



U.S. Department of Agriculture
Foreign Agricultural Service
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Permanent Normal Trade Relations With China
What's at Stake for Poultry?

Congress must grant China permanent normal trading relations (PNTR) status to guarantee that American agriculture benefits from the concessions 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

U.S. poultry meat exports to China and Hong Kong in 1999 were \$455 million, making this combined market the leading destination for U.S. exports. Of this amount, nearly 90 percent was shipped to Hong Kong, but an estimated two-thirds of U.S. poultry meat exports to Hong Kong are transshipped into China.

China is a world leader in poultry meat production, second only to the United States. It is also a growing presence in world poultry meat trade, as both an importer and exporter. China is an important market for such otherwise low demand products as U.S. chicken feet, paws, wings, and offal, and also for higher priced products such as chicken breasts and leg quarters, which are often deboned for re-export (mainly to Hong Kong and Japan). At the high and low ends of the price spectrum, China and Hong Kong are important markets for U.S. poultry products.

The Opportunities

- Under the U.S.-China WTO Bilateral Agreement concluded last November, China agreed to lower tariffs on poultry meat from 20 to 10 percent by 2004. These tariffs will not be phased in, however, until China accedes to the WTO.
- In April 1999, China signed the U.S.-China Agricultural Cooperation Agreement in which China agreed to lift its ban on U.S. poultry and to recognize the U.S. meat inspection system. This agreement is expected to help increase direct shipments of U.S. poultry meat to China.
- Although it has grown significantly in recent years, China's per capita consumption of poultry meat is only about 20 percent of that of the United States. Competitively priced U.S. poultry meat products are becoming more and more attractive to China's expanding middle class and value conscious consumers.

- Chicken meat is well accepted in the Chinese diet and consumers prefer many cuts that are of less demand in other markets such as feet, paws, wings, and offal, among others. The idiom “There is no banquet without chicken” testifies to the importance of chicken meat in the Chinese diet.
- China’s increased chicken consumption is due in part to the boom in U.S.-based fast-food establishments such as KFC and McDonald’s. These restaurants are developing tastes among Chinese consumers for chicken meat products that the United States will be well-positioned to supply directly now that we have full import access.
- Rapid growth in Chinese supermarket chains is also increasing opportunities for frozen chicken meat, ready-to-cook and ready-to-eat chicken cuts, and prepared/preserved poultry meats that the United States also will be able to provide.

The Bottom Line for the U.S. Poultry Industry

- The U.S. poultry industry has become increasingly reliant on export markets for dark meat and other lower value products that are produced in surplus as the industry has expanded to meet growing domestic demand for white meat.
- The U.S. poultry industry has long been concerned about its dependence on the Russian market, particularly for lower value products—a concern that proved well-founded in the wake of the 1998 ruble devaluation. Since then, China/Hong Kong has become the top U.S. poultry product market.
- Exports of poultry meat and of animal products add value to U.S. feed grain and oilseed production.
- In 1998, about 16 percent of U.S. poultry meat production was exported. The bottom line is that an important share of each U.S. producer’s income originates from export sales.
- Granting permanent normal trade relations to China and China’s accession to the WTO will benefit the whole supply chain, creating economic benefits not only for U.S. poultry producers, exporters, and cooperatives, but also for companies involved in port handling, transportation, and storage.
- In 1998 total poultry and processed poultry products exports of \$2.4 billion supported nearly \$7.7 billion of total economic activity in agriculture and related industries. These exports contributed over 53,450 jobs to leading broiler-producing states like Georgia, Arkansas, Alabama, and North Carolina, as well as to the rest of the nation. Other industries gain from poultry exports through supplying grains, oilseeds, other inputs, export services, storage, transportation, insurance, finance, refrigeration, and other related services.