

Agricultural Trade with China: The Opening of Beef Trade

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More than thirteen years after China banned imports of U.S. beef in December 2003, Chinese officials agreed to allow imports of U.S. beef, subject to stringent verification requirements. Since the first shipments in June 2017, export volumes have increased, although U.S. product still accounts for only a small share of China's global beef imports. This Executive Briefing on Trade (EBOT) is one of a series by the Agriculture and Fisheries Division in the Office of Industries, examining how U.S. agricultural exports to China have changed since the March 2011 USITC report "China's Agricultural Trade: Competitive Conditions and Effects on U.S. Exports" (publication no. 4219).

U.S. beef exports and BSE: Markets close, some reopen

China banned imports of U.S. beef in late 2003 after a dairy cow with bovine spongiform encephalopathy (BSE) was found in the U.S. herd. BSE is a fatal neurological disease of cattle. Consumption of tissues containing the infective agent, such as the spinal cord from a cow with BSE, has been associated with development of variant Creutzfeldt-Jakob Disease (vCJD), a fatal human disease.

Many other countries banned imports of U.S. beef following the discovery of BSE in the United States. Over the next several years, as U.S. producers and regulators took steps to reduce the risks of BSE spreading and causing infection, most major beef importers reopened their markets to U.S. beef, albeit with various restrictions. The United States was recognized by the World Organization for Animal Health (known by its French acronym, OIE) as a "controlled risk" country for BSE in 2007. In February 2013, the OIE recognized the United States as a negligible risk country, the lowest risk category. Some of the major BSE-related trade milestones are presented in table 1.

Table 1: Major U.S. beef export markets and BSE-related restrictions

Country	Date	Products allowed
Canada	December 2003	Boneless from cattle less than 30 months of age
Mexico	March 2004	Boneless from cattle less than 30 months of age
Mexico	February 2006	Boneless and bone-in from cattle less than 30 months of age
Canada	June 2006	All beef and beef products
Japan	July 2006 ^a	Beef from cattle no more than 20 months of age
Korea	June 2008 ^b	Beef from cattle less than 30 months of age
Japan	February 2013	Beef from cattle less than 30 months of age

^a Japan opened to beef from cattle no more than 20 months of age in December 2005, but imports were halted in January 2006 following some accidental shipments of bone-in products. Shipments resumed in July 2006 with 100 percent box inspection. In June 2007, the requirement for 100 percent box inspection was lifted.

^b Korea opened to boneless beef from cattle less than 30 months of age in September 2006, but discontinued imports in October 2007 after some shipments of banned products took place. A protocol negotiated in April 2008 allows beef from cattle of any age, but a separate private sector agreement limits imports to beef from cattle less than 30 months of age.

Source: Compiled by USITC staff.

Negotiations

In April 2006, China agreed to reopen to U.S. beef consistent with OIE guidelines. In June 2006, China unilaterally announced that it would restrict imports to boneless beef from cattle less than thirty months of age that were traceable to the farm of origin, contrary to OIE guidelines, and listed inspection and quarantine requirements. Because these were unilateral announcements, trade could not resume until China and the United States reached a consensus on a trade protocol. As a result, China remained closed to U.S. beef, even after the OIE recognition of the United States as a negligible risk country.

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The Chinese market remained closed to U.S. beef until June 2017, when U.S. and Chinese officials established a protocol that led to shipments resuming later that month. In 2017, exports were mostly of frozen cuts, but about 20 percent of exports by value (12 percent by volume) were of fresh beef cuts that have a substantially higher unit value. There were also small shipments of edible offal (also called beef variety meat or BVM).

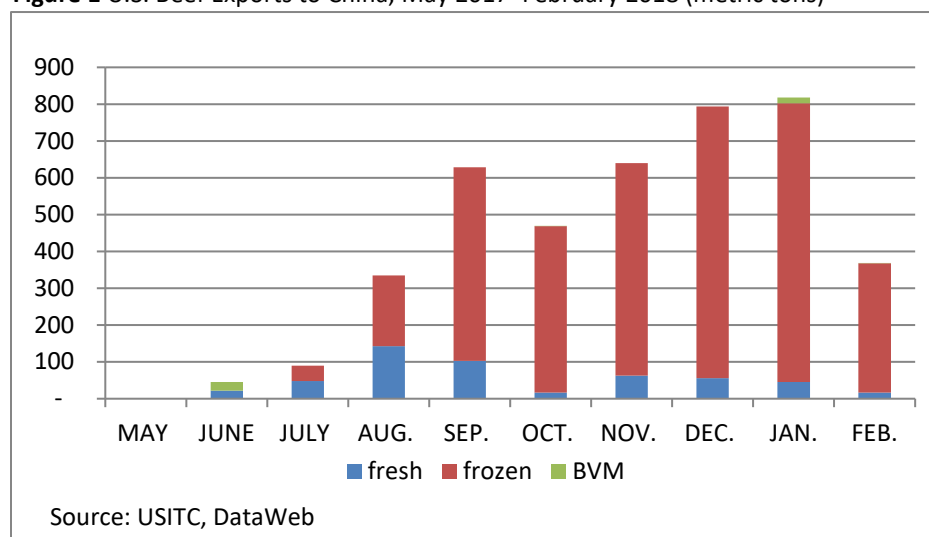
Stringent Requirements

The protocol, however, places stringent requirements for imports of beef from the United States. Beef must be produced through the USDA Process Verification Program or a USDA-approved Beef Export Verification Program for China. Requirements for beef exported to China specify that:

- Beef are from cattle raised in Canada, Mexico, or the United States;
- Cattle can be traced to the farm of birth in the United States or to the first place of residence or port of entry if imported from Canada or Mexico;
- Beef are from cattle no more than 30 months of age; and
- Beef are uniquely identified and controlled until the time of shipment.

China also bans the use of synthetic hormones and some feed ingredients that are commonly used in U.S. beef production, and applies duties of 12 percent on fresh and frozen beef, including BVM.

Figure 1 U.S. Beef Exports to China, May 2017–February 2018 (metric tons)



Shipment Volumes

U.S. beef shipments to China have increased rapidly since the first shipments in June 2017 (figure 1), but are still a very small share of China's total beef imports. Because of China's stringent requirements, imports from the United States are more likely to be of high-priced cuts. In general, prices for fresh beef cuts are higher

than prices for frozen beef cuts, while those for BVM are typically lower. Between June 2017 and February 2018, imports from the United States accounted for 5.4 percent of China's fresh beef imports, but only 0.3 percent of frozen beef imports and 0.1 percent of BVM imports.

The supply of U.S. beef that meets China's requirements is small, as few U.S. cattle and beef producers participate in one of the required programs. In 2003, China imported 45,833 mt of beef from the United States – 80 percent of its beef imports. In the second half of 2017, China imported 2,203 mt of beef from the United States – just 1 percent of its beef imports. U.S. beef exports to China in the second half of 2017 were 4 percent as large as exports to neighboring Hong Kong. This contributes to the higher prices for U.S. beef exports to China. However, if more U.S. producers begin to participate in an export program for China, prices would be expected to fall and export volumes increase.

Sources: USDA, Food Safety and Inspection Service, "Export Library–Requirements by Country," (various access dates); USITC DataWeb, accessed May 4, 2018; United States Trade Representative, "2007 Report to Congress on China's WTO Compliance," December 11, 2007.

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