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Report Highlights:

U.S. poultry meat was one of several 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 outlines the market conditions, access regulations, and market entry recommendations for U.S. poultry meat exporters. U.S. exporters are encouraged to not only reconnect with previously established importers and distributors, but also seek out new contacts, as the poultry market has changed considerably since the United States last had market access in 2015. Exporters should also consider engaging with suppliers to the semi-prepared and frozen food processing segments which has undergone considerable change since 2015, and may offer new opportunities for U.S. exporters.

Product Description and Access Overview
On November 14, 2019, the General Administration of Customs of China (GACC) published Announcement No. 177 jointly with the Ministry of Agriculture and Rural Affairs (MARA), lifting restrictions on U.S.-origin poultry meat and meat product exports to China. Prior to this announcement, China had restricted all U.S. poultry and poultry product imports since January 2015 due to highly pathogenic avian influenza detections in the United States. In 2013, the United States exported over $500 million in poultry and poultry products to China.

All federally inspected establishments interested in exporting poultry meat and poultry meat products are eligible to apply through USDA's Food Safety and Inspection Service (FSIS). U.S. facilities approved by FSIS and certified to GACC must be listed on the GACC website before slaughtering poultry and processing poultry and poultry products for export to China. U.S. facilities can only export poultry to China that are slaughtered and further processed after the facility has been added to GACC's publicly available list. For more information about these procedures, refer to the USDA FAS GAIN report "U.S. Poultry and Poultry Products Return to China."

Market Overview
While pork remains the protein staple for Chinese households, poultry consumption continues to steadily grow. In 2018, China consumed over 19 million metric tons (MMT) becoming the largest consumer of poultry by volume after the United States[1]. In 2019, as the African Swine Fever (ASF) outbreak in China, first reported in August 2018, spread further, poultry consumption increased to nearly 23 MMT, according to China's Ministry of Agriculture and Rural Affairs (Table 1). As a result, the share of poultry consumption increased by 5.9 percent in 2019 compared to other pork, beef, and other meats in 2018 and the volume has nearly doubled since 2010[2].

Table 1. China's Poultry Development in 2019, 2020 and 2029

Year	Production		Consumption		Import	
	Volume (MMT)	Increase (%)	Volume (MMT)	Increase (%)	Volume (MMT)	Increase (%)
2019	22.39	12.3	22.67	13.5	0.8	
2020	24.01	7.2	24.35	7.4	0.86	7.5
2029	25.85	2.2	25.89	2.2		0.1

Source: Data summarized from Zhang Li's China poultry outlook presentation at the 2020 China Agricultural Outlook Conference

Chinese poultry imports have increased due to steady economic growth leading to higher meat consumption overall, and increased consumer demand for proteins other than pork. From 2015 to 2019

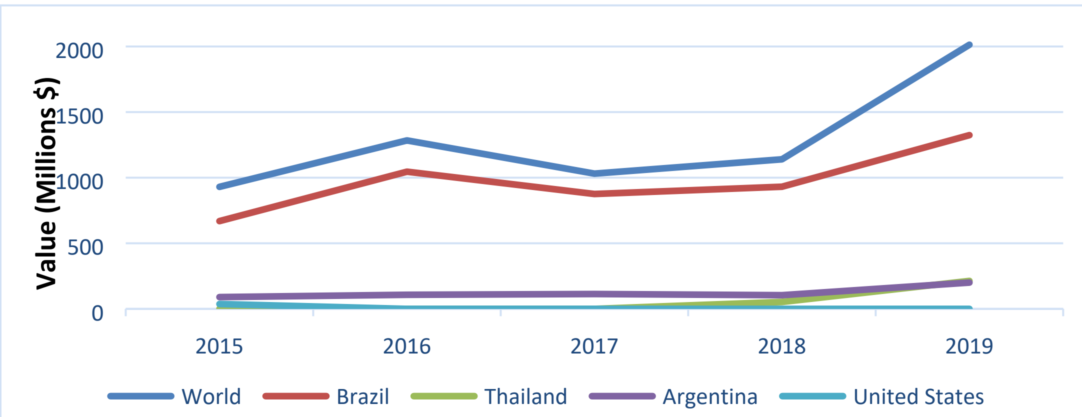
[1] OECD FAO Agricultural Outlook 2018-2027.
[2] Zhang Li, MARA Chief Poultry Analyst, China Poultry Outlook, China Agricultural Outlook Conference 2020

poultry imports increased from $930 million to over $2 billion.[3] For the first time in the past ten years, China has become a net poultry importer. Poultry consumption and imports are expected to remain strong over the next two to three years due to ASF's impact on pork production, although the economic fallout from COVID-19 may hinder meat consumption. If economic conditions deteriorate, poultry can be expected to outperform other proteins due to its lower production costs and use in more economical food sectors, such as fast food, snack foods, and food processing.

Competitors

Brazil, Argentina, Chile, and Poland have consistently been major exporters of poultry products to China over the past five years, with Brazil accounting for over 67 percent of exports in 2019. Brazil's export market share decreased from 80 percent in 2018 to 67 percent in 2020 due to the impact of its poultry price agreement with China[4], and China's efforts to expand and diversify suppliers. As a result, Thailand and Argentina, in addition to Poland, Hungary, Chile, Russia, Belarus, and France have increased market share in the past two years (Figure 1).

Figure 1. China Poultry Imports by Selected Countries 2015-2019



Source: Trade Data Monitor

Regulations

For the most up to date information on U.S. poultry market access requirements by product scope, refer to the USDA's Food Safety Inspection Service's Export Library for China. To understand the basic procedures to export U.S. poultry to China, refer to the USDA FAS GAIN report "U.S. Poultry and Poultry Products Return to China." A summary of the steps is provided below:

- **Step 1:** U.S. federally inspected poultry facilities that slaughter/process/store poultry destined for export to China must be approved by FSIS.
- **Step 2:** Once approved by FSIS, GACC will post approved facilities on their website.

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[3] Trade Data Monitor

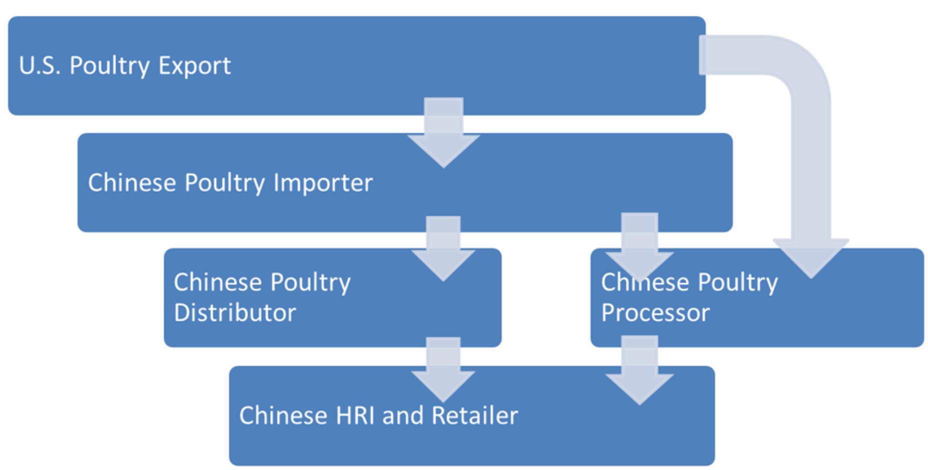
[4] In February 17, 2019, China and Brazil finalized anti-dumping disputes over white-feather chicken meat resulting in Brazilian producers establishing undisclosed minimum export prices with China. Please refer to USDA FAS GAIN Report CH19006 for more details.

- **Step 3:** Once an exporter is listed on the GACC website and has a contract for a shipment, the Chinese importer applies for an import permit from GACC.
- **Step 4:** GACC requires advance electronic notification for poultry products from the United States. It is the responsibility of the exporter, or their designated agent, to ensure that proper notification is provided.
- **Step 5:** All U.S. shipments may be inspected by GACC officials at the point of entry. GACC officials may perform a visual inspection on the container and/or laboratory testing.

Tariffs
China has announced tariff exclusions for imports of U.S. agricultural products subject to its retaliatory tariffs. It has also announced a reduction in retaliatory tariffs on certain U.S. agricultural goods. Importers report that they have been able to apply for and receive tariff exclusions to import U.S. poultry products without the 301 retaliatory duties applied. For more information about tariff exclusions, refer to the USDA FAS GAIN reports, "China Announces a New Round of Tariff Exclusions," and "China Revises Step-By-Step Tariff Exclusion Guide."

Distribution Channels
Most U.S. poultry products enter China through the traditional import model of importer-distributor-processor-consumer although some processors may seek to source products directly from exporters.

Figure 2. U.S.-China Poultry Import Model



China's rapid food processing sector, especially regarding "flash frozen" products have led some large processors to directly source from U.S. exporters. These processors require large volumes of chicken feet (i.e., paws) for snack food, legs and wings for semi-prepared foods, and breasts for pork substitution. It is expected that this direct-sourcing trend will change the distribution structure in the future.

Industry Outreach and Market Entry Recommendations

Trade Shows

The most popular food trade show in China is SIAL held in May each year in Shanghai. Due to COVID-19, the 2020 show has been postponed until September 2020. This is a must attend show to know the China market and establish initial contacts.

The China Industry Meat Industry Expo (CIMIE), organized by China Meat Association (CMA), is another key show to consider attending. Unlike SIAL, this event is focused on meat and the entire meat industry chain, from packing, processing, to distribution and retailing. The show is scheduled to be held in Qingdao in September 2020. It is also worth exploring relationships with the many regional, municipal, and provincial meat associations which typically organize themselves underneath the national CMA.

Major Chinese Trade/Industry Associations

The CMA is the largest and most influential meat industry association. Its members consist of the entire industry chain and includes research institutions. CMA has been active in connecting foreign meat suppliers with domestic importers.

The China Chamber of Commerce for Import and Export of Foodstuffs, Native Produce & Animal By-Products (CFNA) is supervised by the Ministry of Commerce and oversees all food import and export issues.

Market Entry Recommendations

97 percent of China's poultry imports consist of frozen chicken cuts and edible offal (e.g., livers). U.S. poultry meat (e.g., breasts, leg quarters, etc.) is not expected to have a strong competitive advantage due to adequate domestic production, competition from other exporters, and Chinese consumer preferences for dark meat, offals, and feet. Poultry importers have shown strong interest in buying U.S. poultry, especially offals, feet, wings, and wing tips. Many of these products are used in prepared snack foods popular across the economic spectrum.

Exporters are encouraged to become familiar with steps needed to become eligible to export U.S. poultry to China, which can take considerable time and effort to complete for first time exporters. Exporters (new and old) should consider attending trade (e.g., SIAL) and industry (e.g., CNFA; CMA sponsored) shows to understand the dramatic changes to the market since U.S. poultry last had access more than five years ago. We recommend meeting with importers, traders, food processors, and hotel, restaurant, institutional (HRI) buyers from at least one large city (e.g., Shanghai, Beijing, Guangzhou) in addition to at least one second-tier city, such as Tianjin, Chengdu, Shenyang, or Wuhan. Creating a diverse set of business contacts will better position an exporter to meet unforeseen shocks to the market due to COVID-19, ASF, and other externalities.

As most U.S. poultry will end up supplying the food processing industry, we recommend that exporters focus on understanding China's quickly evolving "flash frozen" and semi-prepared food processing sectors. These segments of the food processing sector have undergone considerable change due to China's urbanization, food safety expectations of consumers and the Chinese government, the urban professional snacking trend, and the still yet to be determined effects on consumer habits due to COVID-19.

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Attachments:

No Attachments.