

Meat and Poultry Market in China

August 1997

Department of Foreign Affairs and International Trade

China's Meat Sector

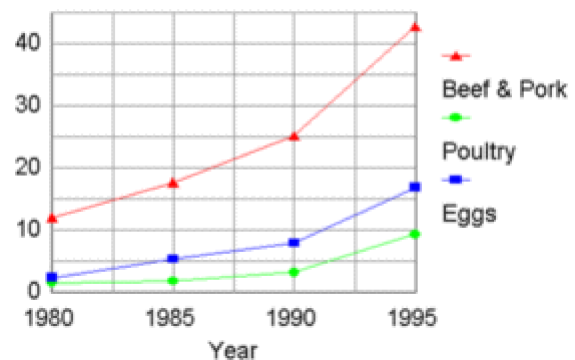
With its meat consumption quadrupling since 1980, China is one of the most flourishing meat markets in the world. In 1995, China's meat production reached 43 million tons, which ranked first in the world. China is also the world's largest producer in eggs, and seconds only to the U.S. in poultry production. In terms of personal consumption, the Chinese consumes an average of 35 kg of meat, 12 kg of eggs and 6 kg of poultry. All of these numbers rank amongst the top of the world with egg consumption being the highest among all countries.

Meat Processing

Slaughterhouses began to establish in China during the 1970s, and with the rapid economic development in the past two decades, more and more meat processing facilities have sprung up across China. By 1994, there were more than 1,700 slaughtering factories and 350,000 staff in the sector. The total production capacity per shift reached 511,000 pigs, 16,000 cows and 800,000 chickens. Its processing plants can process up to 900 tons of meat per shift. This is very remarkable considering the fact that modern, commercial poultry breeding did not start until the mid 70s in China.

The majority of the meats are sold in outdoor markets, also known as wet markets, after being slaughtered and only 10% of the total meat output is processed, with most of them being minced or fillings for sausages. Some meats are also canned and exported to East European countries. The low output is caused by the lack of meat processing equipment, most of which are imported from European Countries and the United States. State officials have encouraged foreign companies to bring new and efficient meat processing technologies into China through funding. They hope that by the end of this century, processed meats will account for 20% of the total meat output. There is no grading system for meats slaughtered in China, which makes it somewhat difficult for consumers to determine the quality of the meats that they are purchasing.

Meat & Poultry Production in China
(in million tons)



Import and Export

With the growth of China's meat production, it has began to export some of its surplus. China's exports reached US \$100 billion in 1995 with Japan as the biggest importers of Chinese meat, with pork in particular. Meat imports reached US \$61 billion in the same year with the United States as the biggest exporter to China, with the majority being poultry and processed meat products.

Import Regulations

The following procedures must be followed when importing meats into China:

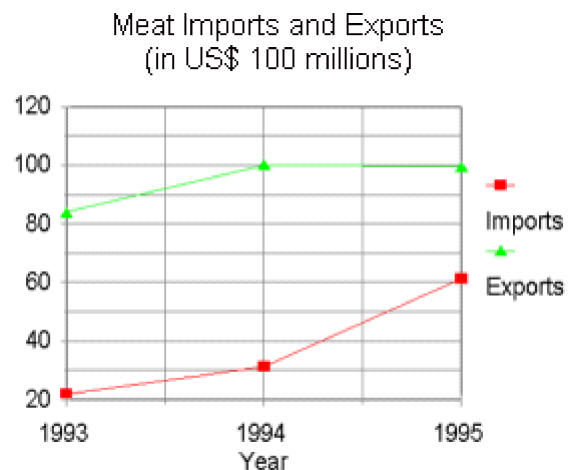
1) China Animal and Plant Quarantine officials inspect the relevant meat processing plant to provide approval for export of products to China. The procedure may be waived for smaller amounts of imports.

2) Prior to Chinese customs clearance, the following bureaus have to inspect all products at its port of entry:

a) China Commodity Inspection Bureau checks products for quality, weight and quantity;

b) China Animal and Plant Quarantine inspection is concerned with health and sanitation of the imported meats;

c) Health Inspection Bureau will test for pesticides, antibiotics, or any other visible and non-visible problems.



3) Once all inspections have been cleared, red meat products will pass through Chinese Customs where the CIF (cost + insurance + freight) is subject to a 50% tariff. As for poultry, imported live birds are subjected to a 35%, while a 45% tariff is placed on frozen poultry. In addition to the import tariff, there is also 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.

Due to the high tariffs, many importers will try to evade them by shipping their goods to Hong Kong, then smuggle the products into mainland China. This method is used very often in order to reduce costs but due to concern for the meat's freshness and inland infrastructure, these smuggled goods are only sold in cities that are close to Hong Kong, such as Guangdong and Shenzhen.

Needs within the Industry

With the increase in the amount of processed meats, foreign equipment and technology is needed to increase the volume, quality and efficiency in meat processing. China needs machinery such as meat mincers, cutters and mixers, salt injectors and smoking ovens for meat processing. Also needed is the technology for packaging and freezing meats, such as vacuum packaging. It is estimated that 50% of the separated meats and 80% pig by products must be packed in major cities.

As far as funding for importing these equipments, the state has allocated funds to subsidize equipment imports. Bank loans and self-collected capital from the enterprises has also contributed to the funding. These projects are particularly encouraged in the east region of China as they have the greatest demand for packaged and frozen meat products.

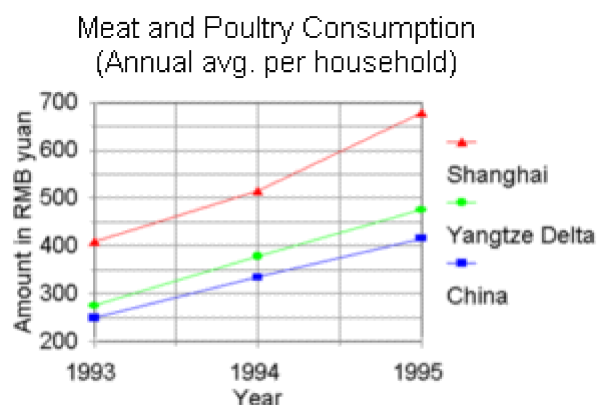
Competitors in the Meat and Poultry Industry

Several meat processors from the United States have entered the China market as a joint venture with local Chinese companies. They have set up meat processing plants in places such as Shandong province and outside of Shanghai. These joint ventures intend to set up a network of processing plants across China to satisfy the growing demand for packaged/processed meat products.

Investors from Singapore and Denmark have imported modern pork production technologies to China through joint ventures, while China has invested heavily in the Australian beef industry. Its CITIC is Australia's second largest meat exporter. Also Tyson foods of U.S. has become a major player in China's poultry industry with its joint venture in China.

Consumer Behaviour and Market Trends

On average, 41% of Chinese people's expenditure is spent on food, more than any other items. When it comes to red meat, pork is the heavily-favoured choice over beef as it accounts for 70% of the total meat production in 1995. According to survey, the trend is due to the lack of knowledge in beef among Chinese people. They know very little about preparing beef and most of them prefer to consume beef in restaurants. The Chinese also prefer the dark meat (e.g., wings, legs) over the white meat for poultry, which is gaining popularity as people become aware of a more healthy diet and begin to seek more varieties. There is a strong consumer preference for poultry of the native breeds with a special interest in deep yellow skin pigmentation. Depth of Shank colour is perceived as a good indicator of the chicken's health.



As the wages continue to rise, the Chinese will look for better quality products with a greater variety, especially with western-style meat products. Consumers will also look for healthier products, with less fat, cholesterol and sodium. In big cities, there will be an increasing demand for frozen, convenient, fast-food type meat products as people's lifestyle changes. Also, with young people's preference to shop in western-style supermarkets over the traditional wet markets, demand will increase for packaged and frozen meats as supermarkets will gradually take over the role held by the traditional wet markets.

Conclusion

With a population of 1.2 billion and an inadequate supply of meats, China is certainly a marketplace that's worth exploring. Extensive research, adaptation to the local's taste and style would give companies a definite advantage over its competitors. Due to the lack of central grading system for slaughtered meat in China, consumer education through advertising will be necessary to educate consumers about the importance of quality products.

In addition, foreign companies should consider producing locally in the form of joint ventures with local companies in order to avoid the high tariffs that are placed on imported products. As well, local production will keep the prices at a competitive level, as most people in China are really price-sensitive shoppers.

MEAT AND POULTRY IMPORTERS IN YANGTZE DELTA CHINA

The following (1-6) are the largest meat and poultry importers at provincial level. They are all state-owned trading companies which covers their own geographic regions with license and quotas.

1. China National Cereals, Oils & Foodstuffs Import & Export Corporation Shanghai
Foodstuffs Branch
26 Zhong Shan Dong 1 Lu Shanghai 200002
Tel: (021) 6321-6233
Fax: (021) 6329-1730
2. Jiangsu Provincial Cereals, Oils & Foodstuffs Import & Export (Group) Corporation
528 Tai Ping Nan Lu
Nanjing 210001 Jiangsu Province
Tel: (025) 220-2999
Fax: (025) 220-1906
3. Zhejiang Provincial Cereals, Oils & Foodstuffs Import & Export Co., Ltd.
102 Feng Qi Lu
Hangzhou 310006 Zhejiang Province
Tel: (0571) 515-7532
Fax: (0571) 515-2514

4. Jiangxi Provincial Cereals, Oils & Foodstuffs Import & Export Corporation
60 Zhan Qian Lu
Nanchang 330002 Jiangxi Province
Tel: (0791) 622-3237
Fax: (0791) 622-3843
5. Anhui Provincial Cereals, Oils & Foodstuffs Import & Export (Group) Corporation
Jin Zhai Lu Hefei 230061 Anhui Province
Tel: (0551) 265-1227 or 265-5534
Fax: (0551) 265-2831
6. Zhejiang Province Cereals, Oils & Foodstuffs Import/Export Co., Ltd. Meat Branch
60 Mo Gan Shan Lu
Hangzhou 310005 Zhejiang Province
Tel: (0571) 882-9718
Fax: (0571) 883-1913
7. Shanghai Food (Group) Corporation
13th Floor, Youyou Yan Qiao Building
389 Pu Dain Lu, Pudong Shanghai 200010
Tel: (021) 5830-3730
Fax: (021) 5830-0915
8. The largest meat and poultry dealer in Shanghai, with many addiliated processing facilities.
Shanghai Friendship Foodstuffs Supply Corporation
501 Wu Zhong Dong Lu Shanghai 200233
Tel: (021) 6439-0764
Fax: (021) 6439-1307
9. A major supplier of poultry products to hotels, restaurants, supermarkets and chain stores.
Shanghai Xinjing Western Style Food Co., Ltd.
388 Long Wu Lu Shanghai 200232
Tel: (021) 6482-7811
Fax: (021) 6482-2094

Headquarters in Beijing, Xinjing is an active company in supplying meat and other food products to major international hotels in Shanghai and the East China region.

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Department of Foreign Affairs
and International Trade

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