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BEEF SECTOR BRIEF

This brief will look at the potential for Canadian beef exports into China by giving an introduction to the characteristics of the China market, the activities of Canada's main competitors, and address some of the critical concerns surrounding beef marketing and importation.

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Market Characteristics

Although China possesses a potential 1.2 billion person meat consuming market, beef consumption ranks very low at around 3 million tonnes in 1995 (2.5 kg/person/annum) in contrast to pork products which stood at 33.8 million tonnes (28.1 kg/person/annum). Nevertheless, beef consumption is rising at over 20% annually and the potential exists for the marketing of Canadian beef in selected areas and niche markets.

National consumption characteristics can be misleading since the large majority of beef consumption in China is in the affluent coastal cities and almost non-existent in inland and rural areas. The Chinese consumer has traditionally consumed beef as a shredded or sliced product in local dishes, where price and not quality, is the determining purchasing factor.

The areas that show the greatest potential for the western style beef cut, as demonstrated by the main foreign competition, are in large coastal urban areas - Beijing, Shanghai, Guangdong - and specifically in the high-end hotel, restaurants and supermarkets which are established or expanding in the above-mentioned cities. The clientele of these hotels and their associated restaurants are about 50% foreigners, which include North Americans and Europeans, who recognize high-quality beef from familiar producers, as well as expatriates from Japan, South Korea, Hong Kong and Taiwan, who are familiar with imported beef products

Competitors

There is little local competition for high quality beef. This situation may change with establishment of livestock rearing and meat-processing joint-ventures with prominent U.S.

companies such as IBP Inc. and Tyson Foods. The main competitors to Canadian beef in China are the United States, Australia, and to a lesser degree New Zealand. Both Australia and the United States have been aggressive in promoting their products in China and have established long-term goals to ensure their presence in the market. Australian and New Zealand beef are competitive against the U.S. beef in terms of prices, while the U.S. product is said to be of a higher quality.

Regulations Specific to Product

Specific to the importation of significant amounts of beef and all meat products, the following procedures and steps must be followed:

0. China Animal and Plant Quarantine officials inspect the relevant Canadian meat processing plant to provide approval for export of products to China. This procedure may be waived for small amounts of imports;
1. Prior to Chinese Customs Clearance the following bureaus have to inspect all product at port of entry:
 1. China Commodity Inspection Bureau checks products for quality, weight and quantity,
 2. China Animal and Plant Quarantine inspection is concerned with health and sanitation of the imported beef,
 3. Health Inspection Bureau will test for pesticides, antibiotics and other visible and non-visible problems.
2. Once all inspections have been cleared, beef products will pass through China Customs where the CIF (Cost+Insurance+Freight) is subject to a 50% tariff. In addition to the customs import tariff, there is a Value Added Tax (VAT) on the total of CIF and the China Import duty of 13% for fresh products and 17% for non-fresh products.

Following customs clearance, beef products are free to be marketed and distributed.

Critical Concerns Particular to Product

There are two specific concerns to the marketing of Canadian beef in China. The first concern is the prohibitive customs duty (50% of CIF) and the additional VAT. This has been one of the main hindrances to marketing U.S. beef in China. Price of imported beef is thus a major barrier to market development.

The second concern revolves around distribution in both infrastructure and capable domestic companies. China lacks a national refrigerated distribution network outside of the large cities and ports. Furthermore, the experience of other foreign beef importers has indicated that there are few capable Chinese domestic distributors of high-quality meats that have adequate special storage (i.e., refrigeration and freezer).

Contacts

The following contacts may be of assistance to beef producers interested in marketing Canadian Beef in China.

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