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Prepared By: Alexandra Baych

Approved By: Adam Branson

Report Highlights:

The People's Republic of China decision to end COVID restrictions is expected to bolster economic activity which will facilitate food service business and improve demand for certain chicken meat products in 2023. Policy measures limiting imports of poultry products and genetics due to the global Highly Pathogenic Avian Influenza pandemic will continue to impact the poultry sector. China's supply and distribution is expected to manifest little overall change though shifts within the supply and demand situation will continue.

EXECUTIVE SUMMARY

Production: In 2023, chicken meat production is still forecast at 14.3 million metric tons (MMT). In 2023, production of white feather broiler (i.e., white broiler) chicken is expected to increase slightly compared to 2022, while yellow feather broiler (i.e., yellow broiler) chicken production is expected to decline. Production gains from large-scale yellow broiler operations are unlikely to overcome losses from small and medium-scale yellow broiler operations exiting the market in 2023

Consumption: In 2023, chicken meat consumption is forecast at 14.4 MMT, similar to last year. However, consumption could remain hampered by Highly Pathogenic Avian Influenza (HPAI) restrictions on imports of white broiler genetics in 2022 and 2023 which results in production growth limitations.

Imports: In 2023, imports of chicken meat (excluding paws) are forecast at 630 thousand MT. The forecast level is a slight decline from 2022 due to HPAI-restrictions placed on the United States and constraints placed on Brazil through antidumping (AD) duties. Traders reported financial losses in 2022 and attributed them to poor market conditions caused by the People's Republic of China (PRC) COVID restrictions that led to lower sales and weak demand that will carry over into 2023. Import estimates for 2022 have been adjusted based on full year data. PRC imports of U.S. poultry meat and poultry products (including paws) exceeded \$1 billion, a record, in 2022.

Exports: In 2023, China's chicken meat exports are forecast at 555 thousand MT with continued demand from the PRC's major export markets like Hong Kong and Japan. Chicken exports are dominated by further processed or value-added products targeted for these export markets. Export estimates for 2022 have been adjusted based on full year data.

Policy: Since the last FAS China GAIN report covering the PRC chicken meat sector, the country has ended its COVID controls on imported cold chain products and altered its tariff assessment on select imported chicken meat cuts.

PRODUCTION

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

Meat, Chicken	2021		2022		2023	
Market Begin Year	Jan-21		Jan-22		Jan-23	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	0	0	0	0	0	0
Production	14700	14700	14300	14300	14300	14300
Total Imports	788	788	645	633	620	630
Total Supply	15488	15488	14945	14933	14920	14930
Total Exports	457	457	530	532	555	555
Human Consumption	15031	15031	14415	14401	14365	14375
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	15031	15031	14415	14401	14365	14375
Total Use	15488	15488	14945	14933	14920	14930
Ending Stocks	0	0	0	0	0	0
Total distribution	15488	15488	14945	14933	14920	14930

All Units in 1,000 MT, unless otherwise specified

Not Official USDA Data

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

Chicken Production Unchanged in 2023

The chicken meat production forecast for 2023 remains overall unchanged from 2022. Within the sector, increased demand and expanded production capacity are expected to support slight growth in white broiler production. Facing genetic import constraints for HPAI-related reasons, some white broiler producers report they could utilize techniques such as forced molting¹ of commercial broilers. Yellow broiler production is expected to decline and will moderate overall production changes primarily due to closures of live poultry markets. Yellow broiler and white broiler chicken are not substitute products for consumers due to price and usage differences.

As the price of pork increased in the second half of 2022 (see **CHART 1**) chicken prices increased. Price growth in white broiler chicken enabled breeders, chicken processors and vertically integrated facilities to be generally profitable. Industry members continue to invest in and construct vertically integrated facilities that include feed production, breeding, slaughtering, chicken processing and cold storage. Some of these facilities are expected to be put into production in 2023.

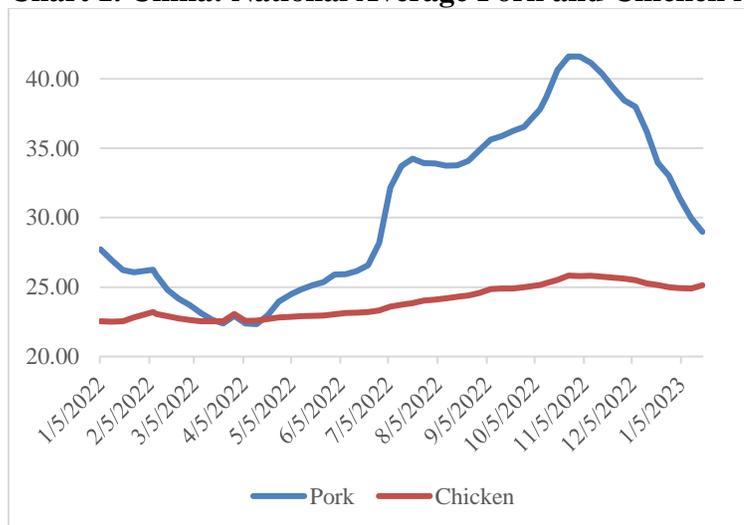
HPAI-Restrictions Hamper Genetics Imports and Production Growth

The production of commercial white broiler chicken depends heavily on imported genetics of grandparent generation broilers. The grandparent generation of breeding stock chicken is used to

¹Forced molting is a technique used in China, and other countries, to increase production of commercial broilers when access to high quality genetics are otherwise constrained.

produce parent generation broilers, which are then used to produce commercial generation broilers. The commercial generation broilers are then used for poultry meat production.

Chart 1. China: National Average Pork and Chicken Meat Prices (RMB/KG)



Source: Ministry of Agriculture and Rural Affairs (MARA)

In 2022, several major poultry genetics exporting countries, including the United States, notified HPAI detections. In 2022, genetic imports² into the PRC from these countries declined by nearly 60 percent. New Zealand exports of poultry genetics to the PRC also dropped by nearly 85 percent in 2022. The reduction of imported genetics is expected to slow growth in the PRC's commercial broiler production through the end of 2023. The effects of reduced access to imported genetics will be mostly offset by altered production techniques such as forced molting.

Yellow Broiler Production Trends

In 2023, yellow broiler production is expected to decline as more live poultry markets (a major sales channel) close due to government policies. Some yellow broiler producers have transitioned to breeds that are suitable to be sold slaughtered and chilled. However, consumers generally are slow to adjust to purchasing pre-slaughtered yellow broiler chicken products, rather than live birds.

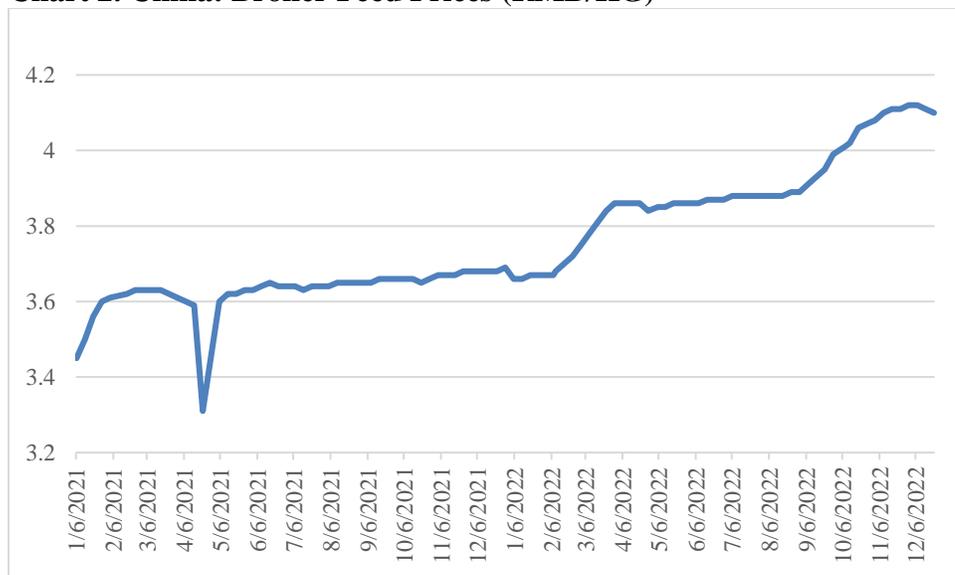
The majority of yellow broiler operations are small and medium-scale producers. Many yellow broiler producers have exited the market due to prolonged financial losses stemming from live poultry market closures and high feed costs (see **CHART 2**) over the past few years. As the marketing channel and production practices for yellow broiler are unique from white broiler production, the effects of the market closures and high feed prices have not been felt uniformly.

According to industry sources, there are only two large-scale producers with the scale of over 100 million yellow broiler chickens accounting for over 30 percent of the market share. However, growth in large-scale production is unlikely to offset production losses from small producers exiting the market, which will lead to a decline in yellow broiler production. In 2023, chicken production from 817 broiler

² NOTE: China Customs data does not distinguish between imported genetics for layers and white broilers.

(a hybrid chicken variety) and ex-layer hens is unlikely to impact overall production due to their small share of the chicken market.

Chart 2. China: Broiler Feed Prices (RMB/KG)



Source: MARA

CONSUMPTION

Consumption to Remain Nearly Unchanged

Chicken consumption in 2023 is forecast to remain nearly unchanged from 2022 levels. The end of zero-COVID policies in China is expected to strengthen consumer demand for white broiler chicken products in the HRI sector. In 2023, consumption will be curbed by limitations in domestic white broiler meat supply due to restrictions (see HPAI section above) on white broiler genetic imports. Additionally, HPAI-restrictions on imported chicken products from major exporting countries are also expected to limit import growth in 2023 – despite improved consumer demand.

HRI Demand Expected to Improve in 2023

In December 2022, the PRC published multiple announcements relaxing COVID-19 restrictions domestically and for international travel. The PRC also published guidance undoing various COVID-19 testing requirements for imported cold-chain products. These changes are expected to allow schools and companies to resume full operations. In 2023, increased demand for white broiler chicken products is expected from schools and company cafeterias. Demand for white broiler products in quick service restaurants, catering, and dine-in restaurants are also expected to generate additional demand for these products. However, recovery in the HRI sector (see [GAIN Report CH2022-0142](#)) will be gradual.

In 2023, consumption of partially or fully cooked chicken products used in quick-service restaurants and at-home cooking is expected to grow as convenience products remain important to consumers.

Image 1. China: Chicken (Meat, Paws, and Legs) in Modern Retail Market



Yellow Broiler Consumption Trends

In 2023, the consumption of yellow broiler chicken is expected to decline despite the lifting of COVID-19 restrictions. As noted in the production section, the closure of live poultry markets and a shift by producers to pre-slaughtered/chilled product is expected to impact overall consumption demand and sales volume.

TRADE

Imports

Import Volumes Decline Slightly with HPAI Restrictions and Traders' Financial Difficulties

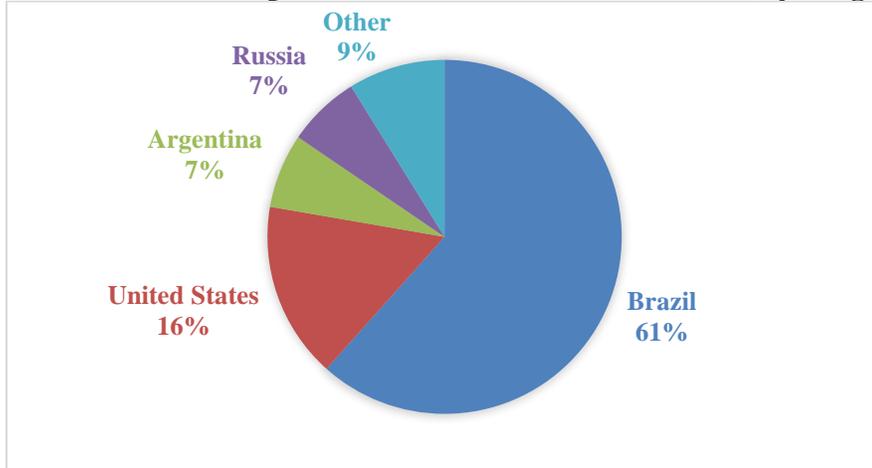
In 2023, HPAI-restrictions are expected to persist across a wide range of countries. In 2022, HPAI incidents were notified across countries in Europe, North America, South America, and in Russia. In 2023, China is likely to increase imports from countries without HPAI-notified detections as demand for white broiler meat grows and provided that those countries have necessary import protocols. Still, imports from non-HPAI impacted countries are unlikely to fill the gap left behind from countries that have been suspended from exporting to China and imports are expected to decline marginally from 2022.

In 2023, imports of Brazilian chicken are expected to grow. However, growth will be constrained by the PRC's AD duties.³ Certain large Brazilian plants have negotiated exemptions from the AD duties, but exempted plants are limited.

In 2022, China's imports of U.S.-origin poultry meat and products exceeded \$1 billion, a new record. A significant portion of the imported products were chicken paws (i.e., feet).

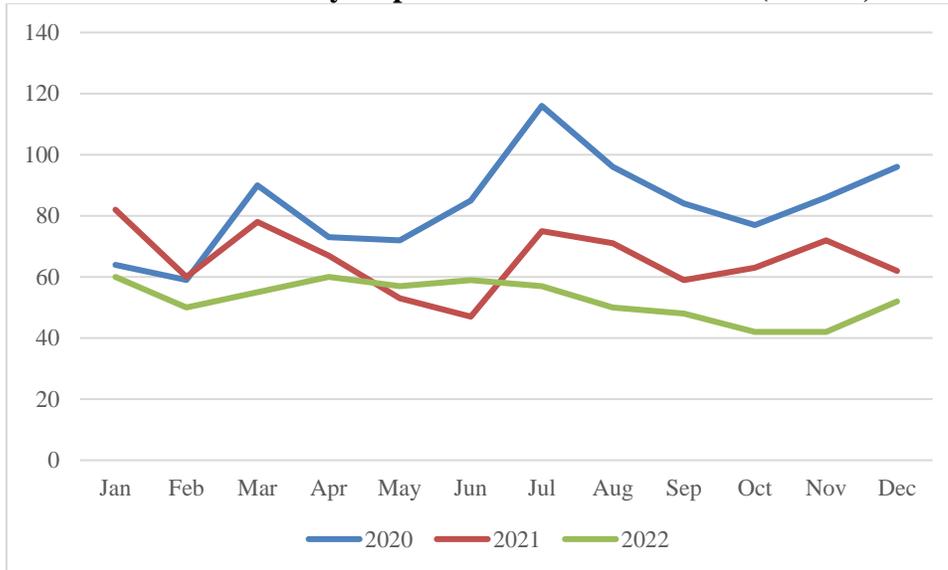
³ China imposed AD duties on chicken products from Brazil on February 17, 2019. AD duties are assessed in 5-year periods.

Chart 3. China: Imports of Chicken⁴ Products in 2022 (by Origin)



Source: China Customs, Trade Data Monitor, LLC (TDM)

Chart 4. China: Monthly Imports of Chicken Products (Unit: 1,000 MT)



Source: TDM

Exports

China's Poultry Exports to reach to 555 thousand MT

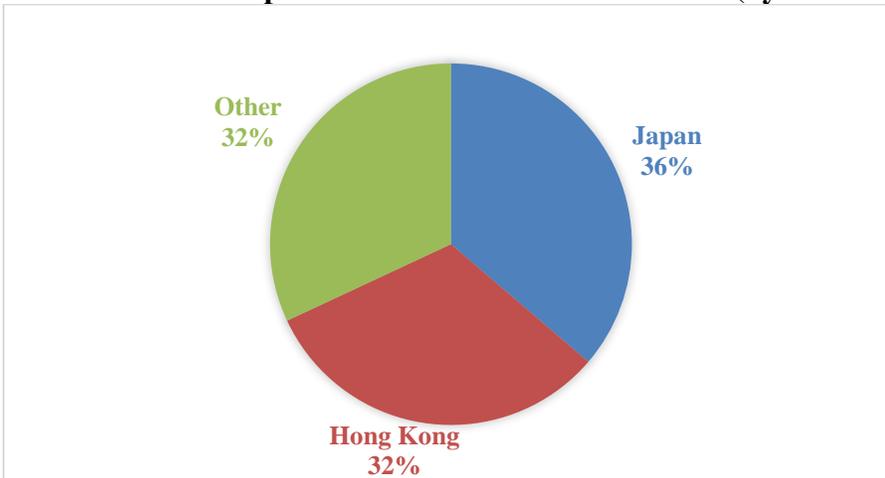
In 2023, Japan and Hong Kong are expected to remain the two major export destinations for poultry products from China. China mainly exports prepared chicken to Japan and fresh, frozen, and prepared chicken to Hong Kong (see **CHART 5**). Japan and Hong Kong eased border controls and policies in late 2022 which should support the hotel, restaurant and institutional (HRI) sectors of those locations in 2023.

⁴ In this report, unless otherwise specified, chicken imports and exports refer to the following HS codes: 020711, 020712, 020713, 020714, and 160232.

Image 2. China: U.S.-Origin Whole White Broiler Chicken Utilized in Promotional Event



Chart 5. China: Exports of Chicken Products in 2022 (by Destination)



Source: TDM

POLICY

PRC Removes COVID-19 Testing and Disinfection Measures

On December 28, the General Administration of Customs of the People’s Republic of China (GACC) published Announcement No. 131 of 2022, indicating a change in classification of COVID-19 controls and management was forthcoming. The Announcement states that PRC-required testing and disinfection measures for COVID-19 applied to imported cold-chain foods and non-cold chain goods will end on January 8, 2023. The announcement signaled the official removal of the PRC’s non-science based COVID testing and disinfection measures.

Local industry contacts welcomed the removal of these additional steps, noting the change should result in cost reductions and improved clearance times. The PRC had issued earlier requirements for testing and disinfection through GACC Announcement No. 58 of 2022 and emergency measures in GACC Announcement No. 103 of 2020 (see [GAIN Report CH2022-0136](#) for additional information).

Expectations are that no additional COVID restrictions will be put in place. Additionally, the removal of COVID local and national restrictions is also expected to boost demand for white broiler chicken in the HRI sector as they gradually return pre-COVID consumption levels.

Removal of Registration for Foreign Trade Operators

The requirement for foreign trade operators to register at local commercial authorities has also been [removed](#) (link in Chinese) effective since December 30, 2022. Market entities that apply for import and export permits, quotas, and state trading enterprises will no longer be required to provide a registration record.

Tariff Adjustment

From January 1, 2023, the import and export tariffs of some commodities have been adjusted, according to the Announcement of the Customs Tariff Commission of the State Council on the 2023 Tariff Adjustment Plan. For the chicken related products, please see **TABLE 2**.

Table 2. China: Adjusted Most Favored Nation (MFN) Tariff Rates on Certain Imported Frozen Chicken Products

HS Code	Product Name ⁵	MFN	
		Before adjustment	After adjustment
02071200	Frozen chicken, not cut in pieces	1.3 yuan/kg	20%
02071419	Other frozen chicken cuts	0.7 yuan/kg	10%
05040021 ⁶	Chilled or frozen chicken gizzard	1.3 yuan/kg	20%

For whole chicken (HS 02071200) and other frozen chicken cuts (HS 02071419), if using the import volume and value of 2022 as an example, the adjusted tariff is higher than the pre-adjusted rate. However, the impact of the tariff adjustment on overall chicken imports will be minimal as these products do not dominate China's chicken meat imports (for imports of major chicken products, see **TABLE 3**).

Table 3. China: Imports of Major Chicken Products in 2022

HS Code	Product Name ⁷	Volume (Unit: 1,000 MT)	Share of the Total Chicken Products Imports
02071421	Frozen mid joint wing of chicken	328	52%
02071411	Frozen chicken cuts, with bone	231	36%
02071429	Frozen offal of chicken, nes	68	11%

⁵ The product name is for reference only. The specific product scope should refer to the product scope corresponding to the HS code in the "Customs Import and Export Tariff of People's Republic of China "

⁶ In this report, the chicken for imports and exports refer to the following HS codes: 020711, 020712, 020713, 020714, and 160232. 5040021 is not included the discussion of this report.

⁷ The product name is for reference only. The specific product scope should refer to the product scope corresponding to the HS code in the "Customs Import and Export Tariff of People's Republic of China ".

For more information on the tariff adjustment on other products, please see the [GAIN report CH2023-0001](#).

China's Retaliatory Tariffs on U.S. Chicken 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 **TABLE 4**).

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.

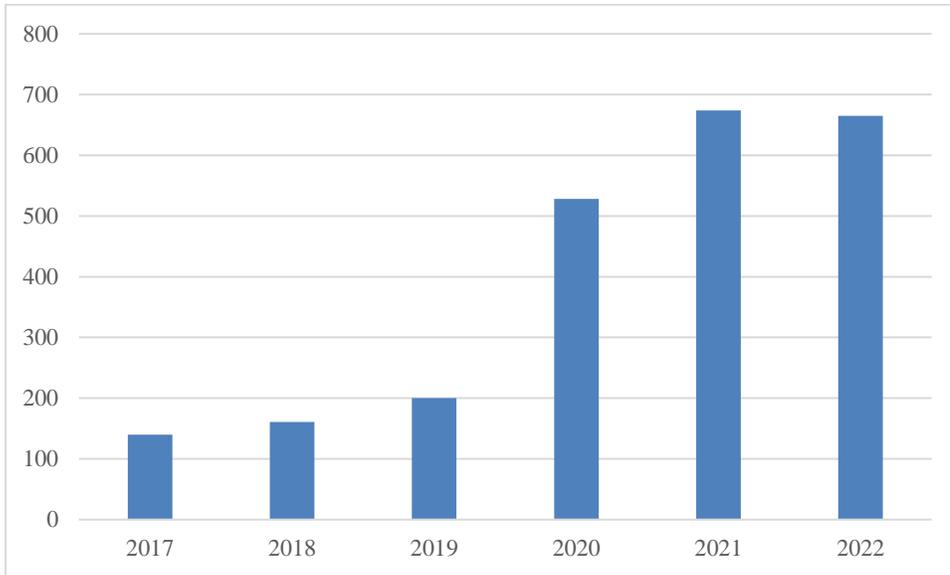
Table 4. China: Tariff Schedule for U.S. Chicken Meat and Chicken Paws

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

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

Chart 6. China: Frozen Chicken Paw Imports (Unit 1,000 MT)



Source: TDM

Attachments:

No Attachments