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## **Report Name:** Poultry and Products Semi-Annual

**Country:** China - People's Republic of

**Post:** Beijing

**Report Category:** Poultry and Products

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### **Report Highlights:**

Post's 2024 forecast for China's chicken meat production and consumption are modestly down from 2023. Production and consumption are both forecast lower year to year while trade volumes are flat for imports and exports, in comparison to official 2023 data. The decline in white broiler production is partially a result of price pressure on the sector being carried over from 2023 and Highly Pathogenic Avian Influenza (HPAI)-related import bans the People's Republic of China (PRC) placed on avian genetics and related materials. The decline in yellow broiler production is due to continued live poultry market closures. Post lowered the 2024 chicken meat import forecast to 770 thousand MT based on market and broader, economic conditions.

## EXECUTIVE SUMMARY

**Production:** Post 2024 chicken meat production forecast remains unchanged and lower than 2023. PRC import constraints on avian genetics due to HPAI import restrictions constrained white broiler production, and closures of live poultry markets negatively impacted yellow broiler chicken production.

**Consumption:** Post forecasts chicken meat consumption in 2024 to remain the same as USDA official forecasts with a modest year-over-year decline due to economic headwinds facing the PRC and domestic supply constraints.

**Trade:** Post lowered its forecast for chicken meat imports for 2024 to 770 thousand MT as HPAI-related import bans continue to impact availability. Post maintains an unchanged 2024 chicken meat export forecast.

## PRODUCTION

**Table 1. China: Production, Supply, and Distribution for Chicken Meat**

Meat, Chicken	2022		2023		2024	
Market Begin Year	Jan 2022		Jan 2023		Jan 2024	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
1000 MT						
Beginning Stocks	0	0	0	0	0	0
Production	14300	14300	14300	14800	13870	13870
Total Imports	633	633	780	767	800	770
Total Supply	14933	14933	15080	15067	14670	14640
Total Exports	532	532	545	554	550	550
Human Consumption	14401	14401	14535	15013	14120	14090
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	14401	14401	14535	14513	14120	14090
Total Use	14933	14933	15080	15067	14670	14640
Ending Stocks	0	0	0	0	0	0
Total Distribution	14933	14933	15080	15067	14670	14640

**Note:** Chicken paws (HS 0207.14.22) are excluded from PSD calculations and trade numbers.

**Note:** Not official USDA data.

### Chicken Production Remains Lower

Chicken meat production in 2024 is forecast lower than 2023. PRC import constraints on avian genetics due to HPAI-related import restrictions constrained white broiler production while closures of live poultry markets negatively influenced yellow broiler chicken production. In addition, Post sources and anecdotal information from the feed industry suggests that 2023 production was strong and falling chicken meat prices and tight company margins, or even revenue losses, during that time is keeping firms from operating at similar high capacities in 2024.

### HPAI-Restrictions Hamper Genetics Imports and White Broiler Production

HPAI-related import restrictions on avian genetics have resulted in a lower inventory of grandparent stock<sup>1</sup> though forced molting<sup>2</sup> could partially offset this production constraint.

Production of commercial white broiler chicken depends heavily on imported genetics. Since 2022, several major poultry genetics exporting countries, including the United States, notified the PRC of

<sup>1</sup> Grandparent stock refers to primary breeding birds whose offspring (parent stock) are the final generation of breeding birds. The offspring of the parent stock become the production birds used to produce chicken meat and other poultry products.

<sup>2</sup>Forced molting is a technique used in China, and other countries, to increase production of commercial broilers when there is limited access to high quality genetics.

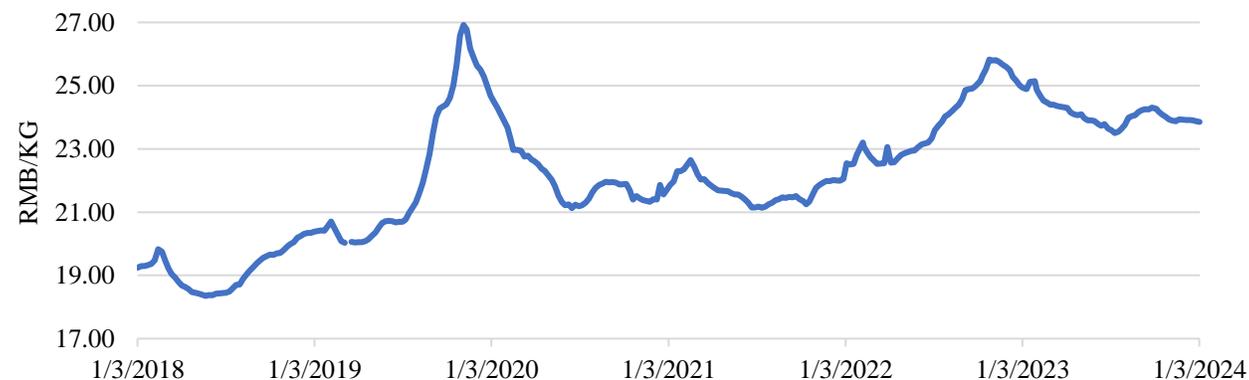
HPAI detections. Subsequently, the PRC placed genetic import<sup>3</sup> controls on these suppliers. Although poultry genetics imports have partially recovered, industry sources indicated the yearly average inventory of grandparent stock in 2023 was still lower than 2022.

Some white broiler producers increased the use of domestically produced genetics due to limited imported genetic supplies. Sources indicated that some local governments provided producer subsidies to encourage them to use domestic genetics. Domestically produced genetics are cheaper than imported ones. However, despite some growth in market share in 2023, domestically produced genetics still only account for a small portion of the market. Producers, especially smaller ones that do not own integrated production chains, are more reluctant to use domestically produced genetics due to lower efficiency, resulting in higher production costs.

Estimated 2023 chicken production is 3 percent higher than in 2022 as white broiler chicken production expanded and the growth outpaced a decline in yellow broiler chicken production. Industry sources reported that the level of white broiler slaughter in 2023 was higher than 2022, as was all poultry feed (i.e., duck, chicken, etc.) production. As chicken production was increasing through 2023, MARA-reported chicken prices declined (see **Chart 1**). Some producers shared that their firms saw better returns despite feed prices remaining high (see **Chart 2**). Other producers are pessimistic about poultry market prospects over the next few years. Some have halted expansion plans or are operating below capacity. Several major multinationals have sold production operations.

Despite these uncertain market conditions there are some firms moving into new marketing channels as new investment or expansion projects have been identified. Reportedly, poultry production operations are adding lines or moving into the production of pre-prepared food. Some of these new facilities are already in production, while others will come online later in 2024. The pre-prepared food industry has drawn investment, including reports of provinces creating industrial parks or providing other incentives for chicken meat factories. Chicken is a major meat ingredient for pre-prepared food. Local officials seem to be encouraging business development in processed chicken as they expect that pre-prepared food will be less volatile than the fresh/frozen chicken market.

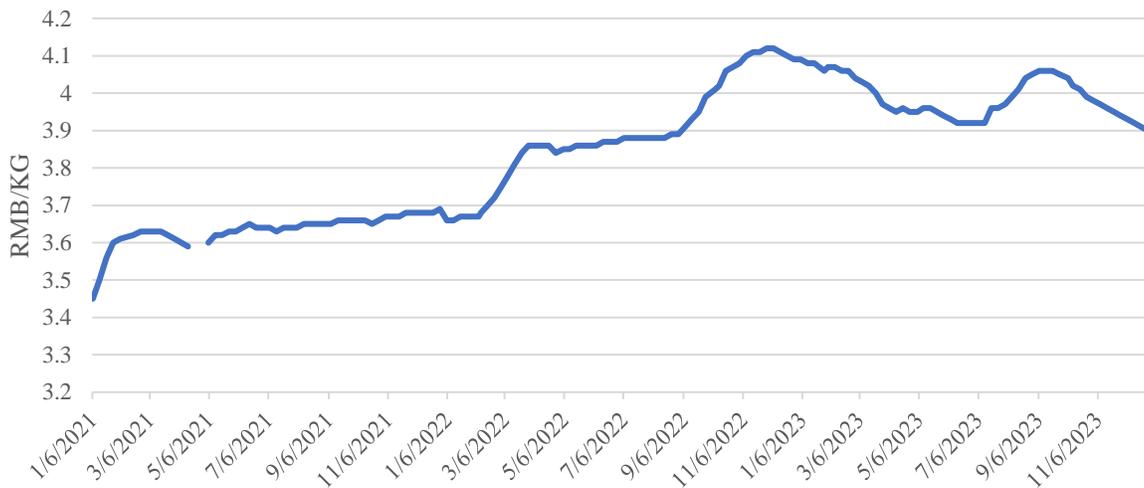
**Chart 1. China: National Average Chicken Meat Prices**



Source: MARA

<sup>3</sup> Note: China Customs data does not distinguish between imported genetics for layers and white broilers.

**Chart 2. China: Broiler Feed Prices**



Source: MARA

### **Yellow Broiler Production Remains Lower**

Post forecasts yellow broiler production in 2024 to continue to decline due to live poultry market closures.<sup>4</sup> Yellow broiler production is concentrated in the southern parts of China such as Guangdong province and Guangxi province. Industry sources indicated that unlike white broilers whose genetics need to be imported, domestic producers are capable of breeding yellow broiler without imported genetics. Southern Chinese consumers generally prefer purchasing live yellow broilers that are slaughtered on site, but live poultry market closures have disrupted consumer behavior. Since consumers prefer to purchase live yellow broilers, pre-slaughtered yellow broilers are sold at a price discount, which discourages production.

In recent years, small- and medium-sized yellow broiler producers have exited the market at an increasing rate. Smaller producers have higher production costs due to lower production efficiencies and the prolonged period of low yellow broiler prices<sup>5</sup> has resulted in losses for many small producers. In addition, the government has forced some broiler farms to relocate away from urban areas due to environmental regulations and many of the smaller producers who were unwilling to move exited the market.

Some large-scale producers have expanded yellow broiler production, while others have moved into white broiler production, as well. Overall, the production growth from large-scale producers is unlikely to offset production declines from small producers exiting the market. Another industry development for yellow broiler production is the switch to fast-growing broilers over birds that reach market weight in a longer amount of time<sup>6</sup>

<sup>4</sup> The government has gradually shut down live poultry markets in recent years. In January 2024, Shanghai announced the suspension of live poultry trade through 2024.

<sup>5</sup> Sources indicated the price of yellow broilers in 2023 was generally lower than 2022.

<sup>6</sup> There are mainly three types of yellow broilers according to their growing speed: low-speed growing broilers that take over 100 days to grow to slaughter weight; medium-speed growing broilers that take 60-100 days to grow to slaughter weight; and high-speed growing broilers that take 40-60 days to grow to slaughter weight.

## CONSUMPTION

Post forecasts chicken consumption in 2024 to remain the same as USDA Official with some year-over-year decline.

### **Declining Consumption in Hotel, Restaurant, and Institutional/Cafeteria Sector (HRI)**

Economic growth projections and overall consumer behavior in 2024 could impede consumption in the HRI sector. In 2023, youth unemployment continued to rise and reached a high of over 21 percent. Rising unemployment may further impact chicken consumption in cafeterias in 2024. Consumers unemployed or pessimistic with the economic outlook will eat out less and switch to cheaper vegetable protein. In 2023, consumption partially recovered after the lifting of COVID restrictions on HRI businesses and cafeterias. Although the HRI sector has mostly recovered in first tier cities, there is a trend of reduced dining-out in smaller cities where it was once considered an affordable luxury for less affluent consumers.

### **Domestic Supply and Eating Habits Constrain Consumption**

Although China imports frozen white broiler chicken, consumers prefer fresh/chilled chicken. Yellow broiler chicken consumption will continue to suffer from the closure of live poultry markets as consumers prefer purchasing live yellow broilers. Yellow broiler chicken meat is rarely sold in supermarkets outside of Southern China, but exceptions exist (see **IMAGE 1**).

### **Image 1. China: Retail: Rare Sighting of Yellow Broiler Chicken in Supermarket**



Source: FAS China

## **Opportunities in Pre-Prepared Food**

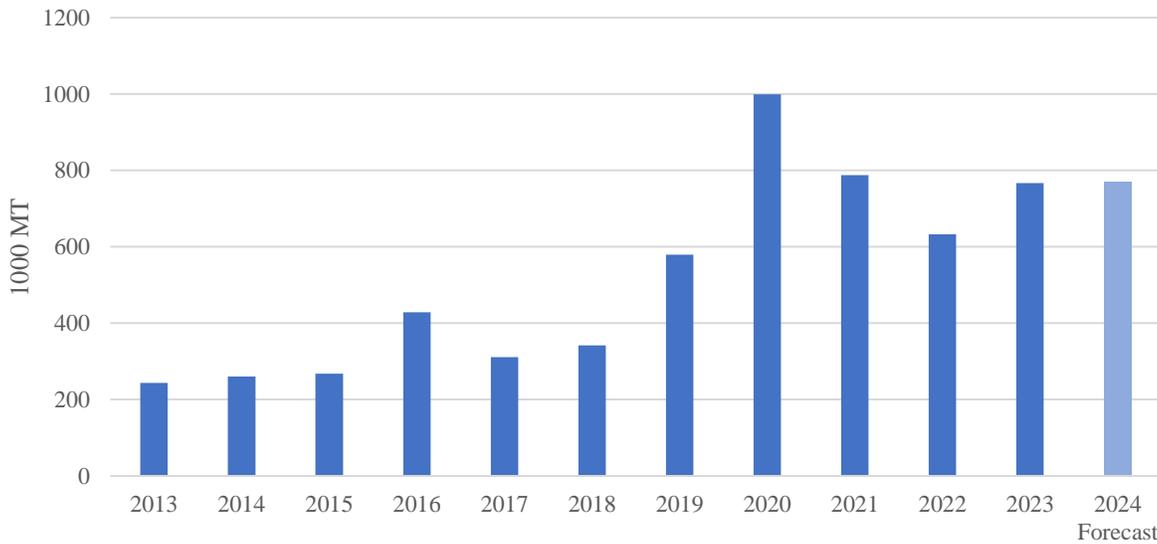
Chicken is one of the major ingredients for pre-prepared food - which is an emerging trend that is starting to change the way chicken meat is consumed in China. The pre-prepared food industry has seen rapid growth in recent years due to its convenience. According to industry sources, approximately 80 percent of pre-prepared food is supplied to the HRI sector and the remaining 20 percent enters retail channels. In 2024, the pre-prepared food industry will likely demand more chicken as the sector continues to grow. This brings opportunities for domestically produced chicken and imported chicken. Unlike the retail and HRI sectors where domestic chicken has the advantage of being sold live or fresh/chilled, there is no advantage between fresh chicken and imported frozen chicken in pre-prepared food.

**Imports**

**Chicken Imports Revised Down from USDA Official**

Post revised its chicken import forecast for 2024 to 770 thousand MT, which is lower than the USDA Official forecast. Post expects import demand to be at levels similar to 2023 (see **CHART 3**). China mainly imports white broiler chicken; however, despite the decline in domestic production, declining consumption will make it difficult for imports to grow as post contacts report full cold storage facilities in areas surrounding ports or in bonded trade zones. In addition, economic conditions and consumer sentiment will limit frozen chicken import growth. Traders have expressed concerns with the economic outlook and have taken more conservative approaches when placing new orders.

**Chart 3. China: Imports of Chicken Products**

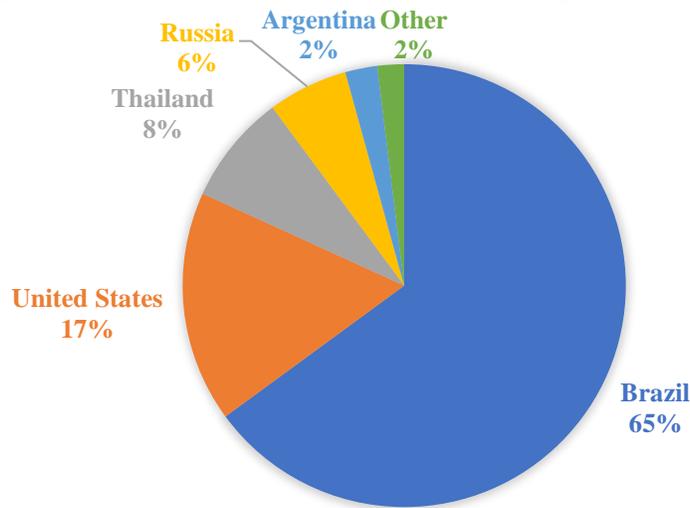


**Source:** Trade Data Monitor, LLC and Post Estimates

**Note:** In this report, unless otherwise specified, chicken imports and exports refer to the following HS codes: 020711, 020712, 020713, 020714, and 160232.

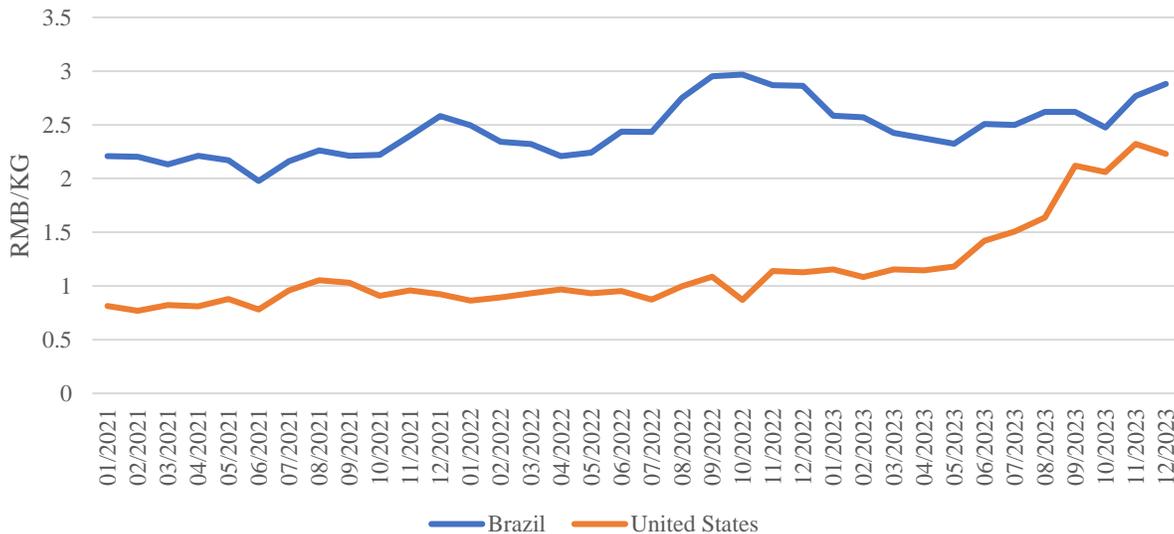
Brazil and the United States are the two largest suppliers of imported chicken to the PRC (see **Chart 4**). Though Brazil is the largest supplier by volume to the PRC, U.S. chicken is perceived by trade as being competitively priced (see **Chart 5**) and of a high quality.

**Chart 4. China: Imports of Chicken Products in 2023 by Origin**



Source: Trade Data Monitor, LLC

**Chart 5. China: Price of Imported Chicken Products**

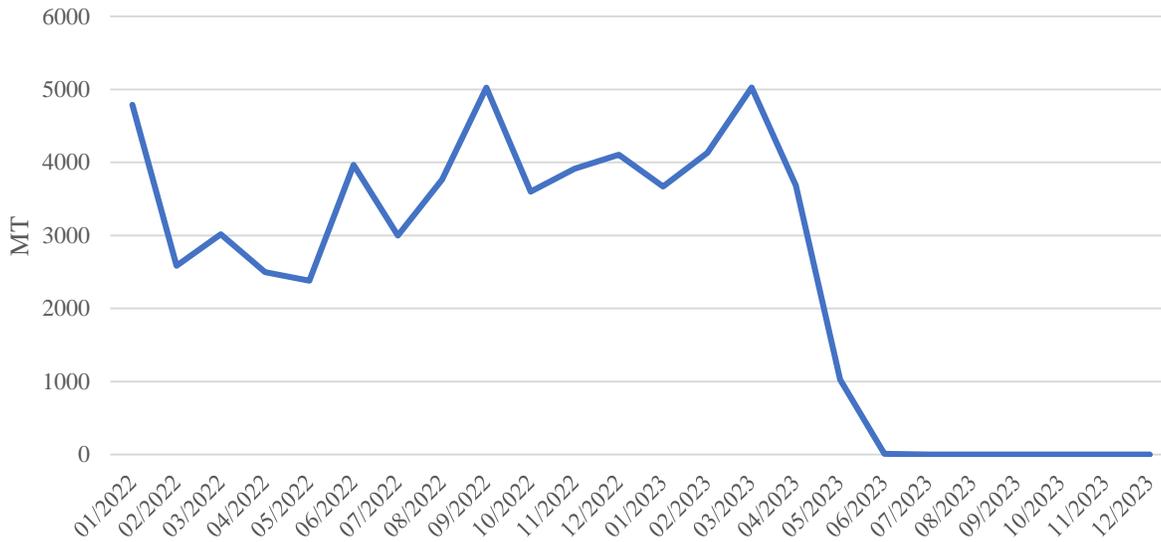


Source: Trade Data Monitor, LLC

However, U.S. poultry meat, poultry meat products, and live poultry face strict HPAI-related restrictions. The PRC generally prohibits poultry imports from facilities in areas situated in or derived from birds processed or slaughtered in areas where there has been an HPAI positive detection. As of February 2024, there are still dozens of U.S. states that are under HPAI-related restrictions. Heat treated poultry from U.S. facilities in areas with positive HPAI detections are permitted per the terms negotiated between USDA and PRC counterparts. Poultry meat and poultry product exporters should verify the status of eligible and ineligible products at the [USDA FSIS Export Library](#) before shipping to China.

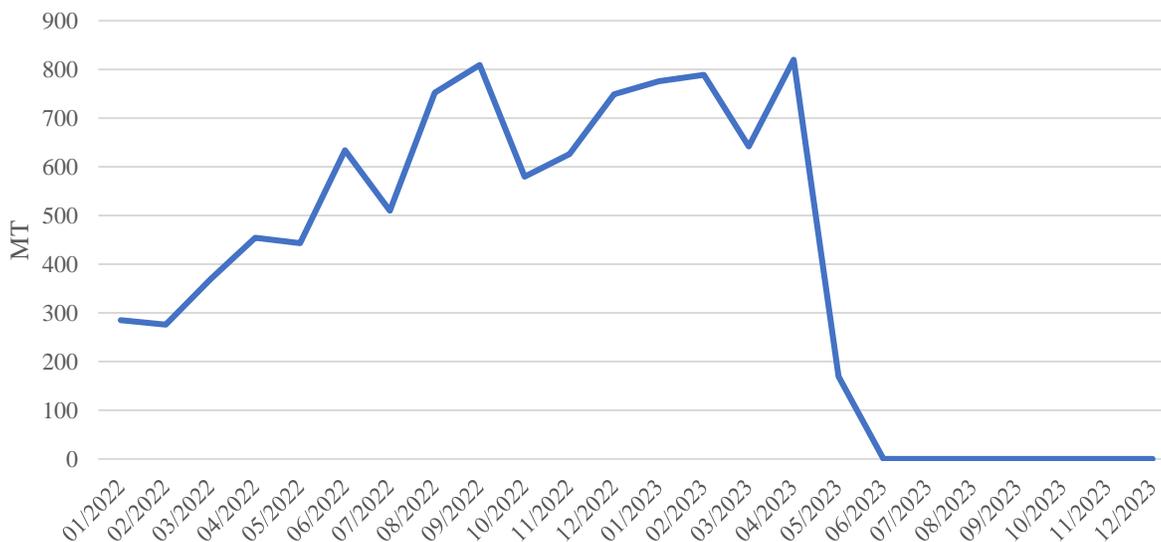
The PRC also put HPAI-related restrictions on poultry meat and poultry meat products from Argentina, Turkey, and Chile in 2023.<sup>7</sup> The three countries accounted for about 8 percent of the market share in 2022; their market share eventually declined to 0 in 2023 (see **Chart 6-7**) once HPAI suspensions were imposed.

**Chart 6. China: Imports of Chicken Products from Argentina**



Source: Trade Data Monitor, LLC

**Chart 7. China: Imports of Chicken Products from Chile**



Source: Trade Data Monitor, LLC

<sup>7</sup> The PRC suspended imports from Turkey and Chile in June 2023 and imports from Argentina in July 2023.

The PRC granted poultry import access to several countries, such as Uzbekistan and Finland, in 2023. Post expects this to have a negligible effect on China’s overall 2024 imports as the countries have limited production available to export to the comparatively large Chinese poultry market.

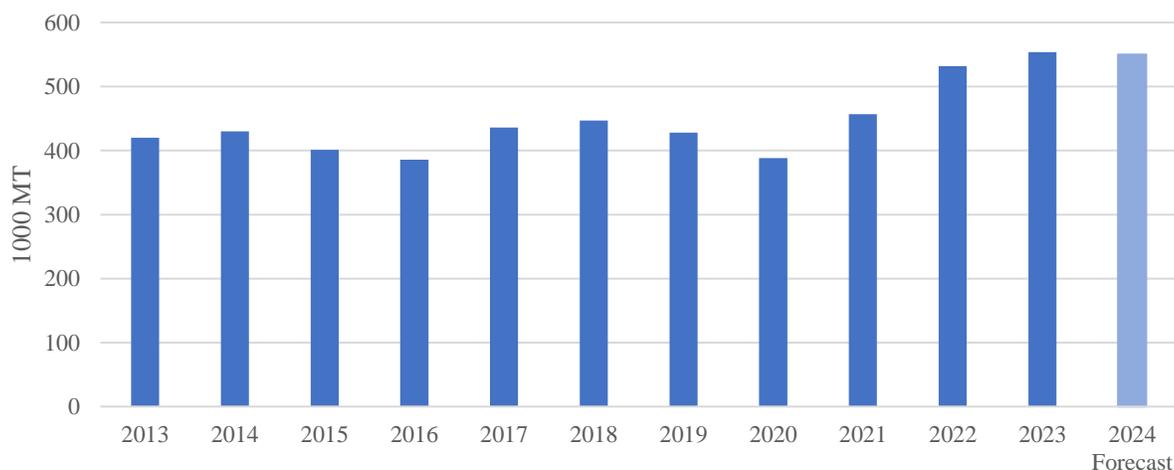
Post revised down imports in 2023 to 767 TMT from USDA Official based on import data. Overall imports in 2023 still grew by 21 percent despite HPAI-restrictions on certain countries. At the end of 2022 and the beginning of 2023, traders increased their import volume in hopes that the lifting of COVID restrictions could raise consumption. However, the market has not rebounded as strongly as expected. Imported chicken prices rose in 2023 causing traders to slow down the pace of their imports later in the year. November and December, which are typically uptick months as they are prior to major holidays in China, still witnessed declines in 2023.

## Exports

### **Chicken Exports Remain Flat**

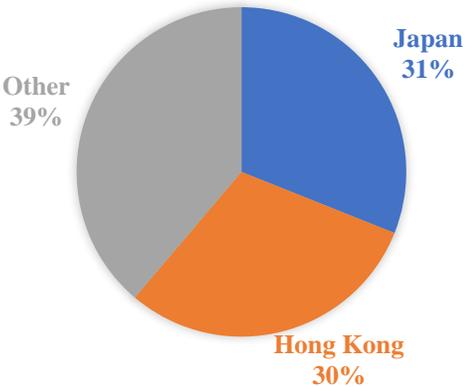
Post maintains its forecast of chicken exports in 2024 unchanged from USDA Official, and similar to 2022 and 2023 levels. As 2022 and 2023 were 10-year-record-high years for poultry exports (see **Chart 8**), Post does not envision conditions in 2024 will spur any significant export growth. Although Japan and Hong Kong (see **Chart 9**), the two major export destinations for poultry products from China, eased border controls and policies in late 2022, exports declined to these two destinations in 2023. The export growth in 2023 mainly came from other smaller destinations including Mongolia, the United Kingdom, and Russia.

### **Chart 8. China: Exports of Chicken Products**



**Source:** Trade Data Monitor, LLC

**Chart 9. China: Exports of Chicken Products in 2023 by Destination**



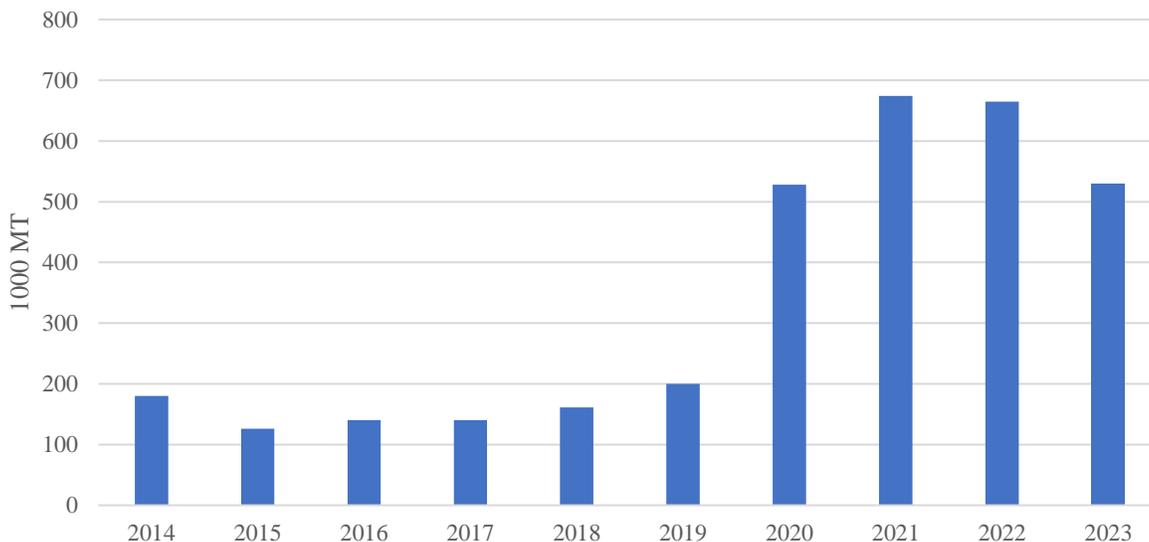
Source: Trade Data Monitor, LLC

## CHICKEN PAWS

China’s chicken paw imports are mainly from Brazil, the United States, and Russia. In 2023, chicken paw imports declined by over 20 percent (see **Chart 10**). The decline was mainly from the United States due to HPAI restrictions. Other suppliers such as Brazil, Russia, and Belarus took market share from the United States during this period (see **Chart 11**). In 2024, U.S. chicken paw exports to China could remain weak if the PRC does not lift HPAI restrictions on several U.S. states or allow for the export of heat-treated paws from states that had HPAI detections.

U.S. chicken paws, especially jumbo-sized ones, are popular among importers due to their unique qualities and other attributes (i.e., more meat content). In 2023, chicken paws imports from the United States declined almost 50 percent as certain U.S. states faced unjustified HPAI restrictions. Current agreements on HPAI restrictions allow for the import of heat-treated chicken paws from the United States;<sup>8</sup> however, in 2023, PRC imports of U.S. chicken paws declined. Industry and importers noted that heat-treated paws, while able to avoid the HPAI restrictions, cost industry more and are worth less in the Chinese market providing little consolation for a key export. Some importers and processors are developing heat-treated methods that appear to be gaining some traction in southwestern Chinese markets, including as pre-prepared snack foods.

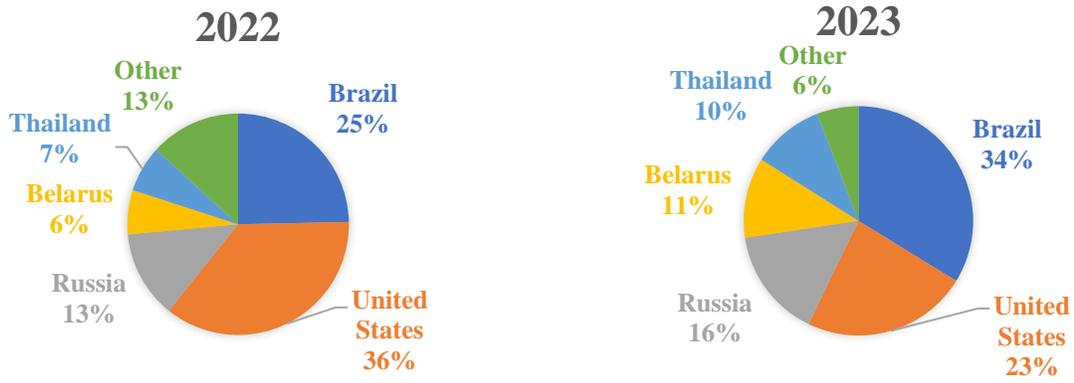
**Chart 10. China: Frozen Chicken Paw Imports**



Source: Trade Data Monitor, LLC

<sup>8</sup> Cooked chicken paws are under HS Code: 1602.

**Chart 11. China: Chicken Paw Imports by Origin**



Source: Trade Data Monitor, LLC

### **Retaliatory Tariffs on U.S. Chicken Products**

The PRC imposes tariffs on a broad range of agricultural and non-agricultural goods in retaliation for U.S. Section 232 and U.S. Section 301 tariff actions. U.S. chicken products, amongst other U.S. agricultural goods, face PRC retaliatory Section 301 tariffs (see **TABLE 2**). Chicken products do not face Section 232 retaliatory tariffs. 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 the PRC. Importers may apply for tariff exclusions which are approved on a case-by-case basis. These exclusions do not automatically extend to all importers. Many chicken importers have applied and received tariff exclusions. 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.

**Table 2. China: 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

**Attachments:**

No Attachments