USDA

Fact Sheet

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Permanent Normal Trade Relations With China
What's at Stake for Pork?

Congress must grant China permanent normal trading relations (PNTR) status to guarantee that American agriculture benefits from the concessions that the United States negotiated bilaterally under the World Trade Organization (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

China is the world's largest producer and consumer of pork. This year, production is forecast at 40.5 million metric tons, and consumption at 40.5 million tons, both a 3-percent increase from 1999. In China, pork is the predominant source of meat protein. Per capita pork consumption in China is forecast at nearly 69 pounds in 2000, roughly the same as in the United States.

Although U.S. pork and variety meat exports to China were low in 1999 (4,085 tons valued at $4.65 million), U.S. exports also enter China as transshipments through Hong Kong. Over half of Hong Kong's pork and pork variety meat imports go to China. Hong Kong was the fourth largest market for U.S. pork and pork variety meat exports in 1999, taking 32,155 tons, valued at $32.3 million.

China's growing economy and urban middle class have increased demand for high-quality pork and interest in Western-style cuts. Variety meat opportunities are especially promising. U.S. pork is well-positioned to satisfy this growing market through direct sales due to recent improved market access and by continued shipments through Hong Kong.

The Opportunities

- Under the U.S.-China World Trade Organization (WTO) Bilateral Agreement last November China agreed to lower tariffs on frozen pork variety meats and pork muscle meats from 20 to 12 percent by 2004. Tariffs on frozen pork carcasses and fresh processed pork products will be set at 20 percent. These tariffs will not be phased in, however, until China accedes to the WTO.

- In April 1999, China signed a separate bilateral agreement on U.S.-China Agricultural Cooperation, thereby lifting its longstanding ban on imports of U.S. pork and pork products. As a result, the United States may export pork products accompanied by a certificate of wholesomeness from the U.S. Department of Agriculture's Food Safety Inspection Service.

- Several factors are slowing down the growth in China's pork output and will give the United States the opportunity to supply new demand. Eighty-five percent of China's hogs are produced on small family farms using traditional technology, which makes expansion difficult. Also, China's high population density hampers gains in commercial hog feeding efficiency due to the competition for arable land.

The Bottom Line for the U.S. Pork Industry

- Chinese consumers prefer pork over all other meats. With its rapidly expanding economy, growing middle class, and limited capacity to expand production, China will need to turn to imports to satisfy its increasing demand for pork.

- Granting permanent normal trade relations to China and China's accession to the WTO will benefit the whole supply chain, creating economic gains not only for U.S. pork producers, growers, exporters, and cooperatives, but also for companies involved in port handling, transportation, and storage.

- The U.S. pork industry has faced many difficulties recently. But in 1998, while exports accounted for just 6 percent of total U.S. pork production, they offered one of the best opportunities for growth.

- Exports of pork and of animal products add value to U.S. feed grain and oilseed production.

- In 1998, total processed 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. Pork accounted for about 23 percent of processed red meat exports. Iowa, North Carolina, Minnesota, and Illinois are the leading hog-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.