The nation’s pork producers are looking to China to play a key role in increasing world-wide demand for U.S. pork. China, which is home to 20 percent of the world’s population, consumes more pork than any other country and offers a huge untapped marketing potential.

“Since the start of this year, we have been focused on bringing our new strategic plan to life,” said National Pork Board CEO Chris Hodges. “That means delivering programs that build consumer trust and drive sustainable production in order to grow consumer demand. In meetings with many pork producers, we have identified an untapped marketing opportunity with China.”

In recent months, China has faced a massive reduction in sow numbers, while U.S. pork production is at record levels.

“In short, we are producing more hogs today than ever before and it’s largely due to the fading impact of PEDV, which stifled growth in 2013 and 2014,” Hodges said.

“Increasing international trade is just one example of how the Pork Checkoff helps define and capitalize on current market opportunities,” he added. “We also are committed to investing $9 million to $10 million over the next two years in supplemental domestic and international marketing efforts.”

The investment will help build long-term export relationships and expand U.S. pork’s global market share.

“Our vision is to elevate U.S. pork as the global protein of choice, and our mission is to serve as a catalyst to unite pork producers,” Hodges said. “We hope producers see the benefit in understanding this unique marketing opportunity as we attempt to grow U.S. exports.”

So, Why China?

As the world’s No. 1 consumer of pork, China imports more pork than any other country. Looking back over the past four years, the United States has shipped, on average, four pounds of every market-weight hog to China.

U.S. shipments to China have slowed since early 2014 for a number of reasons. First, the large liquidation of sows in China has put extra pork on its domestic market, pushing Chinese pork prices lower. Second, the U.S. dollar has strengthened relative to competitors’ currencies, making U.S. product comparatively more expensive. Finally, China is restricting product from pigs produced with ractopamine and has “delisted” many U.S. pork plants due to positive ractopamine residue tests.

The delisted plants cannot ship pork to China until they are approved. The National Pork Producers Council, other meat organizations and the U.S. government are working with China to get them relisted on China’s list of approved exporting facilities.

“With the recent restrictions on ractopamine, U.S. pork exports to China have slowed dramatically,” Hodges said. “Ractopamine is a safe, commonly used tool in many parts of the world, and nearly all of the countries that import U.S. pork accept its use. However, it is not recognized by China despite safety approval by both the U.S. Food and Drug

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Administration and, on a worldwide basis, Codex, an international body that sets standards."

Few U.S. packers are able to guarantee delivery of ractopamine-free pork and, as a result, the European Union (EU), Canada and Brazil are benefiting from increased exports to China, according to Steve Meyer, vice president of pork analysis for Express Markets, Inc. Analytics and a Pork Checkoff consultant.

“To be clear, ractopamine is an effective product that is safe, but a major U.S. pork customer – that could become a huge customer – has said ‘no thanks’ to product that contains ractopamine,” Meyer said.

Hodges said that this presents an opportunity for the U.S. pork industry to increase exports by making pork producers and packers aware – and securing the commitment – of some in our industry to adjust production practices.

“Some are concerned that removing ractopamine would not help gain market access in China, but this obstacle has become critical,” Hodges said. “It is the consensus of the Pork Board that producers who are interested in and able to adjust their production should consider working directly with their packer to take advantage of this opportunity.”

Iowa State University economist Dermot Hayes, an expert on China’s economy, views China’s demand as the single largest market opportunity for U.S. pork producers. “If China increased imports of pork from the U.S. by just 1 percent of its consumption, it would equal a staggering 5 percent of total U.S. production,” Hayes said.

The EU’s market share is around 65 percent of China’s pork imports, which is directly at the expense of the U.S. “Action by U.S. producers and aggressive steps by the USDA’s Food Safety and Inspection Service to work with U.S. exporters to expand the list of approved providers of U.S. pork could reverse this trend,” Hodges said.

Why Is This Important Now?

- China has ended its “gray market” trade of product from ractopamine-fed pigs through Hong Kong, and China may never remove the ractopamine ban due to broader safety issues in its food supply.
- U.S. feed prices have decreased, thus reducing the value of ractopamine use.
- The gain in pork cutout value from access to the China market could outweigh, for some producers, the profits gained from using ractopamine.
- The U.S. pork industry set a goal in the National Pork Board’s five-year strategic plan to increase exports by 9 percent each year (from a 2014 baseline, additive and not compounded) through 2020. Achieving the goal would put exports at nearly 7 billion pounds in 2020.
- The U.S. Meat Export Federation projects that given current market access and share conditions and without the China market, U.S. pork exports will not reach the strategic plan goal.

Opportunity and Access

Trends in China:
- Migration to urban areas
- Increasing disposable income
- Growing modern retail segment

Pork Production in China:
- Self-sufficiency is projected to be over 90 percent in 2020.
- But, producers face challenges, such as scarcity of arable land, high feed costs, pollution, water and disease issues.
- Sow numbers and, consequently, production have declined.
The Economics of Access to China

A 2014 detailed market assessment analysis done by the SIAM Group for the Pork Checkoff identified China as the No. 1 market opportunity for pork exports through 2025. The U.S. Meat Export Federation also has identified China as the No. 1 market opportunity for exports of U.S. pork.

The current return to producers from the use of ractopamine varies, depending on feed and other input costs. A Kansas State University calculator tool (asi.k-state.edu/species/swine/research-and-extension/calculators.html) is available for producers to use and shows the benefit for an individual operation. Producers should evaluate this benefit compared with the benefit of exporting more pork to the China market.

Iowa State University Economist Dermot Hayes calculates:

- If the U.S. were to provide China with ractopamine-free pork in 2015, exports to China would be 240,000 metric tons (529 million lbs.) of muscle cuts and 410,000 metric tons (903 million lbs.) of variety meats/by-products.
- If the U.S. were to provide China with ractopamine-free pork, total exports to China by 2020 – at a 35 percent share of imports – could grow to 1.225 million metric tons (2.7 billion lbs.) of muscle meats and 816,000 metric tons (1.8 billion lbs.) of variety meats/by-products.
- A 1,000 metric ton change in direct monthly exports of pork/pork variety meats to China historically has been associated with a $0.55/cwt change in live hog values for the month. (The impact of exports to all countries is about $0.30/cwt, with the difference being variety meat exports.) So, a 12,000 metric ton increase in annual direct exports to China would likely increase live hog values by $1.10 per animal for that year.
- Total exports to China have fallen by 10,000 metric tons per month since the change in Chinese access. This would indicate a reduction in live hog values of $5.50/cwt or $11/head.
- Without ractopamine restrictions, a 120,000 metric ton annual increase is possible, indicating an $11/head increase in live hog value.
Inside: China offers increased export opportunities to U.S. pork industry.

China by the Numbers Shows Potential

A quick look at the numbers shows why protecting and increasing sales of U.S. pork to China is so important to America’s pork producers, according to Brian Zimmerman, chair of the Pork Checkoff’s International Trade Committee.

“With one-fifth of the world’s population calling China home, it’s no surprise that the United States ships an average of four pounds of every market-weight hog to China,” Zimmerman said. “China is the No. 1 consumer of pork, and we have only just begun to tap into the large marketing opportunities that it offers.”

Changes in China’s consumer landscape are helping to fuel demand for pork, the Beatrice, Nebraska, producer said.

“China’s growing middle class and increasing urbanization will only translate to a need for more high-quality pork to be purchased,” Zimmerman said. “The United States stands ready to fulfill that need if the proper steps are put into place now.”

Iowa State University economist Dermot Hayes is an expert on China’s economy. According to Hayes, an increase of U.S. pork exports to China of just 1 percent of the country’s consumption would equal 5 percent of total U.S. production.

“That’s an impressive number,” Zimmerman said. “With all of the possibilities China offers, it’s important that we all take a look at ways to market more pork there.”

The Pork Checkoff supports U.S. pork promotions in China and other key markets in partnership with the U.S. Meat Export Federation. The Checkoff also supports the American Pork Export Trading Company (APEX), which conducts market and economic research. APEX works closely with the National Pork Producers Council to tackle global access challenges for U.S. pork.

“When it comes to marketing our products today, we need to think beyond our borders,” Zimmerman said. “The return on our investment should be excellent.”