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Market Access Secretariat
Global Analysis Report

Sector Trend Analysis

Inside China Beef Trade

February 2017

EXECUTIVE SUMMARY

The purpose of this report is to outline the size of the Chinese beef market, as well as the country's growth as a global importer. This report also provides some analysis of the main suppliers to China by outlining the main beef products provided by each competing country. Finally, this report includes regional analysis on the Chinese districts of entry for beef products.

CANADA'S PERFORMANCE

China continues to be Canada's second largest export market for agri-food and seafood products, and China's fourth supplier.

In May 2011, Canada gained back Chinese approval for the resumption of trade for boneless, frozen beef from cattle under thirty months of age. Since then and based on Chinese imports statistics, Canada gained 7.4% of Chinese bovine meat market with Chinese imports valued at C$228.0 million and ranked as China's sixth-largest supplier for beef and veal products in 2015.

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- An Overview of E-Commerce Trends in China
- Foodservice Profile - China
- Consumer Profile - China
- Sector Trend Analysis- Pork in China

CHINA'S BEEF PRODUCTION

China is a major player in the world beef industry in terms of production, consumption and, in recent years, trade.

The most current Food and Agriculture Organization of the United Nations (FAO) data, shows that domestic bovine numbers decreased by an average of 1.6% per year between 2000 and 2013, while the bovine heard renewal rate increased by 1.5% per year, up from 31% in 2000 to 46% in 2013.

Similarly, according to the same FAO data source, beef production also increased by an average of 1.8% per year over in the period (to make up 8% of total Chinese meat production), higher than the rate of growth of herd renewal due to increased beef yields (carcass weights, bone-in). However, average carcass weights in China are still low (139kgs) by western standard.

	2013	**Annual growth, 2000-13 (%)**
Bovine numbers	103.8 million	-1.6
Proportion of beef cattle (%)	66	N/A
Turnoff numbers (head)	48.3 million	1.5
Beef production (tonnes)	6.7 million	1.8
Formal beef imports (tonnes)	314 thousand	34
Turnoff rate (not accounting for trade) (%)	46	3.2
Average carcass weight domestic cattle (kg)	139kg	0.3

Source: *FAO 2016*

CHINA'S TRADE SUMMARY

Compared to the domestic sector, China has historically had a very small beef trade sector for both imports and exports. However, the volume of imports increased rapidly from 2010 to 2015 due to increased consumption and high domestic beef prices.

From a global perspective, the beef and veal products imports were valued at C$56.6 billion, and China was the fourth largest importer of beef and veal products in the world, importing over C$3.0 billion in 2015, an increase of 48.3% from 2014. The country mainly imports its beef and veal products from Australia who has an Free Trade Agreement (FTA) with China, with 33.7% of total imports, followed by Uruguay (22.2%), and New Zealand (15.2%).

China's main imports of beef and veal products from the world in 2015 included boneless, frozen beef (C$2.5 billion), frozen beef with bone (C$358.0 million), and frozen bovine edible offal (C$83.2 million).

In 2015, China also exported just over C$156.6 million in beef products worldwide, a decrease of 6.4% from the previous year. Most of these exports were of processed beef (C$98.6 million), frozen boneless beef (C$56.9 million), and salted or in brine beef (C$0.9 million). Top destinations included Hong Kong (36.3%), Japan (30.0%) and Kyrgyzstan (20.2%).

Top Beef and Veal Products (Meat) Suppliers to China by Value in C$ million, 2010-2015

Rank	Country	2010	2011	2012	2013	2014	2015
	World	106.92	111.40	280.11	1,374.58	1,488.11	3,083.05
1	Australia	40.16	58.55	141.83	773.83	725.14	1,038.55
2	Uruguay	26.03	33.08	60.25	306.59	380.04	683.37
3	New Zealand	7.41	10.96	27.98	165.73	214.58	468.66
4	Brazil	32.86	8.77	37.97	0.00	0.00	382.85
5	Argentina	0.19	0.00	1.04	44.38	92.66	263.67
6	Canada	0.01	0.00	11.02	83.04	65.37	228.05
7	Costa Rica	-	-	-	0.91	10.31	15.87
8	Chile	-	-	-	-	-	1.93
9	Taiwan	0.14	0.04	0.01	0.02	0.01	0.02
10	United States	0.00	0.00	0.00	-	0.00	0.02

Source: *Global Trade Tracker, 2016*

Top Beef and Veal Products (Meat) Suppliers to China by Metric Tonnes, 2010-2015

Country	2010	2011	2012	2013	2014	2015
World	32,858	26,725	70,575	314,437	317,119	494,946
Australia	9,121	11,011	31,513	163,995	141,885	162,173
Uruguay	9,533	10,029	18,488	79,630	99,833	135,114
New Zealand	2,754	3,338	8,181	37,040	42,007	72,968
Brazil	11,376	2,342	8,951			56,429
Argentina	16	0.0	220	9,220	16,983	42,688
Canada	-	-	3,216	24,387	14,724	23,125
Costa Rica	-	-	-	141	1,683	2,192
Chile	-	-	-	-	-	239.0
United States	-	-	-	-	-	2.0

Source: *Global Trade Tracker, 2016*

The medium to long-term demand for beef and veal products in China is predicted to be strong. China's beef imports have grown almost 15 fold in the past five years, from 32,858 tonnes in 2010 to 494,946 tonnes in 2015. The strength of imports reflects the growing imbalance between expanding consumption and domestic production that cannot fully meet the domestic demand. China's total beef and veal consumption reached around seven million tonnes in 2015 and is projected to increase to around eight million tonnes in 2020, according to Euromonitor.

SPENDING AND CONSUMPTION

Chinese consumer expenditure on meat was US$159.1 billion in 2015. Per capita spending on meat by Chinese consumers was US$116.3 in 2015, up from US$92.0 2011 and it is projected to reach US$160.0 in 2020, representing significant growth.

Market Sizes Historical Retail Value Sales of Fresh Beef and Veal, in US$ millions

Category	2011	2012	2013	2014	2015	*CAGR % 2011-15
Meat	123,422.8	136,600.7	143,966.3	151,889.3	159,121.5	6.6
Beef and Veal	12,413.1	13,423.0	14,383.0	15,452.9	16,534.9	7.4
Lamb, Mutton and Goat	7,645.3	8,266.8	8,647.8	9,078.7	9,501.2	5.6
Pork	90,621.3	100,637.6	105,937.7	111,539.9	116,502.2	6.5
Poultry	11,414.1	12,847.0	13,517.5	14,274.1	14,982.0	7.0
Other Meat	1,329.1	1,426.3	1,480.4	1,543.6	1,601.2	4.8

Market Sizes Forecast Retail Value Sales of Fresh Beef and Veal, in US$ millions

Category	2016	2017	2018	2019	2020	*CAGR % 2016-20
Meat	169,258.4	181,041.1	194,231.3	208,788.1	224,714.3	7.3
Beef and Veal	17,985.7	19,696.0	21,660.3	23,894.9	26,431.9	10.1
Lamb, Mutton and Goat	10,108.2	10,821.7	11,629.2	12,530.1	13,538.0	7.6
Pork	123,522.5	131,662.2	140,728.5	150,671.9	161,446.1	6.9
Poultry	15,954.8	17,072.7	18,310.8	19,662.2	21,130.2	7.3
Other Meat	1,687.2	1,788.5	1,902.5	2,029.0	2,168.1	6.5

Beef and veal product saw sales of US$16.5 billion representing 10.3% of total meat sales in 2015 and Euromonitor estimates that the retail sales will reach the US$26.4 billion in 2020. On the consumption side, beef and veal consumption also grew in 2015, reaching 3.9 kilograms per capita, compared to 3.3 kilograms registered in 2011, and it is projected to reach a 4.9 kilograms in 2020.

China, Per Capita Consumption of Beef and Veal product, Historic in Kilograms

Category	2011	2012	2013	2014	2015	*CAGR % 2011-15
Meat	43.8	44.0	46.3	47.6	48.3	2.9
Beef and Veal	3.3	3.5	3.6	3.8	3.9	4.0
Lamb, Mutton and Goat	2.3	2.2	2.4	2.4	2.5	5.3
Pork	28.5	28.3	29.8	30.5	31.2	3.0
Poultry	8.9	9.1	9.8	10.0	9.7	2.1
Other Meat	0.8	0.8	0.8	0.9	0.9	3.0

Source for all: *Euromonitor, 2016 *CAGR= Compound Annual Growth Rate*

China, Per Capita Consumption of Fresh Beef and Veal, Forecast in Kilograms

Category	2016	2017	2018	2019	2020	*CAGR % 2016-20
Meat	50.5	51.8	53.0	54.3	55.7	2.5
Beef and Veal	4.2	4.3	4.5	4.7	4.9	3.9
Lamb, Mutton and Goat	2.8	3.0	3.2	3.5	3.8	7.9
Pork	32.5	33.1	33.7	34.2	34.7	1.7
Poultry	10.1	10.4	10.7	11.1	11.4	3.1
Other Meat	0.9	0.9	0.9	0.9	0.9	0.0

Source: *Euromonitor, 2016 *CAGR= Compound Annual Growth Rate*

China, Market Sizes Historical Retail Volume Sales of Fresh Beef and Veal, in 000' Tonnes

Category	2011	2012	2013	2014	2015	*CAGR % 2011-15
Meat	29,958.4	31,402.0	32,204.4	33,077.7	33,904.6	3.1
Beef and Veal	1,568.5	1,602.3	1,671.9	1,750.1	1,834.1	4.0
Lamb, Mutton and Goat	1,040.4	1,062.7	1,082.5	1,107.3	1,135.0	2.2
Pork	22,901.6	24,025.9	24,628.2	25,264.3	25,845.4	3.1
Poultry	4,079.2	4,337.3	4,444.0	4,572.1	4,700.2	3.6
Other Meat	368.8	373.9	377.9	383.9	390.1	1.4

Source: *Euromonitor, 2016 *CAGR= Compound Annual Growth Rate*

Fuelled by a steadily growing middle-class and rising incomes, Chinese fresh beef and veal consumption, continues to grow steadily. Over the 2011-2015 period, volumes rose by 17.8% compared to 5% globally.

Beef and veal is expected to continue to lead volume growth in the forecast period 2016-2020 with a Compound Annual Growth Rate (CAGR) of 5.1%. The dismal growth in domestic herd and domestic production, imported meat, and beef in particular, are expected to see dynamic growth. In addition, the growing health concerns and the ever-growing number of middle-class consumers have increased demand which is likely to boost the import sales volume of beef, which have a good reputation due to their high nutritional value.

China, Market Sizes Forecast Retail Volume Sales of Fresh Beef and Veal, in 000' Tonnes

Category	2016	2017	2018	2019	2020	*CAGR % 2016-20
Meat	34,738.7	35,579.2	36,425.7	37,278.0	38,122.4	2.4
Beef and Veal	1,924.0	2,020.2	2,123.2	2,233.6	2,352.0	5.1
Lamb, Mutton and Goat	1,164.5	1,195.3	1,227.6	1,261.4	1,297.3	2.7
Pork	26,426.9	27,008.3	27,589.0	28,168.3	28,731.7	2.1
Poultry	4,827.1	4,952.6	5,076.4	5,198.2	5,317.8	2.4
Other Meat	396.4	402.9	409.6	416.5	423.7	1.7

Source: *Euromonitor, 2016 *CAGR= Compound Annual Growth Rate*

Euromonitor also notes that organic meat such as beef and veal increasingly popular in China. Chinese consumers are in great need of organic products, even at much higher prices due to the frequent food safety issues facing the pork sector. The price of organic beef can reach CNY80 per kilogram (around C$18.00). Even though the price is much higher of those other meats, supply still falls short of the demand.

CONSUMER FOODSERVICE IN CHINA

With one fifth of the world's population, China is the largest global market for fresh meat. Euromonitor reports that almost 50% of the meat consumed in China in 2015 was through foodservice and institutions establishments. In China, full-service restaurants are becoming increasingly central to social life, as smaller living spaces are leading consumers to entertain outside the home.

China is seeing the emergence of group buying in consumer foodservice catering. Group buying occurs when a company offers products and services at significantly reduced prices, on the condition that a minimum number of buyers are willing to purchase the same item. This trend began towards the end of 2010. Euromonitor credits the growing popularity of group buying in China to the rapid development of e-commerce platforms such as Alibaba.

Foodservice catering operators launched a combination of dishes with discounted prices that can be purchased through group buying e-commerce platforms. Currently, there are many group buying websites in China, similar to the popular North American services Groupon and Dealfind.

China, Market Sizes Historical Distribution of Meat in Foodservice and Institutional in '000' Tonnes

Categories	2011	2012	2013	2014	2015	% *CAGR 2010-15
Meat - Foodservice	17,125.3	17,440.1	18,049.3	18,515.0	19,137.0	2.7
Meat - Institutional	11,969.0	13,600.1	14,208.2	14,063.5	14,461.0	3.0

***Source**: Euromonitor, 2016 *CAGR= Compound Annual Growth Rate*

China, Market Sizes Historical Distribution of Meat in Retail, Foodservice and Institutional By Format in (%)

Category	2011	2012	2013	2014	2015
Retail	50.7	50.3	50	50.4	50.2
Foodservice	29	27.9	28	28.2	28.4
Institutional	20.3	21.8	22	21.4	21.4
Total	100	100	100	100	100

***Source**: Euromonitor, 2016*

The foodservice sector continues to be the dominant user of beef and veal products, as Chinese middle class consumers are less used to cooking beef compared to pork, and with busy lifestyles, they tend to choose beef over other proteins when they eat out.

Note: This foodservice section of the report was originally included in the Inside China Pork Trade prepared for participants in the FHC China show in November 2016. Please see the complete report on foodservice in china, which highlights the opportunities that the food and hospitality sector may hold for Canadian beef and Pork industries.

BY THE NUMBERS

In 2015, there were 10 different cuts and products imported into China. Major cuts by volume were frozen boneless beef (368,381 tonnes), frozen cuts with bone (98,111 tonnes), frozen edible offal excluding tongues and liver (20,112 tonnes). These major cuts accounted for approximately 98.4% (487,204 tonnes) of the total export volume of 494,948 tonnes.

China, Top Imported Beef Products by Volume in Tonnes

HS Code	Description	MT
Total	**Total Beef and Veal Products Imports**	**494,948**
020230	Frozen, boneless meat of bovine animals	368,981
020220	Frozen bovine cuts, with bone in	98,111
020629	Frozen edible bovine offal	20,112
020130	Fresh bovine meat, boneless	5,988
020621	Fresh with bone in	965
020120	Frozen edible bovine tongues	704
020210	Frozen bovine carcases and half-carcases	52
020622	Frozen edible bovine livers	34
160250	Prepared meat or offal of bovine animals	1
021020	Meat of bovine animals, salted, in brine, dried or smoked	<1

***Source**: Global Trade Tracker, 2016*

Australia is clearly the market leader in terms of beef, with a market share of 33.7 %. Australia's main competitors in this market are Uruguay, with 22.2% market share, and New Zealand with 15.2 % market share.

China, Imported Beef Products by Value in C$ and Top Suppliers

HS Code	Description	2015	Supplier #1	Supplier #2	Supplier #3
Total Beef and Veal Products Imports		**3,083,053,902**	**Australia (33.7%)**	**Uruguay (22.2%)**	**New Zealand (15.2%)**
020230	Frozen, boneless meat of bovine animals	2,571,877,888	Australia (32.2%)	Uruguay (20.2%)	New Zealand (15.0%)
020220	Frozen bovine cuts, with bone in	358,060,686	Australia (48.9%)	Uruguay (30.3%)	New Zealand (20.1%)
020629	Frozen edible bovine offal	83,240,207	Uruguay (60.3%)	Australia (26.6%)	New Zealand (11.7%)
020130	Fresh bovine meat, boneless	57,324,031	Australia (100%)	--	--
020120	Fresh with bone in	6,769,398	Australia (100%)	--	---
020621	Frozen edible bovine tongues	5,506,912	Uruguay (100%)	--	--
020210	Frozen bovine carcases and half-carcases	175,130	New Zealand (100%)	--	--
020622	Frozen edible bovine livers	66,508	Australia (70.5%)	Uruguay (29.5%)	--
160250	Prepared meat or offal of bovine animals	31,344	Taiwan (77.9%)	United States (10.8%)	Italy (7.2%)
021020	Meat of bovine animals, salted, in brine, dried or smoked	1,798	United Sates (100%)	--	--

***Source**: Global Trade Tracker, 2016*

According to Euromonitor, there is also increasing interest in shelf ready packed beef product, as Chinese consumers call for products with attributes such as ease of use, ease of storage and recyclability of packaging.

Supermarkets and hypermarkets are expanding rapidly, and led sales among various distribution channels, while internet retailing registered the fastest growth in 2015. Modern grocery outlets according to Euromonitor usually have a developed cold chain system and storage facilities, ensuring the storage conditions required for beef and veal products.

Sales of Processed Meat by Category: Value in US$, 2011-2015

Categories	2011	2012	2013	2014	2015	*CAGR % 2011-15
Total Processed red meat	9,083.5	9,553.4	10,556.3	10,253.6	10,032.5	2.9
Shelf stable processed red meat	5,145.8	5,372.2	5,970.0	5,679.6	5,473.0	1.6
Chilled processed red meat	3,350.1	3,561.2	3,913.7	3,837.5	3,756.4	2.9
Frozen processed red meat	587.6	620.0	672.6	736.5	803.1	8.1

Source*: Euromonitor, 2016 *CAGR= Compound Annual Growth Rate*

TOP CHINESE BEEF IMPORTS BY DISTRICT OF ENTRY

China, Imports of Beef and Veal Products from the World by Top 10 Districts of Entry, C$ million

Port of Entry	2011	2012	2013	2014	2015
Shanghai	32.9	73.4	316.1	407.6	1,114.9
Tianjin	36.3	105.1	486.8	580.6	1,006.3
Dalian	20.9	50.5	326.7	222.6	229.5
Qingdao	3.1	4.3	30.5	62.6	123.1
Shenzhen	11.5	16.7	31.4	40.0	122.6
Xiamen	0.3	4.0	8.8	16.8	77.4
Nanjing	1.4	5.8	60.4	61.7	71.3
Guangzhou	0.2	2.5	5.6	5.7	34.2
Ningbo	-	0.2	2.6	4.5	17.2
Shijiazhuang	1.9	3.4	2.3	1.9	11.3

Source*: Global Trade Tracker, 2016*

China, Imports of Beef and Veal Products from Canada by Top 10 Districts of Entry, C$

Port of Entry	2011	2012	2013	2014	2015
Nanjing	0	0	0	2,907,835	89,930,991
Tianjin	0	2,997,419	17,961,529	21,910,247	70,396,533
Dalian	0	6,351,230	63,943,869	32,933,628	40,369,362
Shenzhen	0	0	0	0	11,779,236
Guangzhou	0	0	611,165	6,582,158	5,594,764
Huangpu	0	1,067,157	0	0	3,075,770
Shanghai	853	670,340	270,866	1,068,993	735,591
Beijing	0	0	27,429	0	40,190
Nanning	0	0	0	103,708	0
Qingdao	0	0	0	76,101	0

Source*: Global Trade Tracker, 2016*

CONCLUSION

Chinese demand for food, and meat in particular, continues to rise both in quantity and quality, and with local beef supply constrained by land, feed, water and supply chain issues, China will continue to need to import a significant proportion of the beef it consumes.

Canadian beef is not new to China, but only in the last five years have imports from Canada sustained significant traction. Canada re-entered the market in 2011, but by the end of 2015, China's cumulative imports from Canada totaled over C$220 million, a testimony to the high quality product offered and the ever-growing opportunities offered by the Chinese market.

FOR MORE INFORMATION

International Trade Commissioners can provide Canadian industry with on-the-ground expertise regarding market potential, current conditions and local business contacts, and are an excellent point of contact for export advice.

- **Overview of Trade Commissioner Services in China**
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For additional information on Food and Hospitality China (FHC) 2016, please contact:

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RESOURCES

Euromonitor International, 2016. Meat in China in China.
Euromonitor International, 2016. China Country Profile
Euromonitor International, 2016. Consumer Shopper Types
Food and Agriculture Organization (FAO): China Agriculture Sector Profile
Global Trade Tracker, September 2016.

Sector Trade Analysis: Inside China Beef Trade
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