# Feeding a billion mouths

**Though problems remain for meat processors and importers looking to do business in China, the market remains robust and set to grow and the country as a whole will remain a target market for the global meat industry**

By Paul French, Publishing and Marketing Director, Access Asia

Currently the growth in China's meat industry is being powered by two factors. Firstly, the growing demand for meat and meat products in this vast nation, and secondly, the greater access to the market being granted to foreign manufacturers and meat processors.

## Consumption trends

There is no doubt that meat consumption is growing rapidly, in value terms. China's meat market is the second largest sector in the country's entire retail food market, after vegetables (*Table 1*). Between 1996 and 2002, the total market for meat and processed meat products in China grew by 57.8%, though the rate of growth fluctuated considerably during that period. Overall yearly growth rates averaged 8.42%. For many years meat was considered somewhat of a luxury item in China but the last couple of decades of economic reform and growing consumer incomes have seen meat consumption rise steadily while the range of meat products has grown to include chilled meats, frozen meats and meat-based ready meals.

Though the market has become considerably more varied it is still the case that Chinese consumers traditionally prefer to buy their meat fresh on the day that they intend to use it from wet markets. Despite the rise of a supermarket culture in China's major cities, markets remain the primary purchasing point for most people. Traditions die hard in China, and so the fresh meat sector continues to dominate the market, accounting for RMB244 billion (US$29.5 billion) out of a total value of RMB265 billion (US$32 billion) in 2002. The remainder of the overall meats sector comprises frozen meats, which now represent the next largest sector of the market in value terms, and canned meats. Frozen meat's growing popularity stems in part from rising ownership rates of freezers in Chinese households, and in part from the improved production and distribution of frozen meats in the market. Chinese consumers seem to find frozen processed meat preferable to more traditional canned meat products – believing that frozen meat tastes more like fresh meat than does canned meat when cooked.

## Favourite meats

Pork is traditionally the mainstay meat of the Chinese meat diet, being far more prevalent – and popular - than mutton which is more common in northern China, where sheep herding is more prevalent, and beef, which is now becoming more popular following the introduction of western dining habits. However, second to pork is chicken. Poultry is particularly important and a well-established meat in the Chinese diet (*Table 2*). There is therefore a very long tradition of chicken as food in China – as well as duck and goose.

## WTO accession

With rising domestic consumption and demand for meat from both consumers and the processing industry the impact of China's accession to the WTO is expected to increase the opportunities for foreign livestock companies and processors. China's move towards full implementation of WTO required livestock tariff reductions is gradual. However, pork and poultry product imports are increasing and also bringing a competitive discipline to the domestic industry that did not exist before. The US-based Food and Agricultural Policy Research Institute estimates that pork and poultry imports will increase by more than 800 and 600 thousand metric tons, respectively, by 2010.

## Market access for foreigners

At present, the negotiations for greater access to China's meat market are continuing country by country. This year has seen a major breakthrough for the Australian meat industry in China, which has been awarded unrestricted access to China. Before the new agreement, exports of Australian beef, lamb, mutton and goatmeat to China had been restricted to the hotel trade, cooked or processed products or processing for re-export from China. Now Australia's Department of Agriculture, Fisheries and Forestry has reached an agreement with China's General Administration of Quality Supervision, Inspection and Quarantine, which Australians believe will result in significant growth in Australia's trade of red meat into China. For Australia at least the prospect of a billion new mouths is now attainable. The new protocols also mean that Australia can now export chilled meat and genetic material into China under the usual WTO science-based quarantine rules.

Of course, other countries, not least the USA, want to get into China's meat market in a big way. Some foreign companies have made inroads, for instance Hormel, Purdue and Tyson of the US as well as Reinhard Annuss Fleisch of Germany. Currently, China restricts the importing of many meat products by a quota system, a non-tariff barrier to import, and by utilising a network of government selected accredited importers. Only these few importers are eligible to bring products into China. The precondition for a trader to become an accredited importer is the trader having the import and export rights (authority). China issued a list of 72 accredited importers of poultry products for all of China for 2002, most of which are based in southern China's Guangdong Province on the border with Hong Kong. Hence Guangdong is the major entry route for importing meat products, and in particular poultry, to China. The number of accredited importers has actually been reduced in recent years due to some of the imported products were found contaminated by *E. coli H7:O157*. Virtually all of the importers are state-owned enterprises or closely connected with the Chinese Government. Only a few private companies are accredited importers.

Photo: Meat International.

*Despite the rise of a supermarket culture in China's major cities, Chinese consumers traditionally prefer to buy their meat fresh on the day that they intend to use it from wet markets.*

**Table 1. Sales of meat as a proportion of total food sales in China, 1996-2002 RMB billion (1RMB=0.12US$), current prices**

| | Meat | Total food | % Meat |
|---|---|---|---|
| 1996 | 167.88 | 2,388.47 | 7.03 |
| 1997 | 183.56 | 2,629.47 | 6.98 |
| 1998 | 203.22 | 2,804.18 | 7.25 |
| 1999 | 207.68 | 2,992.81 | 6.94 |
| 2000 | 231.82 | 3,281.67 | 7.06 |
| 2001 | 250.56 | 3,545.09 | 7.07 |
| 2002 | 264.86 | 3,784.72 | 7.00 |

*Source: National Bureau of Statistics, trade associations, Access Asia*

## Changes within

In return, the Chinese are equally hoping to use WTO membership to boost their exports of meat and considerable efforts are being made to raise production quality and hygiene levels to international standards. So far China has found some niche export markets in labour-intensive meat products, such as deboned chicken cuts exported to Japan. Despite this, it is still the case that China's potential for meat exports is seri-

**Table 2. Percentage breakdown of value sales of meat products by sector in China, 1996-2002**

| % value | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|---|---|---|---|---|---|---|---|
| *Fresh meat* | | | | | | | |
| Pork | 61.57 | 60.92 | 60.87 | 59.94 | 59.75 | 59.46 | 59.04 |
| Poultry | 14.72 | 14.06 | 14.30 | 14.00 | 13.93 | 13.83 | 13.69 |
| Beef and Veal | 6.86 | 7.48 | 7.54 | 7.95 | 8.20 | 8.40 | 8.64 |
| Lamb, Mutton and Goat | 4.75 | 4.97 | 5.03 | 5.24 | 5.38 | 5.49 | 5.62 |
| Other Meat | 3.98 | 4.55 | 4.47 | 4.71 | 4.85 | 4.96 | 5.10 |
| Total fresh meat | 91.87 | 91.98 | 92.21 | 91.85 | 92.09 | 92.13 | 92.09 |
| *Canned meat* | | | | | | | |
| Total canned meat | 3.68 | 3.47 | 3.18 | 3.35 | 3.05 | 2.94 | 2.89 |
| *Frozen meat* | | | | | | | |
| Red meat | 2.48 | 2.51 | 2.53 | 2.65 | 2.68 | 2.72 | 2.78 |
| Poultry | 1.78 | 1.84 | 1.88 | 1.94 | 1.96 | 1.99 | 2.02 |
| Total frozen meat | 4.26 | 4.35 | 4.41 | 4.59 | 4.65 | 4.71 | 4.80 |
| *Chilled meat* | | | | | | | |
| Sausages & salamis | 0.09 | 0.09 | 0.09 | 0.09 | 0.09 | 0.09 | 0.09 |
| Cooked meat | 0.05 | 0.05 | 0.06 | 0.06 | 0.06 | 0.06 | 0.06 |
| Sliced meats | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | 0.05 | 0.05 |
| Meat snacks | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| Total chilled meat | 0.19 | 0.20 | 0.20 | 0.21 | 0.21 | 0.22 | 0.22 |
| ***TOTAL*** | ***100.00*** | ***100.00*** | ***100.00*** | ***100.00*** | ***100.00*** | ***100.00*** | ***100.00*** |

*Source: NBS, trade associations, Access Asia*

ously hampered by the traditionally low (by international standards) levels of sanitary conditions. In recent years China has reported outbreaks of foot-and-mouth disease, classical swine fever, Newcastle disease, and avian influenza, among other diseases. In 1998/99, the European Union banned poultry imports from China, and pesticide residue in meat is also a continuing concern.

Chinese meat processors and producers are looking to modernise the sector by raising funds on the domestic stock markets, reinvesting some of the profits they have earned from the boom in meat sales, and accessing international loans. Typical of this process is the recent US$22 million loan granted to northeast China's Huazheng Agricultural Development Company (HADC), one of China's largest pig breeders and pork producers, by the IFC, a private business unit of the World Bank Group. The loan will finance the purchasing of new pig breeding farms, the upgrading of slaughtering capacity and new processing facilities to produce ready-to-eat packaged meat.

Though problems remain for meat processors and importers looking to do business in China, the market remains robust and set to grow. The total market value for meat and meat products is forecast to grow by 20.32% to RMB323.3 billion (US$39 billion) by 2007 with total volume forecast to grow by 21.5% to 23.9 million tonnes by 2007 (*Figure 1*). Demand for chicken in the Chinese market will grow by around 3% in 2003, fuelled by low feed prices and an ongoing switch from pork to chicken by consumers while production of other poultry - primarily ducks and geese – will expand rapidly as consumers shift away from their traditionally heavy reliance on pork. It appears that China will remain a target market for the global meat industry. **MI**

*Access Asia is an independent provider of Asian market intelligence, and also offers consultancy and research services.* **MI**

**Figure1. Forecast total market for meat and meat products in China, 2003-2007**