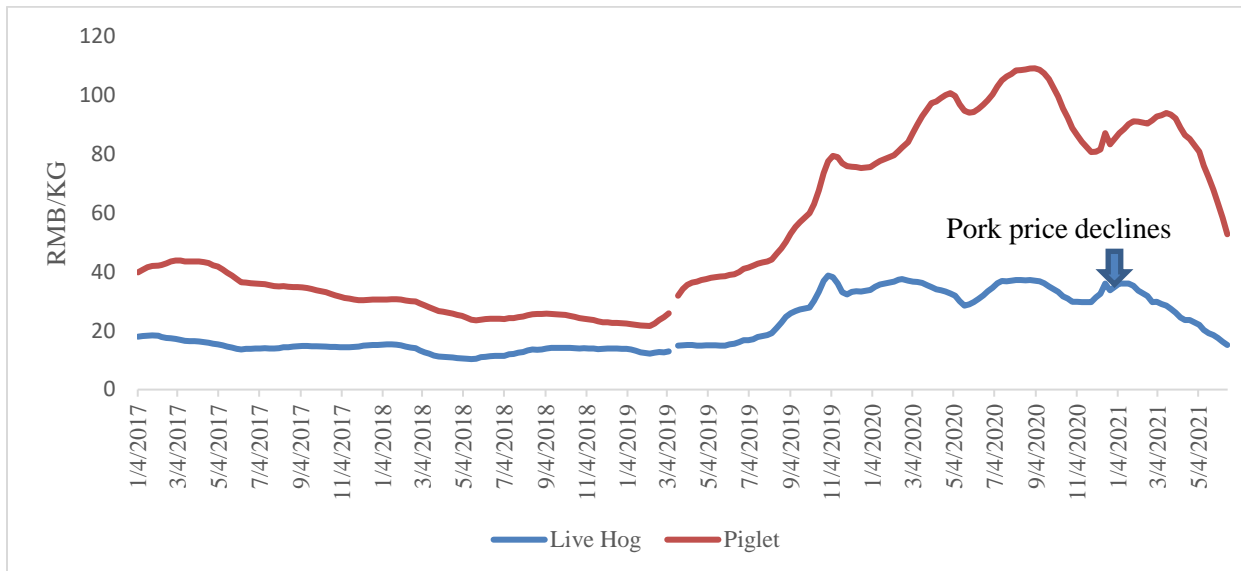
Source: Industry Source

Disease and rush to slaughter exacerbated 2021 price decline across hog sector

Price declines in early to mid-2021 were caused by African Swine Fever (ASF) outbreaks in China’s top three pork producing provinces² and resulted in a rush to sell off hogs at all stages of maturity, including underweight, standard weight and overweight hogs. This sell-off occurred during the spring and summer months, a time of seasonally weak demand. The low demand and high supply of pork in the market exacerbated the price decline for both hog producers and breeders (see Chart 1 and Chart 2).

² China reported 10 ASF outbreaks across the country, with Henan, Sichuan and Shandong (three of the top five pork producing areas) impacted by the disease. Additionally, the Ministry of Agriculture and Rural Affairs (MARA) announced that massive flooding in the end of July 2021 in Henan destroyed over 15,000 hog farms killing nearly 250,000 hogs. Final estimates on Henan flooding are not publicly available.

Chart 2. China: Live Hog and Piglet Prices



Source: Ministry of Agriculture and Rural Affairs

Piglet, breeding sow prices expected to rise with slight sow productivity gains

In 2022, a low piglet inventory will support higher piglet prices and return breeding farmers to profitability as demand from large operations builds. In 2021, many piglet producers delayed restocking breeding farms and culled inefficient sows. Due to low piglet prices, producers only partially replaced culled sows with higher quality breeding sows. In 2022, the sow productivity rate will improve due to producer’s inclusion of higher quality sows in breeding farms. However, 2021 delays in restocking of hogs, sows and piglets caused smaller inventories across all stages of China’s hog production.

Local high quality swine genetics development will take years

In 2022, China’s swine genetics will continue facing several constraints. Constraints include a lack of breeding genetics expertise, a lengthy time horizon to recoup large investments for genetics development, and limited research and private sector collaboration on genetics. China has prioritized the development of local, high-quality livestock and poultry genetics in the annual agricultural policy document titled the “No. 1 Document”. However, China currently operates a relatively small number of nucleic farms (hubs for future commercial genetic development). Industry experts have noted that to continue to renew the herd, China would require at least 150,000 head of high-quality great grandparent sows and boars.

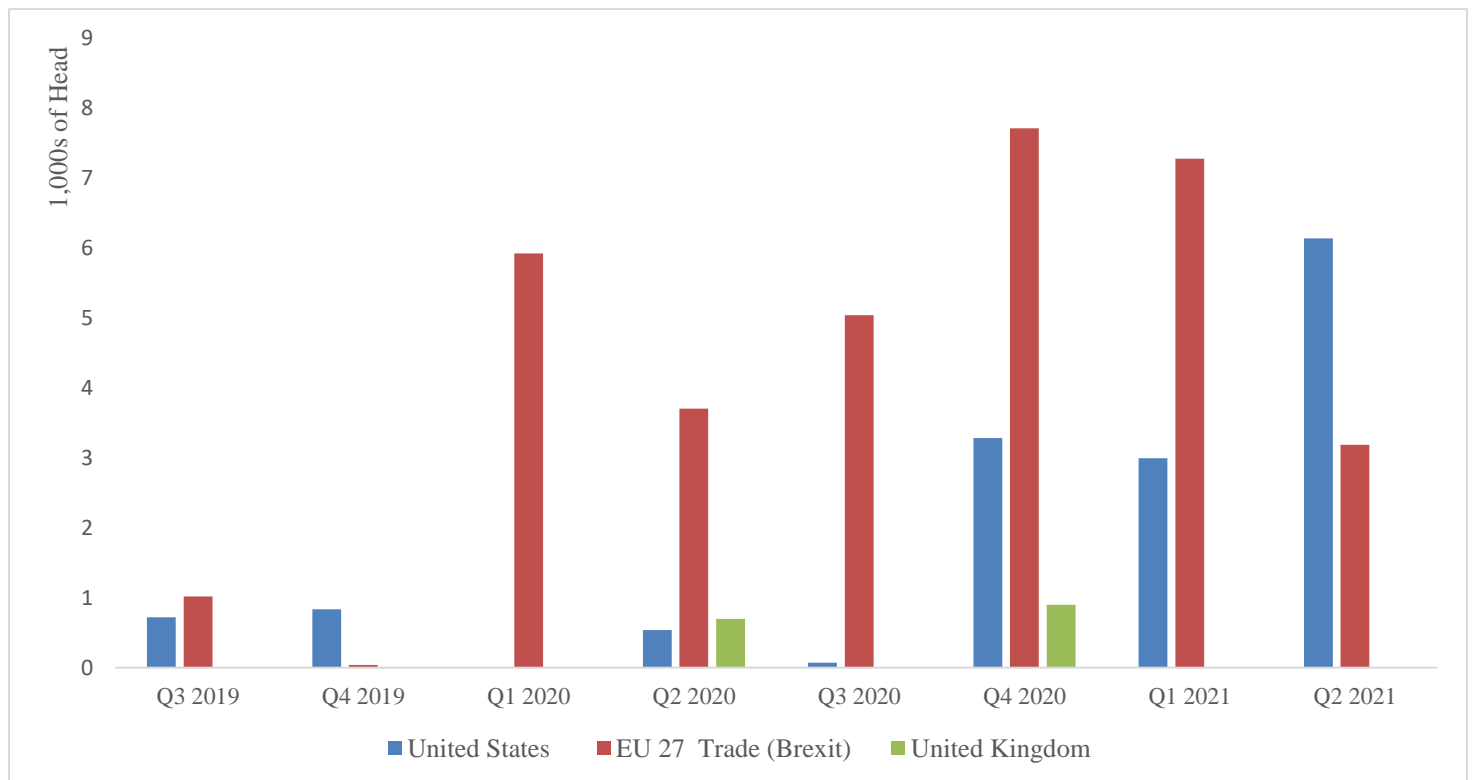
TRADE

Imports of breeding swine expected to decline by 14 percent, but remain historically high

In 2022, imports of breeding swine, primarily sows, are expected to decline by 14 percent to 30,000 head. Low pork prices in 2021 and losses for hog operations across the sector will temper optimism for aggressive expansion (see Chart 3). Furthermore, those producers and provincial governments that invested in breeding swine in 2020 and 2021 will focus resources on commercializing these investments. Industry sources indicate that imported genetics usually take between 3 to 5 years to be ready for widescale commercial distribution.

The United States, the European Union and the United Kingdom are expected to remain the top three suppliers of breeding swine to China. In 2022, new quarantine facilities which were approved in 2021 should provide sufficient capacity for imports, but certain testing requirements will be an impediment for additional increases in the import of U.S. breeding swine.

Chart 3. China: Quarterly Imports of Live Swine by Supplier to China



Source: TDM

PORK

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

Meat, Swine China	2020		2021		2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter	460000	460000	550000	600000	0	530000
Beginning Stocks	0	0	0	0	0	0
Production	36340	36340	43750	48000	0	41500
Total Imports	5281	5278	5000	4750	0	5100
Total Supply	41621	41618	48750	52750	0	46600
Total Exports	100	100	115	100	0	90
Human Dom. Consumption	41521	41518	48635	52650	0	46510
Other Uses, Losses	0	0	0	0	0	0
Total Dom. Consumption	41521	41518	48635	52650	0	46510
Ending Stocks	0	0	0	0	0	0
Total Distribution	41621	41518	48750	52750	0	46600
All Units in 1,000 MT CWE, unless otherwise specified						

Not Official USDA Data

PRODUCTION

Pork production will decline by 14 percent due to smaller hog herd, lower producer profits

In 2022, a smaller hog herd and lower profits will limit pork production. Government policies to control pork price increases will dissuade new pork producers from entering the market. Producers who made large scale investments in 2021 will target production to enable them to meet repayment obligations at lower per-pig profit margins. In 2021, the NDRC and MARA have both made announcements to support producers who suffered substantial losses due to declining pork prices and those forced to cull portions of their breeding herd. These programs are expected to continue into 2022 and primarily benefit producers with large investments.

In 2022, small scale producers will find it difficult to enter or return to hog production, while large and medium scale producers will manage lower profit margins but benefit from government subsidy programs introduced in 2021. Environmental regulations and a focus on sustainable climate smart agriculture will also limit the number of small-scale producers able to build new operations. In 2022, vertically integrated pork producers with large or medium scale capacity will be the primary contributors to production efficiency gains.

Consumption is forecast to decline on lower pork supplies and changes in consumer habits

In 2022, pork consumption will decline primarily due to lower domestic pork supplies. Other factors affecting pork consumption include changing consumer habits in first tier cities³ which are broadening consumer protein purchases to include poultry, beef, aquatic products and other protein alternatives. For example, trends in “healthier” eating are driving consumption from pork to poultry products in first tier cities. However, these trends are in the beginning stages. China’s preferred meat remains pork. Even as consumption is forecast to decline in 2022, the opportunities to expand access to pork through various retail and online outlets will expand. Community buying programs, membership supermarkets and e-commerce marketplaces will provide consumers with greater access to purchasing pork products, both domestic and imported.

Shift from fresh/warm to chilled meat products continues

In 2022, consumption of chilled and prepacked pork products will increase. Government organizations like the State Council, NDRC, MARA and provincial authorities announced funding opportunities for cold-chain and “last mile” infrastructure to support the expansion of e-commerce generally and into rural areas. Policies aimed at curbing the spread of ASF and other animal diseases have provided additional funding for slaughter facilities to be built closer to production hubs.⁴ These policies will encourage an accelerated shift towards refrigerated meat.

E-commerce an opportunity for “fresh” refrigerated meat

In 2022, demand for “fresh” refrigerated meat is expected to grow as e-commerce expands across China’s cities and infrastructure networks (including, cold chain) improve. Consumers will seek out the “fresh” or “warm” meat category⁵ products through e-commerce channels as an alternative to wet markets, which have become less common in China’s city centers. In 2021 an e-commerce platform raised U.S. \$700 million in funding to sell chilled prepacked “daily fresh pork” products that guarantee the product was slaughtered on a specific day (see Photograph 1 above).

³ China analysts rank Beijing, Shanghai, Guangzhou and Shenzhen as first tier cities.

⁴ In July 2021, the NDRC published an announcement allocating up to \$7.7 million USD (50 million RMB) for the construction of cold-chain logistics associated with meat slaughtering and processing plants.

⁵ Fresh or warm meat refers to slaughtered meat from hogs that has not been chilled or refrigerated. Historically, live hogs were transported from production areas in the northeast and southwest to consumption areas where they would be slaughtered. China’s planning and regulatory agencies have increasingly discouraged the practice of transporting live hogs for slaughter to limit the spread of animal diseases such as ASF. Regulations on the transport of live hogs are forcing consumers to shift towards chilled or frozen pork meat consumption. Regional differences remain in the extent to which refrigerated meat has been accepted by consumers.

Image 1. China: Packaged Pork with Label Indicating Day of Week Pork was Slaughtered



“Membership” supermarkets emerge as new retail channel

In 2022, membership supermarkets will continue to expand across China. Costco, a U.S. retailer, opened one location in Shanghai in 2020 and has announced plans to open a second location in Shenzhen in 2023. The popularity of this retail format has encouraged Chinese retailers like Hema X, Yonghui, and Fudi to open similar membership-style supermarkets. These retail outlets are perceived as higher-end and typically showcase more imported products, including meat. In 2022, branded and imported meat purchases are expected to benefit from the growth of these stores.

Processed pork product consumption will grow

In 2022, consumption of processed pork, including prepacked, partially- and fully-cooked products, will increase. In 2021, consumer demand for these products grew following COVID-19 restrictions as food delivery surged. In 2022, the processed meat category, which accounts for roughly 20 percent of total meat consumption will expand into second and third tier cities as companies look to enter new markets.⁶

COVID-19 testing and distribution disruptions expected to continue in domestic transportation

In 2022, cold-chain products, especially meat and aquatic products, could face distribution challenges within China. In the end of July 2021, local and provincial governments reacted to new COVID-19 outbreaks by implementing heightened inspections and/or testing for imported food, cold-chain products, port workers and truck drivers. Distribution bottlenecks, due to testing requirements for truck

⁶ There are nearly 100 second- and third-tier cities. These second and third-tier cities have an increasing appetite for imported products. These markets have limited foreign competition, are densely populated, with relatively high-levels of disposable income, and improving supply-chain infrastructure.

drivers passing through provinces with detected cases, have caused some companies and drivers to refuse to go to these areas or significantly limit service.

TRADE

Imports to reach 5.1 MMT following decline in domestic pork supply

Imports of pork are forecast to reach 5.1 MMT in 2022 due to limited domestic pork supplies. China's domestic pork price controls may reduce the price advantage of imported products, but consumers demand drive purchases of imported pork products. In 2022, consumers will continue to expand the use of e-commerce platforms for at home purchases. Imported meat products will utilize these channels to expand sales and amplify consumer awareness of branded or specialty products.

E-commerce and food service an opportunity for growth for imported pork products

In 2022, the volume of imported pork products sold through e-commerce platforms will increase as this new distribution channel supports growth and product differentiation for imports. Popular imported cuts include pork neck, bone-in-ham, and leg/ham hocks, among others. The use of imported frozen pork in food service and food processing sectors will also increase due to limited domestic pork supplies.

Logistics costs, disruptions and COVID-19 testing expected to improve in 2022

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 and significantly increased costs. In 2022, importers of cold-chain products, especially meat and aquatic products, may be faced with increased COVID-19 testing, disinfection, and inspection requirements (see above). These changes will require importers, ports and clearing officials to adapt. However, adjustments to changes will likely cause added costs and delays for imported products.

China's retaliatory tariffs on U.S. products

China maintains retaliatory Section 232 and Section 301 tariffs on U.S. pork products, amongst other U.S. agricultural goods. China's retaliatory Section 232 tariffs, which account for an additional 25 percent tariff on certain pork products, do not qualify for tariff exclusions (see the Tariff Schedule for U.S. Pork Products below for additional details).

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 tariff exclusions. Previously, on February 6, 2020, SCCTC reduced the additional Section 301 tariffs on certain commodities, including all pork products. This reduction was effective from February 14, 2020.

Table 3. China: Tariff Schedule on U.S. 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 Bone-In 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

Chinese exports are forecast to decline to 90,000 MT on low supplies, competition with Germany

In 2022, China will export less pork due to declining domestic supplies. China will compete with Germany for pork exports to Hong Kong - China's number one pork export market. Additionally, the emergence of the COVID-19 delta variant may continue to weigh on global demand as countries reinstitute restrictions – dampening demand for Chinese exports in 2022.

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 pork products 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](#).

CATTLE

Table 4. China: Cattle Production, Supply and Distribution

Animal Numbers, Cattle	2020		2021		2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Total Cattle Beg. Stocks	91380	91380	95619	95620	0	99500
Dairy Cows Beg. Stocks	13600	13600	13900	13900	0	14000
Beef Cows Beg. Stocks	53000	53000	53400	53400	0	53450
Production (Calf Crop)	51900	51900	53200	52200	0	52500
Total Imports	365	307	275	350	0	350
Total Supply	143645	143587	149094	148170	0	152350
Total Exports	16	16	15	16	0	16
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	46650	46650	49300	47400	0	49134
Total Slaughter	46650	46650	49300	47400	0	49134
Loss and Residual	1360	1301	1254	1254	0	1200
Ending Inventories	95619	95620	98525	99500	0	102000
Total Distribution	143645	143587	149094	148170	0	152350
All Units in 1,000 Head						

Not Official USDA Data

PRODUCTION

High beef prices will spur marginal increases by small producers and large-scale producers

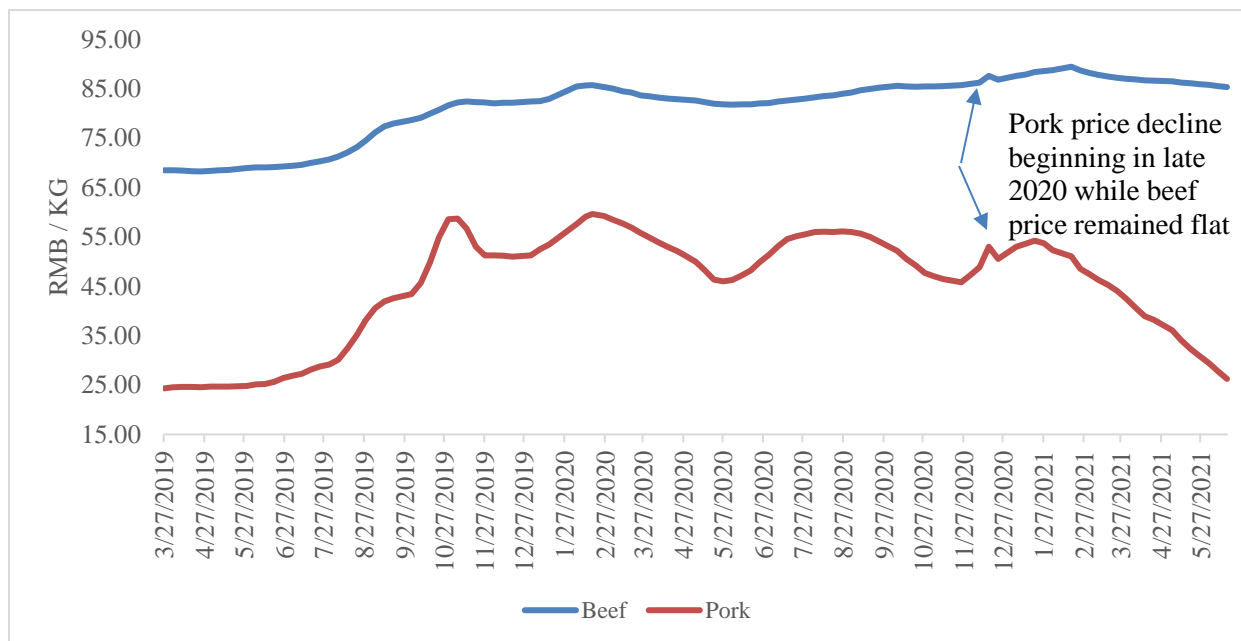
In 2022, high beef prices will spur marginal increases in herd size by small operations and investment by larger operations (Chart 4), with overall cattle production increasing by 1 percent. In mid-2021, industry sources shared that many cattle operations began increasing their herds due to high beef prices.

China's large-scale beef cattle operations (which include both beef and dairy producers), account for a small portion of total production. In 2022, small-scale producers with less than 30 head of cattle will

remain the majority of China’s cattle producers. Small-scale producers may invest in marginally increasing their herd with affordable domestic cattle but will be limited by space constraints and lack of capital.

In 2022, increased feed costs will not be a major concern for small-scale producers who raise cattle either on pasture or in backyard farms, but large-scale operations that use commercial feed will be sensitive to price changes.

Chart 4. China: Relative Price Comparisons for Pork and Beef



Source: MARA

Cattle production across south and north China expected to expand

In 2022, expansion in the cattle herd is expected to be most significant in well-established areas such as the northern and northeast provinces (Hebei, Inner Mongolia, Jilin, Heilongjiang, and Shandong) and southern provinces (Yunnan, Sichuan, and Gansu). In April 2021, MARA highlighted support programs for grains, forage, and purchases of high-quality frozen cattle semen in the Five-Year Action Plan for Promoting the Development of Meat, Beef and Sheep Production. This plan includes the establishment of beef cattle industrial parks or clusters. However, sources indicate some industrial parks that have been set up by townships or local governments are finding it difficult to fill the feedlots and some farmers are reluctant to participate.

Images 2 and 3: Small-Scale Cattle Operation and Pastureland Beef Cattle (“Huangniu” and/or hybrid breeds) in Inner Mongolia



Image 4: Small-Scale Cattle Operation in Inner Mongolia⁷



Beef cattle production hindered by poor genetics

China’s beef cattle production is hindered by poor genetics, as small producers have limited resources (e.g., land, capital, and technical knowledge) for such investments. Long-term changes are necessary to improve China’s beef cattle including investments in breeding technology, the use of artificial insemination with high quality genetics, and tracking of desirable beef cattle traits. Local genetic breeding by research universities and institutes has been underway for many years but widescale commercial production has not occurred.

⁷ Beef cattle in China are often hybrids of local breeds (such as Huangniu breed, see photo above) and imported breeds including Simmental, Angus, Charolais and Limousin. Hybrid breeds account for approximately 80 percent of the herd.

Local heritage breeds, yaks and buffalo will remain very small part of cattle production

In 2022, heritage pure breeds, yak, and buffalo, will occupy a small part of total cattle. Yak is mostly raised on pasturelands by small and medium-size specialty yak breeders for both meat and dairy yak milk production. Heritage breeds are retained by small-scale breeders and institutes to ensure the breed does not go extinct.

TRADE

Imports to remain stable at 350,000 head of cattle

In 2022, imports of live cattle to China will remain stable at 350,000 head. In 2022, China's import of Uruguayan cattle, primarily beef cattle, is forecast to remain strong. However, imports of New Zealand cattle, primarily dairy cattle, will decline. This decline will be due to weaker demand for dairy cattle and a reported ban on live cattle exports by New Zealand (to be fully implemented by 2023).

Bovine semen imports expected to reach U.S. \$75 million (*not included in PSD)

In 2022, bovine semen imports are expected to reach U.S. \$75 million - dominated by U.S. bovine semen. China has not permitted the import of live cattle from the United States. Imports of bovine semen allow China's cattle producers to introduce U.S. genetics into their herds. The United States, Australia and the European Union are the dominant suppliers of bovine semen to China.

BEEF

Table 5. China: Beef Production, Supply, and Distribution

Meat, Beef	2020		2021		2022	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter	46650	46650	49300	47400	0	49134
Beginning Stocks	0	0	0	0	0	0
Production	6720	6720	7050	6830	0	7000
Total Imports	2782	2782	3000	3100	0	3300
Total Supply	9502	9502	10050	9930	0	10300
Total Exports	16	16	20	20	0	21
Human Dom. Consumption	9486	9486	10030	9910	0	10279
Other Uses, Losses	0	0	0	0	0	0
Total Dom. Consumption	9486	9486	10030	9910	0	10279
Ending Stocks	0	0	0	0	0	0
Total Distribution	9502	9502	10050	9930	0	10300
All Units in 1,000 MT CWE, unless otherwise specified						

Not Official USDA Data

PRODUCTION

Beef production is forecast to reach 7 MMT in 2022 on strong demand, high prices

In 2022, herd growth and high cattle prices will support beef production to reach 7 MMT. High beef prices will provide incentives for small scale operations to marginally increase their herds. However, these incentives are insufficient to support improved genetic investments. Large-scale operations with better quality beef will be a small part of China's overall herd. China's overall beef quality will not significantly improve in 2022.

In 2021, according to the National Bureau of Statistics (NBS) and China's Agricultural Outlook Conference beef production is forecast to increase by between 1.8 to 4.5 percent. Beef production efficiency is unlikely to improve without significant investments in bovine genetics and technical expertise across the beef sector.

CONSUMPTION

Consumption growth in 2022 will slow as high prices limit expansion across greater economic levels

In 2022, beef consumption will grow - but only slightly. The dramatic expansion of beef consumption in 2020 and 2021 has been supported by consumers ability and willingness to pay high beef prices. In 2022, growth will be driven by additional expansion into second and third tier cities. However, beef remains a luxury and novel protein source for Chinese consumers. Beef consumptions continues to be concentrated in the HRI sector, while at-home consumption is only slowly building. In 2021, beef consumption experienced strong growth in the food service sector, especially as the food service recovered as COVID-19 restrictions were lifted. In 2022, the expansion of cold chain logistics and infrastructure into a greater number of China's cities will support chilled fresh beef consumption in high-end HRI restaurants and retailers. Sources indicate the growth potential for chilled fresh beef is quite strong. However, broader acceptance and consumption in China will take time.

In 2022, frozen beef used by the HRI sector and frozen beef marketed through retail channels and e-commerce platforms is expected to rise. Another avenue for growth will be in processed beef products.

TRADE

Imports in 2022 projected to increase to 3.3 MMT, but slowing growth from 2021

In 2022, imported beef is expected to reach 3.3 MMT, a 6 percent growth over 2021 with more diverse import suppliers. The growth rate of imports in 2022 is expected to slow, following dramatic growth in 2020 and 2021. Imported beef consumption will be driven by consumer demand in retail, HRI, and income growth in second and third tier cities. However, the price of beef compared to other domestically consumed animal proteins will be a limiting factor for consumption by households across a broad range of economic levels.

In 2022, imports of beef from Argentina, a major supplier, are expected to resume following the termination of an export ban by the end of 2021.⁸ Dominant suppliers are expected to face competition as China focuses on diversifying import partners.

⁸ Argentina instituted a beef export ban in May 2021, other suppliers are expected to absorb some of this market share as China's demand for beef imports continues to be strong.

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 6. China: Tariff Schedule on 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 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: * 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