



# China's Meat Sector

**Bord Bia**

**November 15, 2022**

Richard Herzfelder

[www.girafood.com](http://www.girafood.com)

# Political & Economic Background

---

# Xi Jinping 不忘初心，牢记使命

*The goal: make China great again*



*Party Chairman Xi Jinping speaks at the site of the 1945 Party Congress in Yanan*

- ✔ Xi in charge, no doubts allowed
- ✔ Under the leadership of the Party, all Chinese must struggle to achieve the great goal of “rejuvenating the Chinese people”
- ✔ Economic growth is no longer the No. 1 priority, meaning consumption growth will slow
- ✔ In the long run, the themes of self-sufficiency and food security will affect the meat and feed sectors most directly

# Mitigating the damage

*Looking for ways to reduce the impact of “Zero Covid”*



*Even a park bench is locked down in Chengdu, capital of Sichuan Province*

- ✔ The Party is finally showing some concern about the economic impact Covid
- ✔ Twenty new measures have been announced, but not clear when they will go into effect
- ✔ *The key will be the bureaucratic incentives – will an outbreak in your city still destroy your career?*

# General Protein

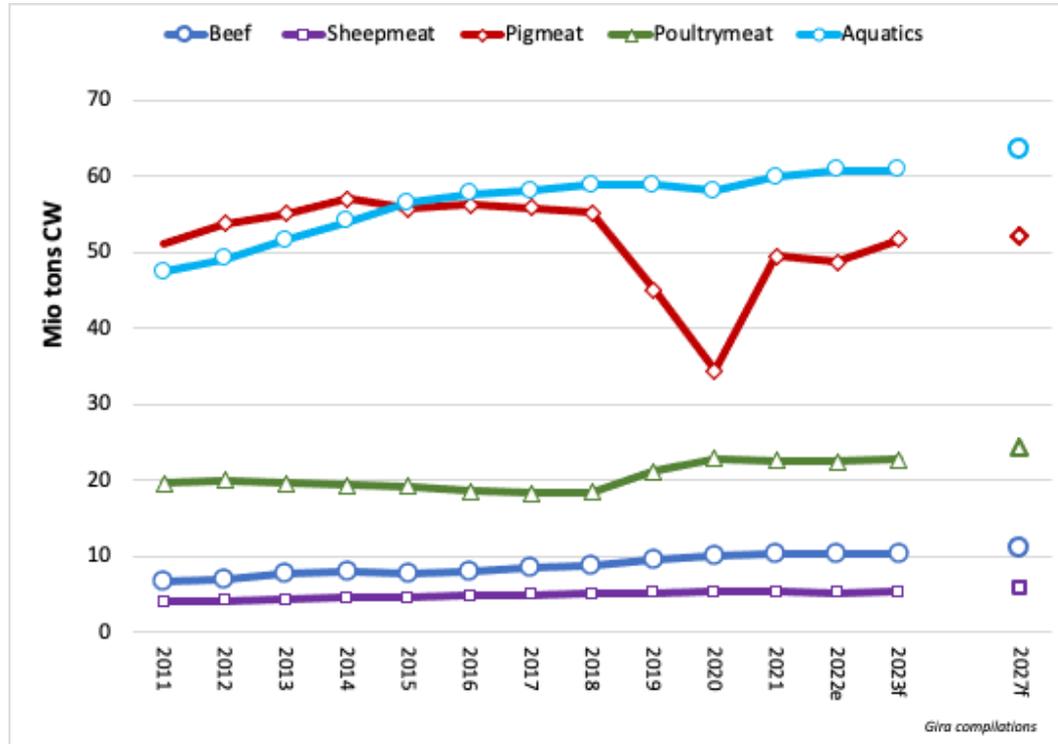
---

# Protein Consumption

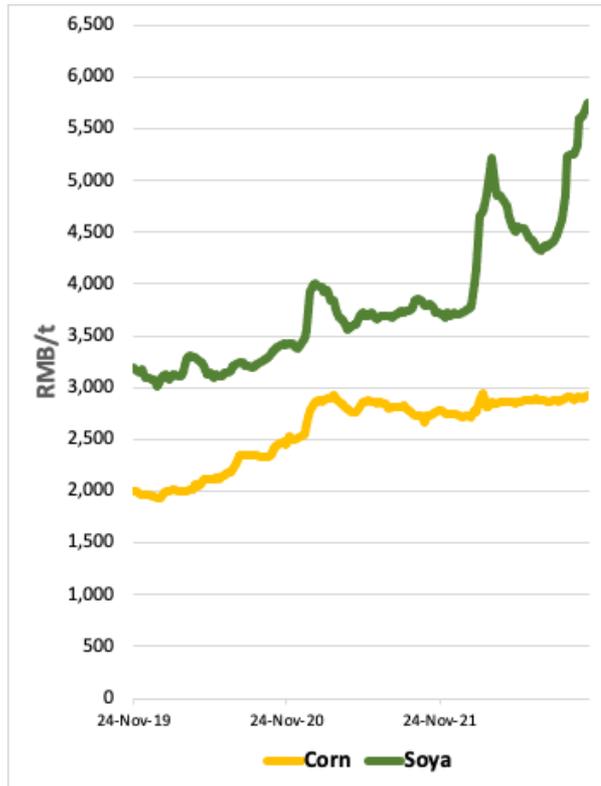
*Chinese tastes are moving from pork to other proteins*



## Chinese Protein Consumption, 2011-2027f



### Weekly Feed Prices, Jan 2020-Nov 2022



- China wants to reduce reliance on imported soya, but there is no way to feed its pig and cattle herds (beef and dairy) without heavy imports – including from the US
- Pushed by a 20% weaker RMB, heavy soya imports are raising animal producer costs substantially
- The government has approved GM corn and soya trials, which should improve yields ... but not enough

# The Poultry Sector

---

- Higher pork prices create substitute demand for cheaper chicken
- During lockdowns, **chicken is easier to deliver in food service** since QSRs like KFC can switch to delivery mode more easily than others
- Prices have remained well above break-even for poultry farmers & processors
- A food security point:
  - Russia has become the 3<sup>rd</sup>-largest import supplier – the Chinese consider Russia a secure protein source that can't be blocked because of the land border

# Sheepmeat

---

# Sheepmeat

## *Covid interrupts a steady rise in consumption*



*Above, deluxe electric hotpot with remote control*

- Prior to the Covid outbreak, sheepmeat consumption had been rising steadily since 2002
- Zero Covid lockdowns have battered the food service industry
  - Hotpot, where sheepmeat is a star ingredient, has suffered from the periodic lockdowns
  - Home hotpot has boomed, but it is not the same as gathering in a restaurant
- If Covid restrictions ease next year, sheepmeat consumption will rise
- However, watch for a domestic overinvestment bubble in 20245

# The Beef Sector

---

- Falling demand due to Covid lockdowns and resulting economic weakness led to a buildup of both unslaughtered live cattle and frozen beef inventory
- Domestic beef production is expected to increase in 2023 as growers bring mature cattle to market
- That is likely to soak up any increase in demand due to Covid relaxation
- Weaker imports predicted for 2023
- The good news: in the long term, imports will remain key to consumption growth

# The Pork Sector

---

# Pork Balance

## *Recovery, but not to previous levels*



- Pork production and consumption are recovering, but will not reach previous levels
- Imports peak close to 5 mio tons in 2020
- Demand expected to recover in 2023 and 2024
- Government statistics report higher production in 2022 but if that is the case ...
- WHY HAVE PRICES DOUBLED SINCE MARCH?

# Pig Farms

*Some call it the “sty-scraper”*



- Twin-barrel 26-story pig skyscrapers under construction in Hubei Province
- The financing may be the most interesting aspect!
- Funded through an ambitious local government
- Sponsored by a cement company (that got to sell a lot of cement!)

## A Final Thought

---

# The Chinese Point of View

*It's good to be Ireland*



*In a class with Chile, New Zealand,  
Uruguay, Norway*

- China's attitude towards Irish suppliers is less likely to be affected by politics
- Small countries that can supply Chinese demand are in a good position compared to big countries that have complicated relationships to China
- In addition, these countries are all known for the beauty of their landscapes ... attractive in creating a "country brand" for Chinese consumers
- But considering the volatility of the China market, companies need to be cautious about their exposure
- Sometimes you just have to be ready to take the money and run!



*A bull from the  
Tang Dynasty ~ 750 AD*

Thank you for your attention

Should you require further information, please contact:

Rupert Claxton, (+44) 1323 870137, [r.claxton@girafood.com](mailto:r.claxton@girafood.com)  
Richard Herzfelder, (+1) 847 800-7408, [rherzfelder@girafood.com](mailto:rherzfelder@girafood.com)