Fact Sheet

U.S. Department of Agriculture
Foreign Agricultural Service
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Permanent Normal Trade Relations With China
What's at Stake for Beef?

China's successful entry into the World Trade Organization (WTO) will dramatically cut import barriers currently imposed on American agricultural products, including beef. The bilateral accession agreement China signed with the United States locks in lower tariffs, allows U.S. companies to more freely market and distribute products, and commits China to use sound scientific principles for technical sanitary import regulations. These and other concessions will expand our access to a market of over 1 billion people. China's economy is already among the world's largest and over the past 20 years has expanded at a phenomenal rate of nearly 10 percent per year. Incomes among many segments of the population are increasing rapidly, raising demand for high-quality U.S. beef.

However, Congress must grant China permanent normal trading relations (PNTR) status in order to guarantee that American agriculture benefits from the concessions the U.S. negotiated bilaterally under the WTO. Failure to grant China PNTR would mean that our Asian, European, and Latin American competitors would enjoy these benefits while American agriculture would lose out.

The Market

With current high import duties and technical barriers to trade, China has used artificial, non-market practices to limit imports. This practice means demand for high-quality beef is unmet and its growth restrained by the Government. In 1999, China produced 5.1 million tons of beef, but imported only 6,000 tons. About 30 percent of this imported beef came from the United States.

Although Chinese consumers increasingly demand higher quality beef cuts, the quality of domestically produced beef remains poor. Costs associated with devoting good land to produce the forage needed for quality beef cattle outweigh profits, leaving China's beef production largely a draft animal by-product. Domestic beef production is further hindered by limited processing capacity and an inability to supply large volumes of single cuts, especially sliced for traditional menu items such as "hot pot". Increased per capita beef consumption, a likely outcome of continued economic growth, will be satisfied by imported beef and beef variety meats.

The Opportunities

- If China joins the WTO, tariffs on beef will be phased down from 45 percent to 12 percent by 2004 and beef offal tariffs will be reduced from 20 percent to12 percent by 2004.

- U.S. companies will be able to more freely market, distribute, and provide sales services through China's liberalized distribution system, a primary commitment sought by U.S. agricultural exporters. China now generally prohibits companies from distributing imported products, an obstacle that will remain in place without PNTR. China's distribution commitment, phased in over three years, is comprehensive, covering commission agents services, wholesaling, retailing, franchising, sales away from a fixed location, as well as related subordinate activities such as inventory management.

- At nearly 10 pounds, China's per capita beef consumption is well below levels in other Asian markets, such as Japan (27 pounds) and South Korea (25 pounds). China's large urban population and strong economic growth present a substantial export opportunity especially when, as demonstrated elsewhere in Asia, there is a sustained market development effort.

- Significant market opportunities exist for U.S. beef in urban areas where overall per capita consumption has been growing by more than 8 percent annually since 1990. Beef consumed in restaurants or sold in supermarkets is rising rapidly at more than 5 percent annually over the same period.

- Beef exports to China will not face unfair technical sanitary barriers if China is a WTO member. WTO membership for China will mean its technical sanitary measures must be based on sound, scientific principles. In April 1999 China signed a separate bilateral agreement, the U.S. China Agricultural Cooperation, thereby lifting its virtual ban on imports of U.S. beef and beef products. Any future disagreements can be settled through the WTO's dispute resolution mechanism.

The Bottom Line for the U.S. Beef Industry

- As a result of WTO accession, U.S. export growth is expected to accelerate. Reduced tariffs, coupled with China's elimination of the ban on U.S. beef due to implementation of the Agreement on U.S.-China Agricultural Cooperation, will significantly improve market access for U.S. meat products.

- In 1998, exports accounted for just 9 percent of total U.S. beef production, but exports offer one of the best opportunities for growth. While domestic consumption has remained relatively stable over the last ten years, exports have increased an average 12 percent per year. New markets overseas will be crucial to the future viability of the U.S. beef industry.

- Exports of beef and of animal products add value to U.S. feed grain and oilseed production, principally corn and soybeans, which are inputs for cattle on feed.

- In 1998, U.S. red meat exports of $5.6 billion supported nearly $18.1 billion of total economic activity in agriculture and related industries. These exports contributed over 112,340 jobs to the nation. Beef accounted for about 70 percent of red meat exports. Texas, Nebraska, Kansas, and Colorado are the leading cattle-producing states. The rest of the economy gains from red meat exports through supplying inputs, export services, storage, transportation, insurance, finance, refrigeration, and other related services.