

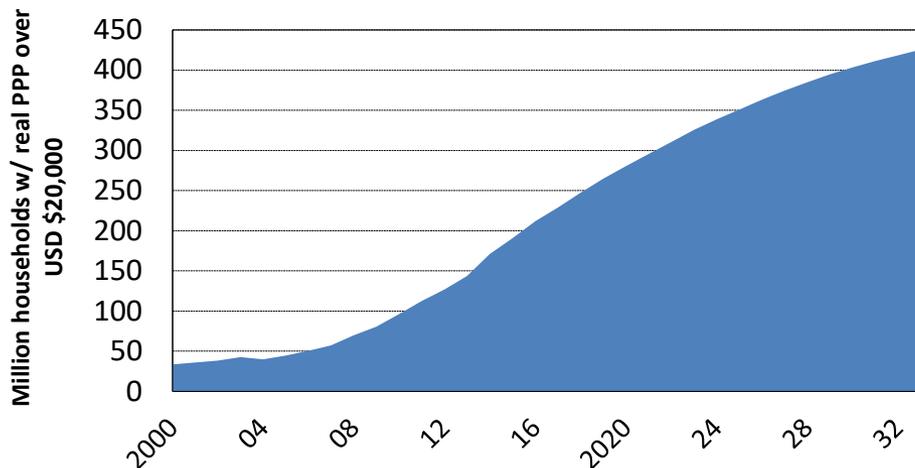


U.S. Exports to China: Challenges

**Michael Ward
Senior Agricultural Attaché
U.S. Embassy Beijing
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China's Importance as a Food and Ag Market Cannot be Overstated

China's Middle Class Growth (Projected to 2033)

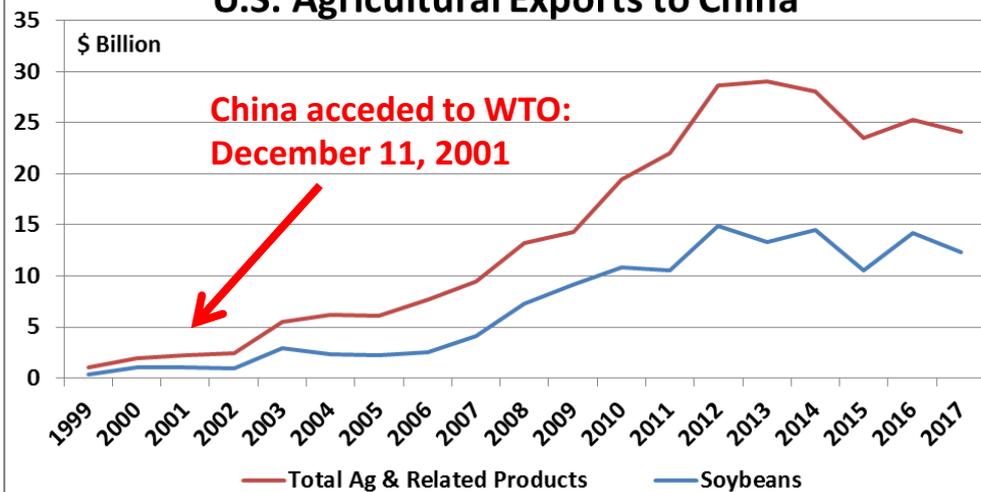


By 2033, $\frac{3}{4}$ of Chinese households will be considered middle class.

Food and agricultural imports are projected to grow by 11%, presently the U.S. captures about 11 % of total food and ag import share.

U.S. soybean exports averaged 50% of total U.S. ag and related product exports to China over the last 5 year period.

U.S. Agricultural Exports to China



Sources: U.S. Census Bureau Trade Data

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Top 10 U.S. Ag & Related Exports to China (Calendar Year 2017)

1. Soybeans (\$12.4 billion)
2. Forest Products (\$3.2 billion)
3. Fish Products (\$1.2 billion)
4. Cotton (\$976 million)
5. Hides & Skins (\$946 million)
6. Sorghum (\$835 million)
7. Pork & Pork Products (\$663 million)
8. Dairy Products (\$577 million)
9. Other Intermediate Products* (\$425 million)
10. Hay (\$340 million)

* Flavorings, proteins, food additives, saps, malt, starches, essential oils, yeasts, etc.

Source: U.S. Census Bureau Trade Data, USDA/GATS

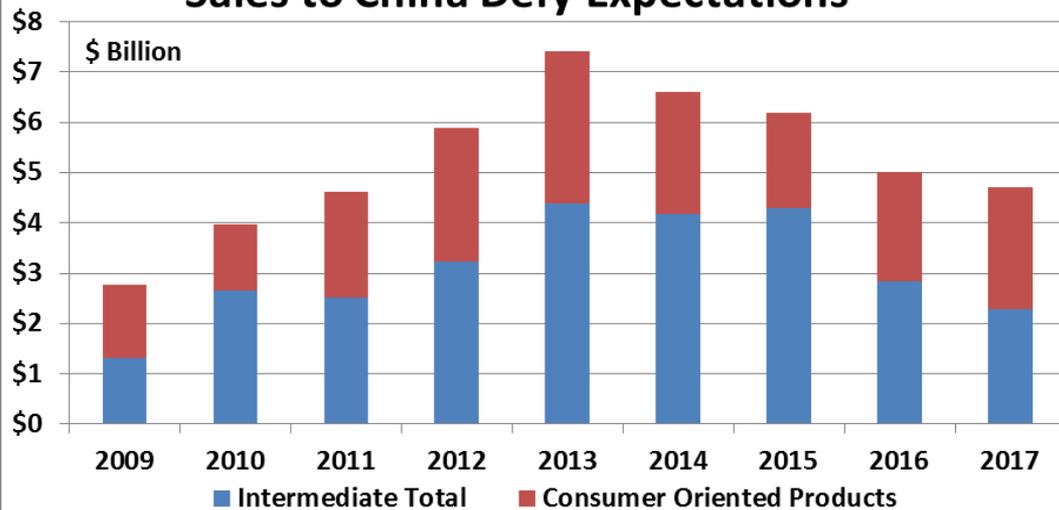
China is regularly the largest importer of U.S. agricultural products.

China is the largest export market for several key U.S. commodities. In 2016, China imports amounted to:

- **62% U.S. Soybean exports**
- **79% Sorghum**
- **49% Hides and Skins**
- **23% Distillers Grains**
- **34% Pork Offal**
- **25% Peanuts**
- **30% Whey**

Recent U.S. Export Growth Constrained

Sales to China Defy Expectations



Sources: U.S. Census Bureau Trade Data, GTIS/GTA

Broad product categories that should be exhibiting long term growth due to macroeconomic factors in China are not growing.

U.S. market share in these categories is also flagging.

Declines can be partially attributed to specific Chinese actions on DDGS (2016) and U.S. poultry (2015).

What explains the recent trend of constrained U.S. exports to China?

Four Factors Restraining U.S. Exports

1. China has negotiated a number of bilateral and regional free trade agreements.

17 Existing FTAs (including New Zealand, Australia, Korea, Chile, ASEAN, Switzerland)

8 FTAs currently under negotiation (including RCEP, Gulf States, Japan)

11 FTAs under consideration (including Canada, Panama, Peru)

2. Implementation of China's 2015 Food Safety Law has created a nebulous food regulatory environment and increased uncertainty to the trade.

Decree 145 – Facility Registration

Decree 117 – Grain Facility Registration

Decree 26 – Infant Formula Product Registration

Decree 118 – Feed Facility Registration

Decree 159 – Hides and Skins Facility Registration

Decree 183 – Live Seafood Facility Registration

Four Factors Restraining U.S. Exports

3. Existing regulations and policies provide enough uncertainty to discourage trade in processed food products.

4. Mercantilist transactional negotiations attempt to link agriculture trade policy to non-agriculture policy issues.

Future Strategies to Mitigate Further Declining Exports

- **Multilateralism**
- **Reinforce World Trade Organization Norms**
- **Utilize Trade Enforcement Tools**
- **Joint Implementation Plans**
- **Exporters Change their International Strategies**

USDA's Resources for Exporters

- **On-the-ground reporting: commodity and sector**
- **English Translation of Key Regulations**
- **Recruit, Organize, and Implement Chinese Buyers Missions to the United States**

THANK YOU

Michael Ward

Senior Agricultural Attaché

U.S. Embassy Beijing

Michael.ward@fas.usda.gov