

Required Report: Required - Public Distribution

Date: March 06, 2023

Report Number: CH2023-0032

Report Name: Livestock and Products Semi-Annual

Country: China - People's Republic of

Post: Beijing

Report Category: Livestock and Products

Prepared By: Alexandra Baych, FAS China Staff

Approved By: Adam Branson

Report Highlights:

The People's Republic of China (PRC) decision to end its zero-COVID policy restrictions is expected to improve demand for both pork and beef products in 2023. However, Brazil's decision to suspend beef exports to China at the end of February following a suspected bovine spongiform encephalitis (BSE) detection could impact supply as alternative origin suppliers may not fully bridge the potential supply gap in 2023. Pork production and imports, and beef production are all forecast to grow in 2023. Hong Kong remains the PRC's primary export market for pork and beef.

EXECUTIVE SUMMARY

Hog Production: Hog production (pig crop) in 2023 is forecast to decline by 2 percent year on year (YOY) to 700 million head due to, on average, lower sow inventories in 2022 compared to 2021.

Hog Imports: Imports of live breeding swine in 2023 are forecast at 5,000 head due to large domestic sow inventories. In early 2023, the domestic sow inventory exceeded China's Ministry of Agriculture and Rural Affairs (MARA) targets. A large domestic sow inventory is expected to curb imports of breeding swine.

Pork Production: Pork production is estimated at 55.5 million metric tons (MMT) in 2023, a marginal increase. Producers are expected to respond to stronger consumer demand following the removal of domestic COVID restrictions (see **Pork Consumption** and **Policy Section** below). Further growth in pork production will be limited by the price of pork. In 2023, producers are expected to continue secondary fattening¹ when they expect prices to rise.

Pork Imports: In 2023, pork imports are expected higher by nearly 4 percent YOY to 2.2 MMT on stronger consumer demand following the end of COVID restrictions, but further growth will be curbed by higher domestic production.

Cattle Production: The cattle production forecast in 2023 remains unchanged at nearly 52.6 million head. Growth in the herd is expected to slow due to a marginal increase in the cow inventory in 2022 from 2021.

Cattle Imports: Cattle imports in 2023 are forecast to decline to 270 thousand head from 350 thousand in 2022 due to a large cattle inventory and supplier-initiated export prohibitions.

Beef Production: Beef production in 2023 is forecast to grow 3 percent to 7.4 MMT on stronger demand for beef products in the hotel, restaurant, institutions (HRI), and retail sectors following the end of domestic COVID restrictions.

Beef Imports: Beef imports in 2023 are forecast slightly lower at 3.4 MMT. In February 2023, Brazil self-suspended beef exports following the detection of a suspected BSE case. If the suspension endures and no other alternate origin suppliers materialize, beef prices could move higher and negatively impact beef consumption in 2023.

Policy: Since the last FAS China GAIN report covering the PRC pork and beef sector, the country has ended its COVID controls on imported cold chain products.

¹ Secondary fattening is the process of purchasing standard weight hogs for further fattening.

SWINE

Animal Numbers, Swine	2021		2022		2023	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	406500	406500	449220	449220	440000	452560
Sow Beginning Stocks	39500	39500	42000	42000	42000	43000
Production (Pig Crop)	655000	655000	695000	712510	700000	700000
Total Imports	23	23	5	5	5	5
Total Supply	1061523	1061523	1144225	1161735	1140005	1152565
Total Exports	881	881	1050	1066	1135	1300
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	600000	600000	695000	699950	695000	701500
Total Slaughter	600000	600000	695000	699950	695000	701500
Loss and Residual	11422	11422	8175	8159	7870	7805
Ending Inventories	449220	449220	440000	452560	436000	441960
Total Distribution	1061523	1061523	1144225	1161735	1140005	1152565
All Units in 1,000 Head						

Table 1. China: Swine Production, Supply, and Distribution
Not Official USDA Data

PRODUCTION

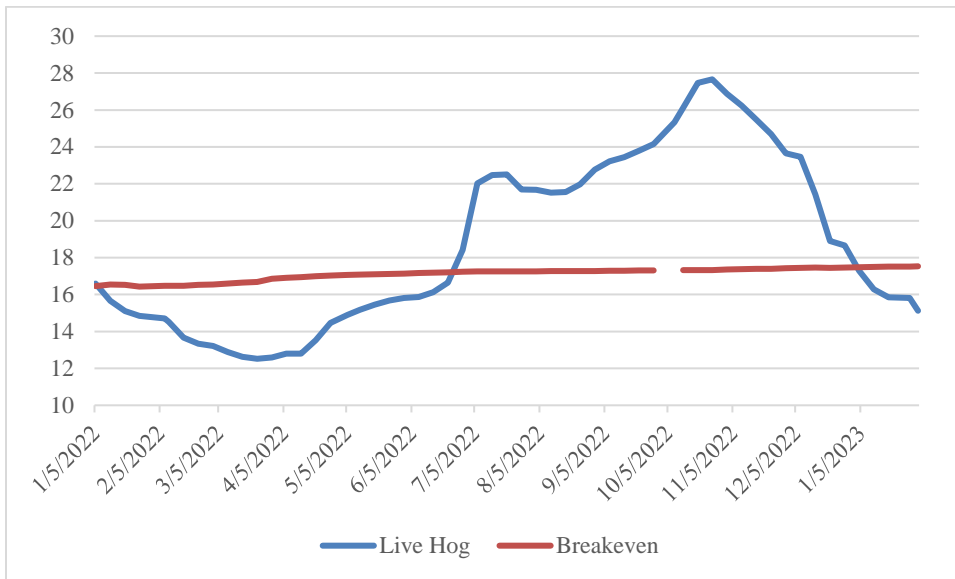
Hog Production to Slightly Decline

Hog production (pig crop) in 2023 is forecast to decline 2 percent to 700 million head due to a lower, on average, sow inventory in 2022 compared to 2021. In 2022, low hog and pork prices forced many producers to reduce their sow inventories due to financial difficulties. The sow inventory rebounded in late 2022 following a recovery in hog prices.²

Animal diseases, including African Swine Fever (ASF), are expected to be endemic, increasing production costs for the sector. However, the effect of ASF outbreaks on commercial production is limited as producers appear to have adjusted production practices to manage outbreaks.

² MARA estimates that the 2022 ending/2023 beginning sow stocks are around 44 million head. The ending/beginning inventory does not represent the whole-year level and is one of many factors impacting overall hog production.

Chart 1. China: National Average Live Hog Price (RMB/KG)



Source: MARA and industry sources.

Note: “Breakeven” refers to estimated cost of farrow-to-finish

TRADE

Hog imports

Live Hog Imports to Remain Unchanged from 2022

In 2023, hog imports are unchanged from 2022 at 5,000 head due to a large domestic sow herd. Significant herd expansion is not expected due to sufficient domestic supplies and government policies aimed at a stable sow inventory.³

In 2023, the major live hog suppliers are expected to remain the United States, France, and Denmark.

Hog exports

Live Hog Exports to Continue to Recover Rapidly

The live hog export forecast for 2023 is increased to 1.3 million head, 20 percent higher than last year (see **CHART 2**). Hong Kong and Macao are expected to remain the sole destinations for China’s live hog exports. Hong Kong in late 2022 and Macao in early 2023 eased border controls and policies for

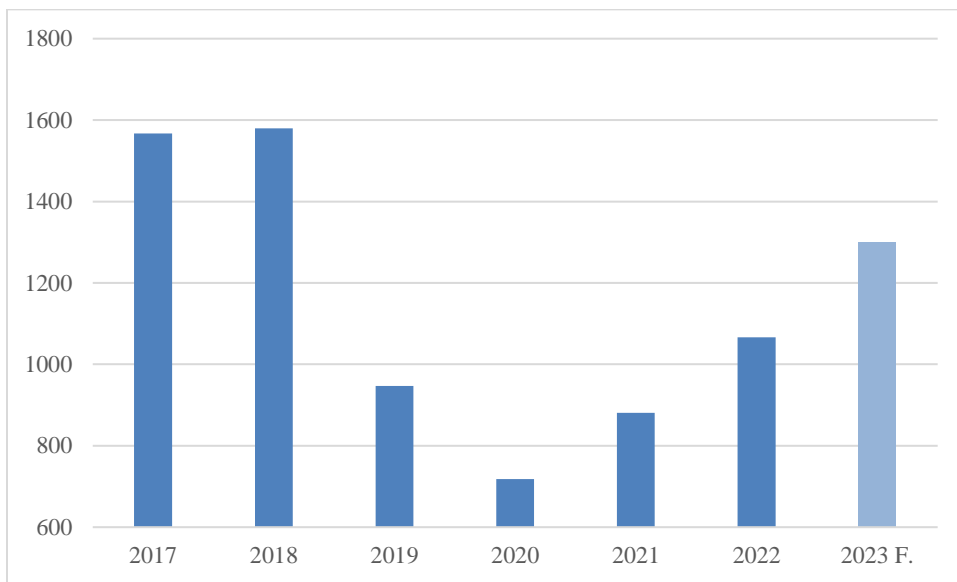
³ MARA has published notices stating its desired sow inventory is around 41 million head. In the beginning of 2023, MARA estimated the sow inventory at nearly 44 million head. The No. 1 Document - the PRC’s annual agricultural policy – reiterated that sow inventories should be consistent with MARA’s recommended levels.

international travel, which industry sources note is expected to boost pork consumption. Live hog exports are typically used for immediate slaughter and consumed as fresh pork.

In 2022, live hog exports to Hong Kong grew 21 percent growth and accounted for over 90 percent of China’s export volume. While exports to Hong Kong in 2023 are expected to grow, they remain below the pre-ASF and pre-COVID levels.

In February 2023, Hong Kong notified the World Organization for Animal Health of a case of ASF. Hog production in Hong Kong is limited and this notification is not expected to affect China’s live hog exports to Hong Kong.

Chart 2. China: Live Hog Exports (Unit: 1,000 Head)



Source: Trade Data Monitor