U.S. Exports to China: Challenges

Michael Ward
Senior Agricultural Attaché
U.S. Embassy Beijing
February 23, 2018
China’s Importance as a Food and Ag Market Cannot be Overstated

By 2033, ¾ 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.

Sources: U.S. Census Bureau Trade Data
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

### 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
Recent U.S. Export Growth Constrained

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.

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

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)

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
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