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**Report Highlights:**

The United States has become a leading supplier of beef products to China since its reentry into the market in 2017. This report reviews the development of the beef market, analyzes prospects, discusses potential opportunities, and examines in detail the distribution channels of beef products in the China market.

## Beef Market Overview in China

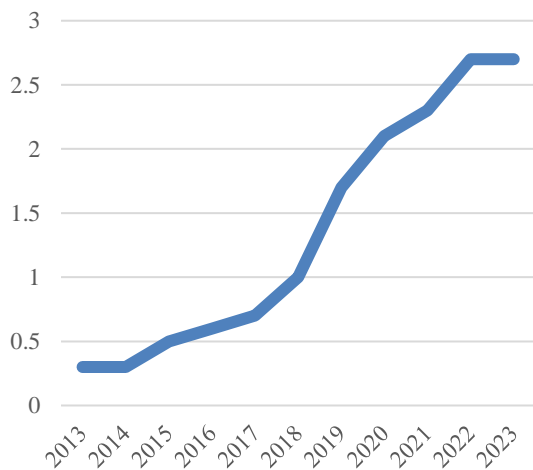
China has experienced rapid economic growth over the past decade. As a result of consumers' increasing disposable income and health awareness, beef consumption has expanded significantly. Beef is considered a high-end product and is the most expensive protein option on the market.

Restrained by its limited domestic production, China must import growing quantities of beef from partners around the world to meet its exploding demand. Starting with imports of less than 0.3 million MT in 2014, China imported 2.7 million MT in 2023, a nine-fold increase, as Chart 1 depicts below. While the rate of growth in beef imports has cooled since 2022, analysts project that mild growth is likely to continue over the next decade.

### CHINA'S BEEF MARKET SNAPSHOT

- In 2023, China's total imports of beef and beef products exceeded 2.78 million MT, valuing to about \$14.4 billion.
- Annual fresh/chilled beef imports have grown over nine-fold since 2014.
- The United States is the second largest fresh/chilled beef exporter to China, after Australia.
- Unit price of U.S. fresh/chilled beef is about 50 percent higher than that of Australian beef.

**Chart 1: China's Beef Imports from the World 2013-2023 (million MT)**



Source: Trade Data Monitor (TDM) <sup>1</sup>

Currently there is high inventory of beef in the market; however, demand for specialty beef cuts remains. Competition with lower priced exports, such as those from Brazil and Argentina, is expected to continue. In 2023, the United States was the fourth largest exporter of beef and beef products to China, totaling \$1.5 billion.

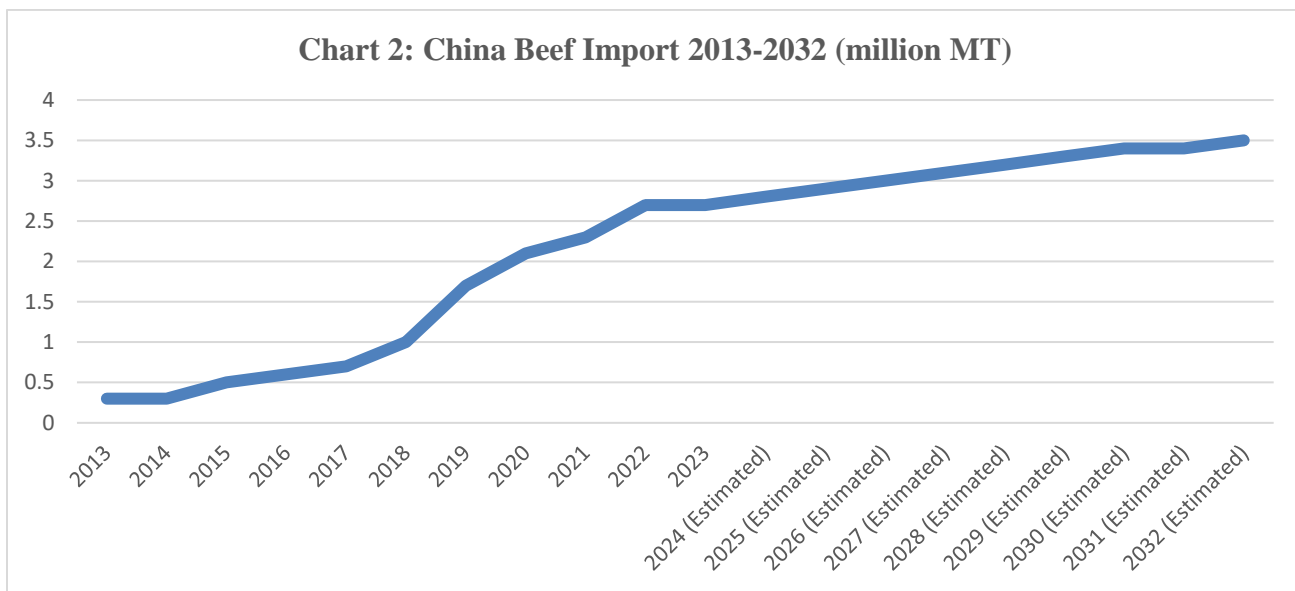
Because of its premium quality, U.S. beef is primarily used in hotels and restaurants for preparation of high-end food service products. However, there is room for further expansion into retail channels. For example, Sam's Club imports and sells a significant amount of U.S. retail muscle cuts. According to ATO contacts, online retailers, including JD.com, one of China's largest, is exploring direct to consumer sales for U.S. beef.

<sup>1</sup> This includes combined beef products of 0201 Meat of Bovine Animals Frozen and 0202 Meat of Bovine Animals Fresh or Chilled

## Beef Market Trends

Beef is favored by Chinese consumers for multiple reasons, including nutrition. Broadly regarded as a nutritional and healthy animal protein product, it is preferred by families with kids or elderly for extra nutritional care. Secondly, being high in price makes it a favorable option for less-price-sensitive occasions such as weddings or business banquets. Additionally, its versatility of use, including for western steak, Korean barbecue, Chinese hot-pot, and traditional Chinese stewing and deep-frying makes it an interesting option for consumers.

China's demand for imported beef and beef products is likely to continue growing, although not as robust as a few years ago. China's Ministry of Agriculture and Rural Affairs (MARA) forecasted in the latest *China's Agriculture Outlook Report (2023-2032)* that China's demand for beef imports will maintain an average annual growth of 2.8 percent over the coming ten years. Using TDM record as the baseline<sup>2</sup>, China's imports will reach 3.5 million MT by 2032, as Chart 2 shows below.



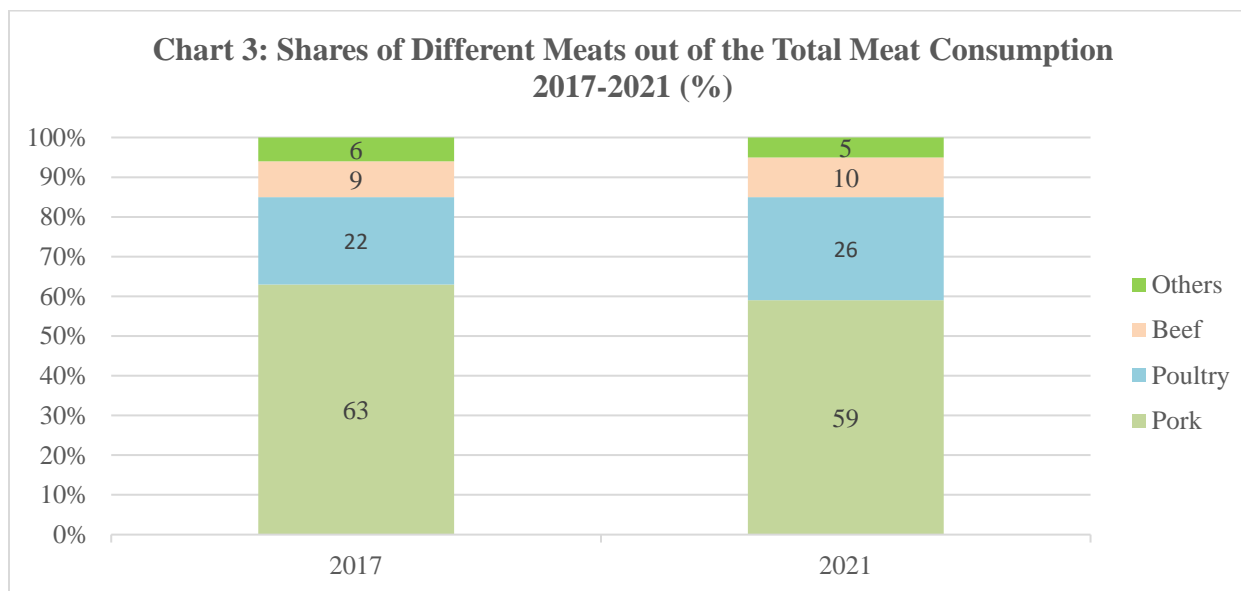
**Source: TDM and China's Agriculture Outlook Report (2023-2032) Note: This graph includes HS Code 0201 Meat of Bovine Animals Frozen and HS Code 0202 Meat of Bovine Animals Fresh or Chilled**

This is a result of several factors. The slowing economy is hurting consumption and restraining growth, while at the same time the desire for varied sources of animal protein continues to increase and consumers who can afford beef continue to fuel growth in demand.

McKinsey has conducted research on the changing nature of Chinese consumers' preferences for animal protein sources. The 2022 study revealed that pork consumption dropped from 63 percent down to 59 percent, while beef has increased from 9 percent to 10 percent between 2017 and 2021. A survey

<sup>2</sup> TDM record of China's combined frozen and fresh/chilled beef in 2022 (commodities 0201 meat of bovine animals frozen and 0202 meat of bovine animals fresh or chilled) is 2,689,066 MT.

associated with the research reported that 20 percent of the consumers surveyed indicated that they would increase beef consumption in the future, in contrast to a 6 percent decline in pork consumption<sup>3</sup>, as indicated in Chart 3 below.



Source: [www.mckinsey.com.cn](http://www.mckinsey.com.cn)

In conclusion, China’s demand for beef remains solid and with limited domestic production, demand will continue to be met through imports.

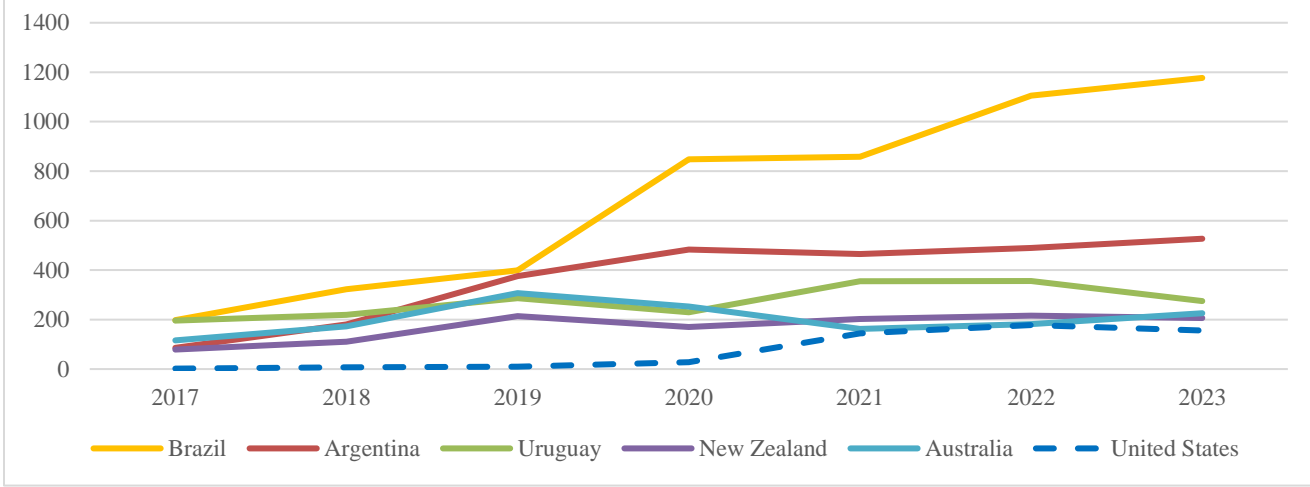
### U.S. Bovine Products in the China Market

U.S. bovine products reentered the China market in July 2017, after a 14-year ban. To view bovine products eligible for shipment into the market and relevant requirements, please visit [USDA’s Food Safety and Inspection Service \(FSIS\) Export Library](#) for complete guidance.

Thanks to increasing disposable income and health awareness of the Chinese consumers since early 2000’s, China’s demand for imported meat protein climbed up steadily. Taking the opportunity, the United States rapidly expanded its export of bovine products to China since the market access reestablished in 2017. See Chart 4 for China’s multiplying import volume 2017 through 2023.

<sup>3</sup> Meat Consumption Market Report of China, [www.mckinsey.com.cn](http://www.mckinsey.com.cn)

**Chart 4: China's Beef Import from Leading Suppliers 2014-2023 (thousand MT)**

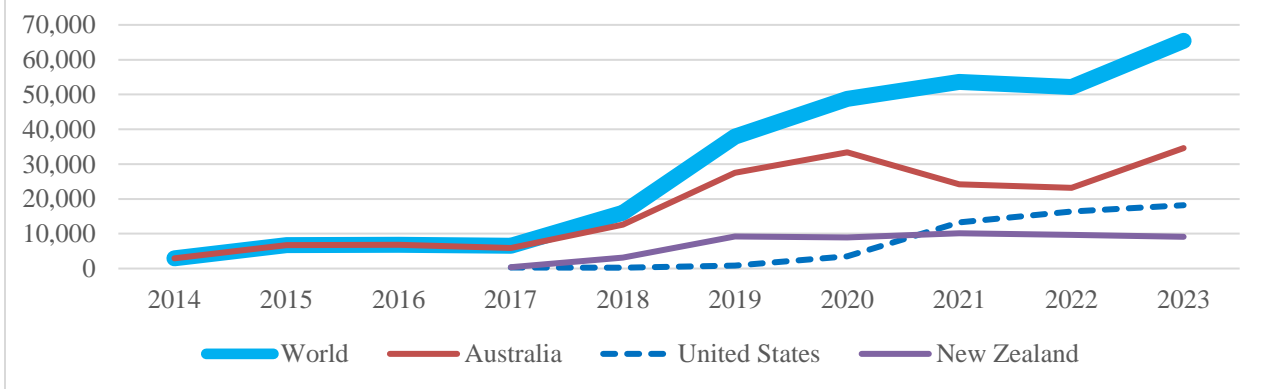


**Source: Trade Data Monitor (TDM)**

*Note: This chart includes HS code 0201 Meat of Bovine Animals Frozen and HS Code 0202 Meat of Bovine Animals Fresh or Chilled*

The success of the United States in becoming a top five supplier of beef products could also be attributed to its market strategy, prioritizing higher-end markets. The strategy, taking advantage of its high-quality fresh and chilled grain-fed beef, has successfully built up a strong and positive image of U.S. beef in the China market. Over the past ten years, China’s import of frozen beef grew nine times, but its import of fresh/chilled beef expanded nearly 23 times.

**Chart 5: China's Import of Fresh/Chilled Bovine Meat from Leading Suppliers 2018-2023 (MT)**

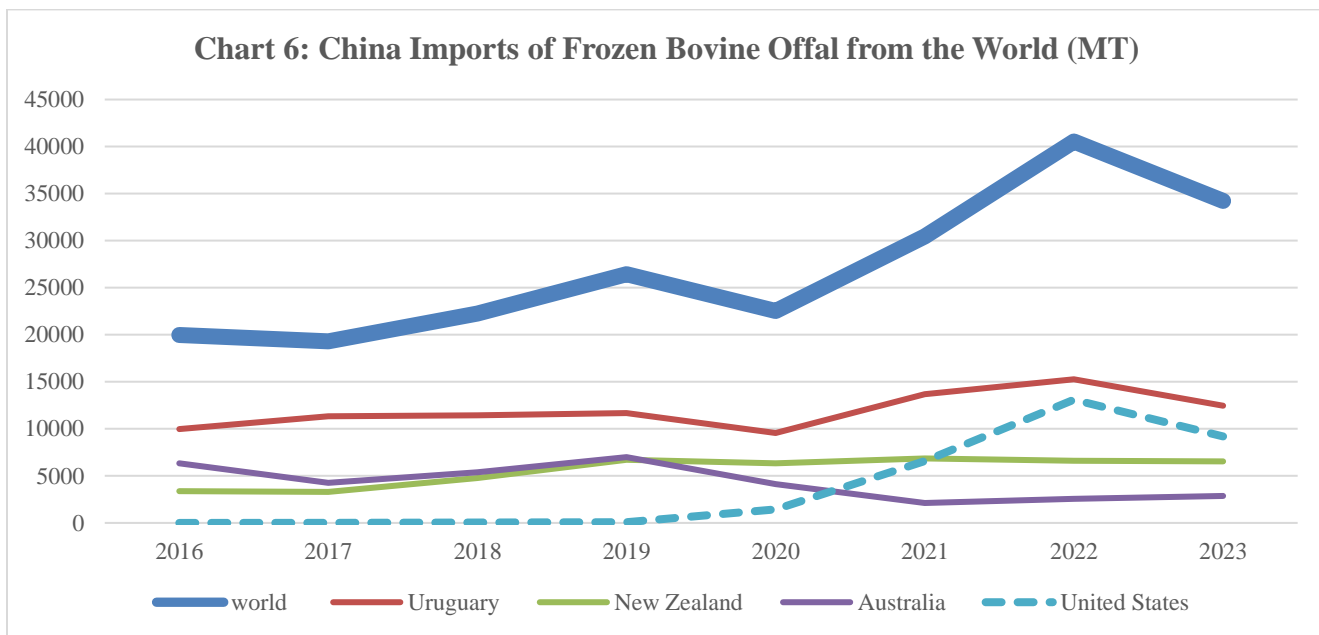


**Source: TDM**

Australia and the United States are the top two suppliers of fresh/chilled beef to the China market. As chart 5 shows, when Australia-China relations soured between 2020 and 2022, its market share was largely taken by the United States. When the bilateral relationship improved in 2023, Australia’s export

volume to China bounced back quickly and the market share of the United States accordingly decreased; nevertheless, the export volume of the United States continued to increase. TDM data indicates that the unit price of Australia fresh/chilled beef exported to China in 2023 was \$10,864 per MT, and the unit price of U.S. beef was roughly 50 percent higher being \$15,443 per MT.

In addition to beef and beef products, U.S. bovine offal deserves attention. Although the quantity of export to China remains small compared to that of frozen or fresh/chilled, the growth is impressive, and it is getting increasingly popular in the China market. Within only five years, the United States has quickly become the second largest exporter of beef offal to China last year, valued at approximately \$47 million. See Chart 6 below. The offal market has demonstrated a good growth potential for the coming years.



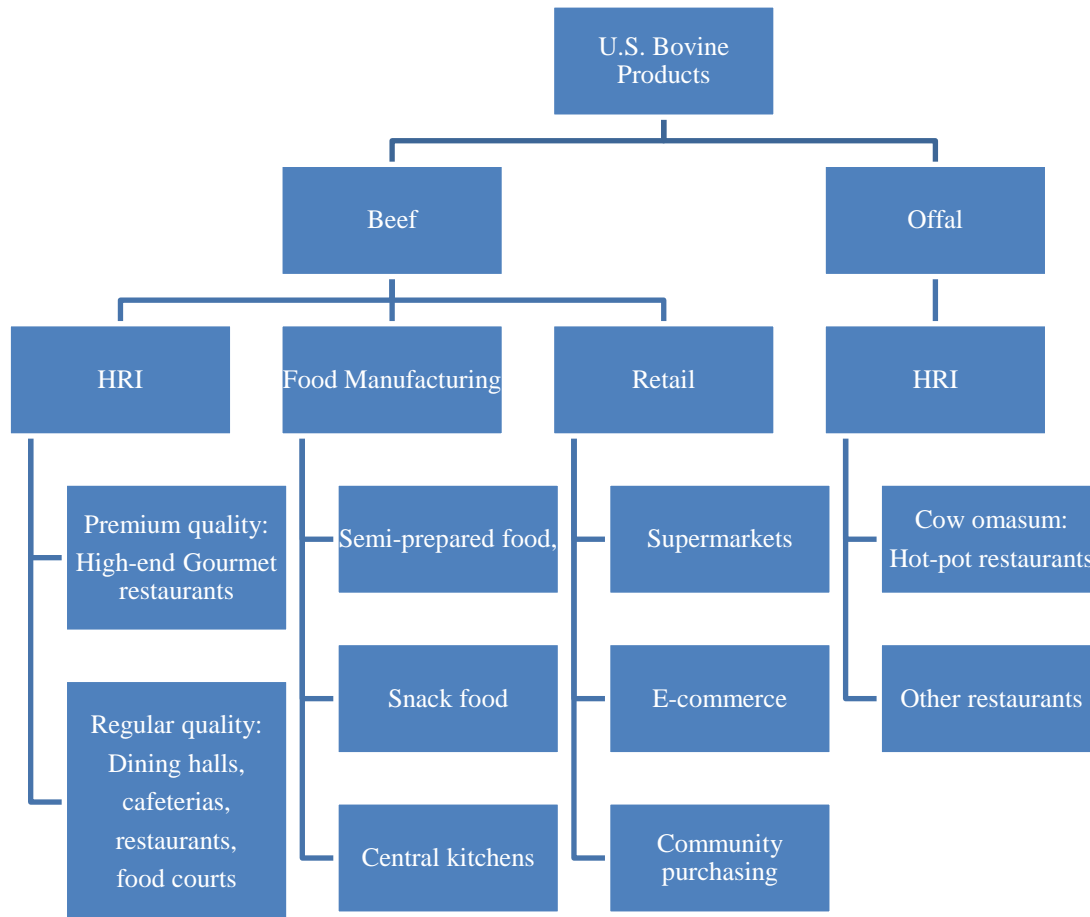
**Source: Trade Data Monitor (TDM)**

*Note: This chart includes HS code 020609 Offal of Bovine Animals, Edible, Nesoi, Frozen*

**Bovine Product Distribution Channel**

U.S. bovine products flow to end-users through three different channels: Hotel, Restaurant and Institutional (HRI), food manufacturing, and retailing, as shown in the image below.

**Diagram 1: Bovine Product Distribution by Channel**



Source: ATO Beijing

### Hotel Restaurant and Institutional (HRI) Sector

The HRI sector is where the majority of U.S. premium beef is consumed. The best quality U.S. beef is used for steaks in western restaurants, for barbecue in Japanese or Korean restaurants, and for gourmet Chinese hot-pot or Cantonese restaurants.

Although China's HRI sector continues to experience difficulties recovering from the economic shocks caused by COVID-19, the beef consumption appears to have survived and keeps growing. This is largely because beef consumers, mostly having good disposable income, are less impacted by the economic slowdown and their beef consumption continues.

U.S. beef other than the premium quality beef, such as beef brisket, is largely consumed through institutional food services such as banquet halls, cafeterias, mid-end Chinese restaurants, and food courts.

### Retail

U.S. beef is mainly sold in first-tier cities<sup>4</sup>. U.S. beef is expensive, so it is challenging for retailers in lower-tier cities to make profits. Thus, currently in lower-tier markets, U.S. beef is largely available only in supermarkets like Sam's Club and Ole which are better able to decrease costs due to their central purchasing-and-distributing mechanisms.

Sam's Club is a leading U.S. beef retailer in China. About half of Sam's beef products comes from the United States, and around 90 percent of retailing U.S. beef products is sold by Sam's. With the Sam's quick expansion to more second and third tier cities in China, it is making U.S. beef available to more Chinese consumers. Other retailers of U.S. beef products, for instance Costco, BHG, and JD.com, are much smaller in volume.

In the retailing sector, U.S. beef is less known than beef from Australia. This is mainly because: a) Australia dominated the market far earlier; b) Australian beef is generally cheaper, as discussed above; and c) the United States basically has only high-end products, but Australia has expensive, medium-priced and cheap products for consumers of different spending powers.

## **Food Manufacturing**

Only a minimal quantity of beef imported from the United States is used for food manufacturing, mostly lower grade(s) beef products. They largely go into food manufacturing for preparation of semi-prepared food, fast food, and snack food.

Semi-prepared food refers to prepackaged ready-to-eat meals, that can be quickly served with simple heating or boiling. Due to the centralization of many fast food chains warehousing and production facilities, they can save costs and utilize lower grade U.S. beef. Snack food, such as traditional dried beef sticks and cubes, are getting more popular across the country. All these sub-sectors have been experiencing fast development over the years, fueled by new ideas and technologies.

## **Regional Distribution of Imported Bovine Products**

The China market can be roughly divided into four regions, the East, the Northeast, the North and the South, according to the import ports as depicted in the diagram below.

East China's Shanghai port is the largest in terms of beef import volume as nearby regions like Shanghai, Zhejiang and Jiangsu are some of the most developed and affluent regions in China. North China's Tianjin port covers a vast region, including Beijing and Tianjin, and is also a leading beef consumption market.

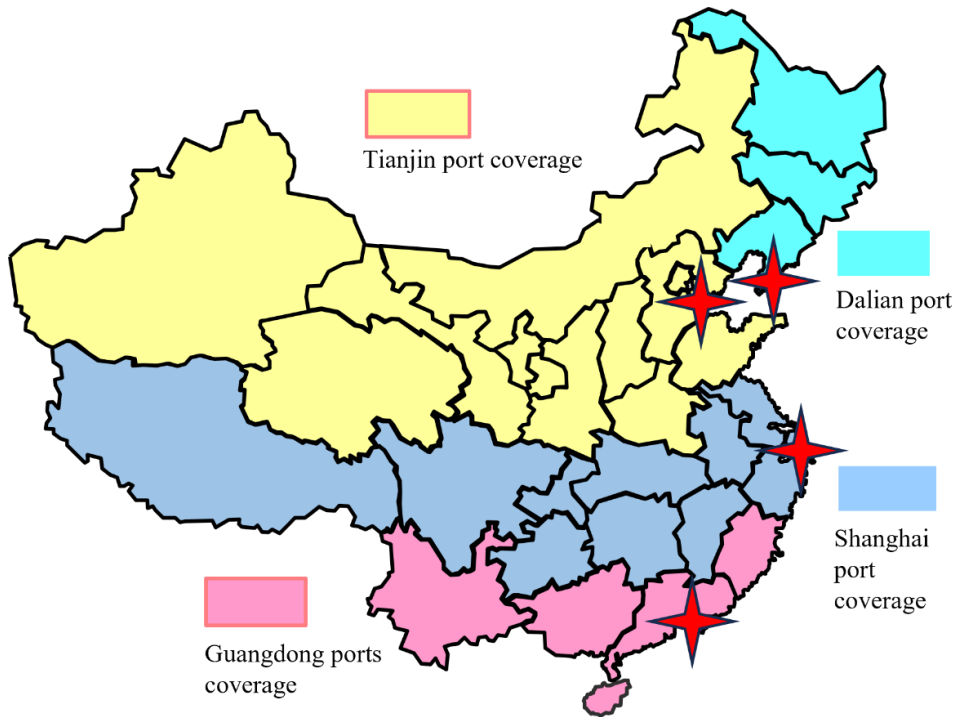
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<sup>4</sup> First tier cities in China refers to the "Top Four", namely Beijing, Shanghai, Guangzhou and Shenzhen. They all have a population of around 20 million, play an important role in political, economic and social development, and are followed by other cities.



Although China is comprised of the above four regional markets, beef products are moved within or across regions frequently according to demand. Due to a rapidly developing and advanced logistics system, products can easily be moved across the country at relatively low costs.

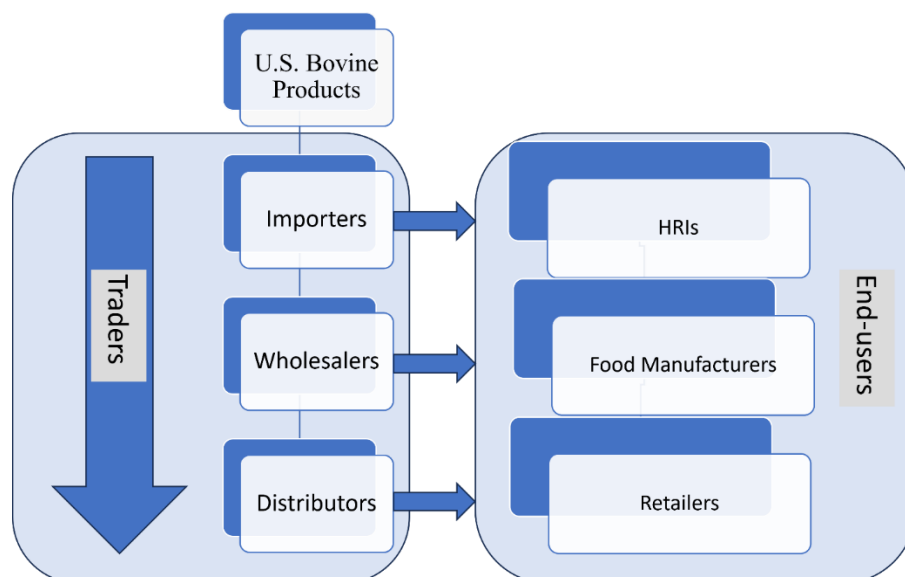
**Diagram 2: Geographic Distribution of Bovine Products by Port of Entry**



**Source: ATO Beijing**

Before products are purchased by consumers, beef is typically distributed via traders to the different distribution channels. In this case, traders include importers, wholesalers and distributors. Traders import the product, ensure customs clearance, and move products to their final destinations. These distribution channels then prepare the products for their end users including hotels and restaurants, food manufacturers and retailers. Diagram 3 below shows how they work with each other.

**Diagram 3: Flow Chart of Imported Beef from Entry to End-users**



**Source: ATO Beijing**

For example, beef products from the United States would most likely arrive to a Chinese consumer in the following way:

- An importer brings the product into China through the port in Shanghai.
- A distributor buys from the importer and moves the product to Wuhan.
- A wholesaler buys from the distributor and sells in a wholesale market.
- A restaurant buys from the wholesale market, prepares it, and serves the consumer.

### **Market Opportunities**

Both Chongqing and Sichuan are in China's Southwest, where hot pot is enthusiastically loved by local people. Cow omasum (thousand-layer stripe) is the most popular ingredient for hot-pot and brings in a high price. In Chongqing alone, there are over 30,000 hot-pot restaurants. By volume consumed, it is estimated that Chongqing and Chengdu combined would consume over 120 thousand MT of omasum a year.

While there is opportunity for the utilization of cow omasum and similar specialty beef cuts in Chongqing and Chengdu hot pot, many restaurant operators are not aware of the high quality or availability of U.S. beef for this use. More promotions and customer education are required.

In addition, chilled U.S. beef is ideal for high-end hot pot restaurants nationwide, and the market can be further expanded.

## Administration of Bovine Products Import in China

In China, meat import is jointly administered by the General Administration of Customs China, hereafter referred to as GACC, and the State Administration for Market Regulation, hereafter referred to as SAMR.

GACC regulates and administers China's import, including beef. Prior to 2018, China's beef import was managed by multiple agencies, including the former General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) and the GACC. With the AQSIQ being merged into GACC in 2018, the multiple agency administration was terminated.

GACC's role in beef regulation can be summarized accordingly:

- First, GACC evaluates China's beef import in consultation with other governmental agencies such as the Ministry of Agriculture and Rural Affairs and the Ministry of Commerce.
- Secondly, GACC develops and implements regulatory policies and procedures.
- Third, GACC implements the relevant policies and regulations and oversees customs clearance at port.
- Last but not the least, GACC responds to emergencies and urgent issues.

After imported beef is cleared by GACC, the supervision responsibility is transferred to SAMR. SAMR's role is to ensure the products are safe from import until the product arrives to consumers. A big difference between SAMR and GACC is that a lower level GACC official reports to an upper-level GACC official while a local SAMR reports to the local government. As a result of this difference, GACC's policies and practices are consistent from top to bottom, while those of SAMRs can be varied.

## Import Regulations and Requirements

**Retaliatory Tariffs on U.S. Beef Products:** U.S. beef products exported to China are subject to both MFN tariffs and the 301 retaliatory tariffs. The total applied tariff is between 7.5 percent and 55 percent. Most of the products coded 0201 and 0202 being between 42 percent and 50 percent. See the March 2024 USDA GAIN report CH2023-0032 [Livestock and Products Semi-Annual](#) for updated rates of different beef products.

**Tariff Exclusion:** The tariff exclusion process introduced by the State Council Tariff Commission (SCTC) in March 2020 remains in effect. The program allows importers to apply for tariff exclusions from China's Section 301 retaliatory tariffs on U.S. beef products. See USDA GAIN report CH2020-0017 [China: China Announces a New Round of Tariff Exclusions](#).

2023 USDA GAIN CH2023-0044, [China: FAIRS Annual Country Report Export](#)

## Trade Shows

For new-to-market exporters, we recommend some key beef industry trade shows in China as an excellent method to obtain buyers' immediate feedback and better understand the market.

- [FHC Shanghai Global Food Exhibition](#), November 12-14, 2024, is a leading comprehensive food show.
- [SIAL Shanghai](#), May 28-30, 2024, is a general food and beverage show, and one of the largest food shows in China.
- [China International Meat Industry Exhibition](#), September 10-12, is an animal protein focused tradeshow organized by the China Meat Association.

### **Attachments:**

No Attachments.