

THE BEEF MARKET IN CHINA

June 2020

AHDB

Market overview of China's beef market

China beef production

Meat consumption in China has increased rapidly in recent years, driven by improved living standards, higher disposable income and the rapid expansion of middle-income consumers. Beef is becoming more popular as people seek higher protein and low-fat alternatives for a healthier lifestyle and diet.

Despite efforts by the China Agricultural Department to produce more beef to meet domestic demand, production has failed to keep pace with rapid growth in consumption. Traditionally, cattle in China are used for draught (pulling carts or field work) and milk production; beef cattle farming is a relatively new sector for the country. Beef production has grown slowly, and development of the sector faces many challenges, including:

- Low breeding cattle inventory
- Lack of quality bovine genetics
- Higher feed and land costs
- A highly fragmented industry
- A long farming cycle, which is less attractive to investors
- Epidemic diseases and natural disasters in western pastoral areas affecting production

Major beef production regions

The National Beef and Lamb Development Plan (2013–2020), produced by the Ministry of Agriculture and Rural Affairs (MARA), set out development objectives for the sector. These include regional distribution according to available feed resources, farming basis/foundations and processing facilities, as well as regional advantages. The objectives aim to accelerate the development of beef production in three provinces in central China (Hebei, Shandong, Henan) and the Northeast (Heilongjiang, Jilin and Liaoning), together with the steady development of beef production in eight provinces in the West (Inner Mongolia, Sichuan, Yunnan, Tibet, Gansu, Qinghai, Ningxia and Xinjiang).

Henan, Shandong, Inner Mongolia and Hebei provinces are the largest producers of beef by volume followed by Jilin and Heilongjiang Provinces.

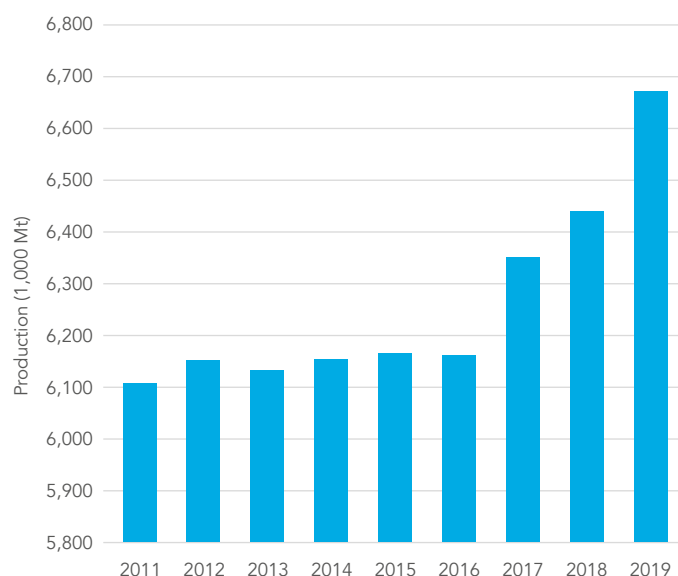


Figure 1. China beef production

Source: National Bureau of Statistics of the People's Republic of China (stats.gov.cn/tjsj/ndsj/2019/indexch.htm)



Figure 2. Major beef production regions

Leading beef cattle farming and processing companies

The beef industry is still dominated by small-scale farming operations. However, following years of continued effort and support from central and local governments, some larger cattle farming and processing companies have emerged in the major beef production regions.

Below are some of these well-known cattle farming and processing companies in China, which may help exporters to understand the Chinese beef industry.

Hebei Fucheng Wufeng Food Co. Ltd.

fucheng.net

- Established in 1998 in Hebei province
- Specialises in cattle farming, slaughtering and beef processing; also involved in dairy, animal feed and fertiliser business
- Owns a 20,000-head cattle farm, slaughterhouses killing 100,000 cattle and meat processing plants, with capacity of 20,000 tonnes per year

Inner Mongolia Kerchin Cattle Industry Co. Ltd.

kerchin.com

- Established in 1998 in Inner Mongolia
- Owns cattle farms and processing plants in Inner Mongolia and Henan provinces, slaughtering 300,000 cattle each year. Also produces 60,000 tonnes of chilled and frozen beef, and 8,000 tonnes of beef jerky

Haoyue Group

china-haoyue.com/en

- Established in 1998 in Jilin province
- Specialises in cattle farming and slaughtering, animal feed and leather production
- Slaughters 1 million cattle and 2 million sheep each year; supplies chilled and frozen beef, as well as cooked meat products

Henan Yisai Beef Co. Ltd.

hnyisai.com

- Established in 2001 in Henan province
- Specialises in cattle farming, slaughtering and meat processing
- Owns cattle farms in Henan province and Inner Mongolia, with total cattle of 300,000 head and processing plants with a capacity to produce 100,000 tonnes of cooked beef products

Shaanxi Qinbao Animal Husbandry Group

qinbao.com.cn

- Established in 2004 in Shaanxi province
- Specialises in cattle breeding and farming, slaughtering and meat processing
- Owns 300,000 beef cattle through working with local farmers in Shaanxi, Gansu and Ningxia

Hongdo Agriculture Group

hdnychina.com

- Established in 2009 in Chongqing province
- Specialises in cattle breeding and farming, cattle slaughtering and meat processing, as well as animal feed processing and cattle auctioning
- Owns farms in Chongqing, Henan and Inner Mongolia, producing 150,000 beef cattle per year. Also has slaughterhouses in Chongqing and Henan provinces, killing 200,000 cattle each year

Grand Farm Industrial Group

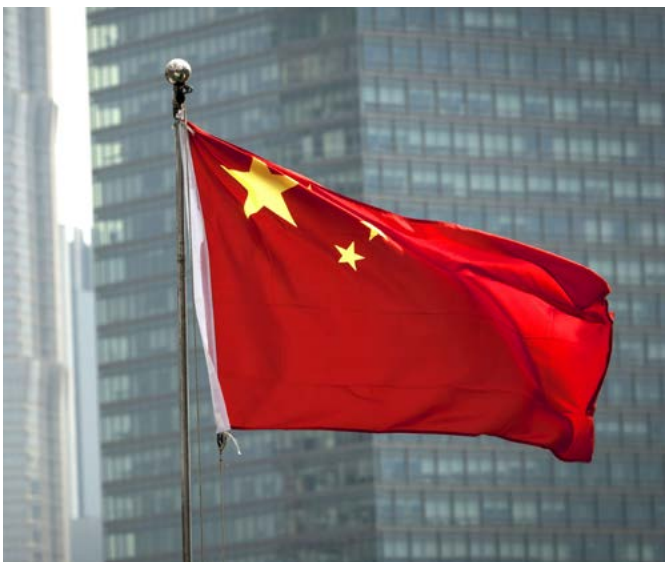
dazhuangyuan.com

- Established in 1982 in Heilongjiang province
- Specialises in cattle and sheep farming, import and export trade and further processing
- Owns farms in Heilongjiang and Inner Mongolia, farming 100,000 cattle and sheep per year. Also has a sheep slaughterhouse in Inner Mongolia and a further processing plant in Heilongjiang province

Unifood Industrial Group

unifoodindustrial.com

- Established in 2004 in Shandong province
- Specialises in importation of frozen beef, lamb, pork and poultry
- Owns joint ventures with Longda Group (a leading farming and processing company with headquarters in Shandong) in further processing and with local retail chains in distributing imported beef and lamb. Also has joint ventures with local restaurant chains in supplying imported products
- Supplies products directly to consumers through their own stores and WeChat platform



Beef import into China and distribution

Beef import volume

China's increasing demand for beef, coupled with slow growth in domestic beef production, has led to a sharp rise in beef prices and a surge in beef imports into the country. In the last 2–3 years, China has granted market access to about 20 countries for beef export, including Ireland, France, the USA and the UK.

Countries with market access to China:

2017 South Africa, Ireland, Ukraine, Lithuania, USA, Belarus

2018 Argentina, Kazakhstan, France, Netherlands, Iceland, Russia, Uruguay, Panama

2019 Bolivia, UK

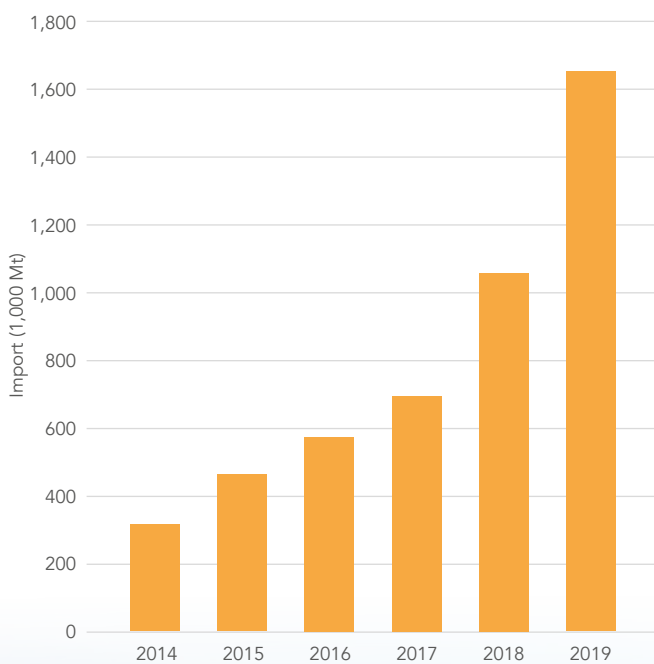


Figure 3. China beef imports

Source: National Bureau of Statistics

Most recently, China lifted the ban on Japanese beef. It is said that the Chinese Government will open up to more countries and simplify market access procedures at the same time, to allow better trade.

China imported 1.6 million tonnes of beef in 2019 and has become the biggest beef importer in the world. Brazil, Uruguay, Argentina and Australia are the top four suppliers to China, followed by New Zealand and Canada.

Importing countries

Country	2017	2018	2019
	Quantity (t)		
Brazil	197,565	322,693	399,642
Argentina	86,334	180,377	375,581
Australia	115,779	173,088	307,216
Uruguay	195,874	218,553	285,826
New Zealand	79,485	110,805	214,400
Chile	4,113	5,599	14,659
Costa Rica	3,754	5,410	11,749
Canada	8,977	8,178	9,997
USA	2,205	6,916	9,851
Ireland	0	738	6,991
Other	1,029	7,031	23,979
Total	695,115	1,039,388	1,659,891

Source: IHS Maritime & Trade – Global Trade Atlas®/China Customs

Further publication of the trade data is prohibited, unless expressly permitted by IHS Maritime & Trade



Distribution channels for imported beef

Imported beef is mostly consumed via food services, or is further processed into cooked meat products or hot pot rolls. Hot pot and barbecue restaurants are the market leaders in the foodservice sector and both have high demand for red meat. Because of their convenience, beef jerky and braised beef products are also increasingly popular among consumers, and manufacturers of these products consistently require large quantities of beef.

Wholesalers in the frozen market typically supply food services, while processors either buy from importers or import directly, depending on demand, the cuts required and prevailing prices.

Western restaurants and hotel chains are the main distribution channels for value cuts. Retailers, online and brick-and-mortar stores often have beef flank, shank, rib finger and steak as best-selling items in their portfolios.

Marketing and promotions

There are many different ways of promoting beef in the market, either at the country level or through individual exporters. Strategies include targeting media, importers and consumers, depending on products and market segments.

AHDB is planning an initial* launch into the market for British beef, starting with an embassy launch targeting government departments, trade associations, media and importers. Then, a series of roadshows will be organised in Tier 1 and Tier 2 cities across China, to demonstrate to chefs and purchasing managers from the foodservice sector how beef can be prepared and cooked, as well as giving a short presentation to explain the strengths and quality of British beef. These events will be livestreamed on various social media platforms. In-store promotions at premium grocery stores targeting end consumers will follow, to influence consumers' purchasing decisions.

Inward missions to the UK will be organised to bring Chinese customers to the UK, so they can see first-hand the high standards of farming and processing facilities. The inward mission will showcase the whole supply chain to demonstrate quality, standards and Government controls, providing reassurance for importers to purchase British beef. Inward missions can also help UK exporters and processors to understand requirements in China and build relationships.

*Launch plans are subject to COVID-19 travel restrictions and regulations. Launch plans may need to be changed to reflect these.



Consumer preferences and trends

Consumer attitudes towards imported products

During the last decade, food safety scandals in China have undermined consumers' confidence and trust in Chinese food production and Government controls. These have a considerable impact on consumers' purchasing decisions. Many people – especially affluent urban consumers in bigger cities – choose to buy imported products.

When purchasing imported products, quality, taste and whether the products are green/organic, are the most important factors affecting choice. Consumers can be easily persuaded by recommendations from family members and friends, supermarket promotions and media advertising; for example, chefs' recommendations on well-known health/food programmes, livestreaming and online videos on platforms such as Youku, Letv and iQiyi.

Main beef cuts imported into China

According to interviews with importers and our industry intelligence, the following cuts rank top in terms of volume for beef imported into China:

- Shin/shank – foodservice/household
- Trimmings – hotpot/further processing
- Brisket/flank – hotpot and fast food chains
- Shoulders – foodservice/further processing
- Knuckle – foodservice/further processing
- Chuck – foodservice/further processing



Beef cuts imported into China (from left to right): hind shin, brisket, chuck eye and knuckle

The graphic below, with import figures for September and October 2019, provides a good indication as to cuts imported in volume terms.

Product	Volumes MT		AVG CIF China – USD/KG			
	201910	201909	幅度	201910	201909	幅度
Shin/Shank	15,812	15,021	5%	6.22	6.2	0%
Brisket	10,399	10,487	-1%	5.63	5.69	-1%
Flank	6,798	5,893	15%	4.75	4.81	-1%
Shoulder	9,619	9,267	4%	5.31	5.31	0%
Trimming	9,432	9,563	-1%	3.44	3.47	-1%
Knuckle	6,534	6,660	-2%	5.84	5.81	1%
Neck	4,453	3,251	37%	5.35	5.18	3%
FFQ 80-90VL	9,344	7,347	27%	4.67	4.52	3%
Outside Flat	6,675	6,397	4%	5.7	5.65	1%
Chuck	6,071	4,963	22%	5.91	5.97	-1%
Strip loin	3,897	4,273	-9%	-	-	-
Rib Eye	3,073	2,738	12%	-	-	-
Rump	4,019	3,356	20%	5.79	5.67	2%
Eye Round	2,644	2,619	1%	6.64	6.57	1%

Source: MIG Presentation on Beef Import

Opportunities and challenges

Compared with developed markets, such as the UK and USA, beef consumption per capita is low in China. Therefore, looking ahead, there remains scope for the future growth of beef consumption in China.

As the leading meat in China, the share of total meat consumption attributed to pork has shrunk in recent years, accelerated by the African Swine Fever (ASF) outbreak. The first cases of ASF were reported in China in August 2018 and, as a result, the price of pork has risen sharply, particularly since summer 2019. It is said that pork production in China dropped by 30% in 2019. The shortage of pork supply is likely to remain because it will take 5–10 years for the industry to recover from the damage caused by ASF.

In 2019, a marked drop in pork consumption was noted, as pork was substituted for beef, lamb and poultry meat. This shift in consumption may continue as people become more familiar with ways of consuming other animal proteins – even if pork production and prices get back to pre-ASF levels.

With consumers' disposable incomes expected to continue increasing at a steady rate, more expensive alternatives, such as beef, will gain greater market share in the years to come.

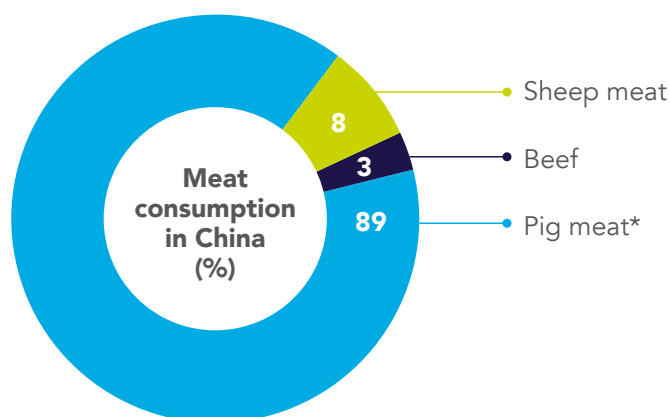


Figure 4. Meat consumption in China, 2017

*Includes processed meat and offal

Source: Global Trade Atlas®/China Customs, Uk Exports – HMRC, 2017



According to the Agriculture Outlook Report 2019–2028, which was produced by MARA early in 2019, beef consumption in China will continue to increase. Meanwhile, the growth of domestic beef production remains limited. The shortage of supply presents a great opportunity for beef exporters to China.

Challenges

Competition

The growing demand in China has attracted beef producers from around the world.

COVID-19

COVID-19 has changed the foodservice dynamic in China. Restaurants are now starting to open again, but Chinese people remain cautious about eating out.

Understanding the diversity of China

Be aware of the diversity of China: it is not a single market, but many small markets separated by geography, culture, tastes, demographics and dialects.

Marketing and building brand awareness

Marketing campaigns are key to maintaining market share. Some exporting countries, such as Uruguay, organise all-year-round beef promotional events in restaurants, or with TMall, one of the leading online retailers. Digital marketing tools, such as WeChat, are also used to get messages out to customers.

Educating and influencing Chinese consumers

Several supplying countries have established strong reputations for grain-fed beef. Educating consumers on the benefits of high-quality, grass-fed beef will be key to building a reputation for British beef.

Educational strategies may include:

- Consumer tastings
- Messages around the health benefits of omega-3
- Messages about welfare and image
- Social media

Chinese consumers, although looking for a healthier diet, show a preference for grain-fed over grass-fed beef. Grain-fed beef is perceived to be juicier, with a fuller flavour, and is normally distributed to high-end restaurants associated with higher price and quality. Using influencers to promote the benefits of grass-fed beef will be a key area of work for the UK sector.



Attending trade shows

AHDB recommends exporters to take part in professional trade events in China. Trade shows provide a good opportunity to understand the latest market information and to discuss directly with Chinese importers and customers.

AHDB will host a British meat pavilion at the following trade shows in China (subject to COVID-19 restrictions).

China International Meat Industry Exhibition (CIMIE)

Location: Qingdao

Dates: 10–12 September 2020

Website: cimie.com

- Annual show of the China Meat Association
- Meat-focused and attended by many of the importers and distributors within China



China International Food, Meat and Aquatic Products Exhibition (FMA)

Location: Guangzhou

Dates: 24–26 September 2020

Website: fmachine.cn/expo/en

- Important show to build contacts with inspection and quarantine authorities
- AHDB will have a small presence

SIAL China

Location: Shanghai

Dates: 28–30 September 2020

Website: sialchina.com

- Biggest meat show in China
- Over 120,000 visitors from importers, distributors and end users
- British meat dinner (depending on COVID-19 restrictions)
- AHDB host British meat pavilion

Food & Hospitality China (FHC)

Location: Shanghai

Dates: 10–12 November 2020

Website: fhcchina.com/en/

- Second largest food show in China
- Focus on imported products and foodservice
- AHDB will host a stand and shared area for meetings

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