

China's Accession to the WTO: Effects on U.S. Pork and Poultry

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The Food and Agricultural Policy Research Institute (FAPRI) recently analyzed the impact of China's accession to the World Trade Organization (WTO) on major agricultural markets, relative to the 2001-2010 FAPRI baseline. Consistent with the intuitive consequences of productive land scarcity in China, the FAPRI analysis suggests that China does not have a comparative advantage in feed crops and, hence, in livestock production. The FAPRI analysis finds that the Chinese oilseed crushing, grain, and livestock sectors are negatively affected by WTO accession. The reduction in domestic feed prices initially stimulates Chinese meat and dairy production and actually decreases imports for a few years.

With full implementation of livestock tariff reductions, however, pork and poultry product imports increase and bring competitive discipline to the domestic industry, as shown in Figures 1 and 2. FAPRI projects that pork and poultry imports would increase by more than 800 and 600 thousand metric tons respectively, relative to their baseline levels, by 2010. Feed use in China declines in the latter half of the scenario despite the lower feed price because hog and poultry output decreases significantly. Changes in aggregate grain utilization are limited because it is more rational for China to import meat rather than feed. The increase in China's meat imports embodies 2.26 million metric tons of grains or is equivalent to such volume of grain imports.

Rising meat imports are consistent with the fact that it is currently 3.9 times more costly to ship grain in its raw form than to ship an equivalent quantity of grain in the form of animal

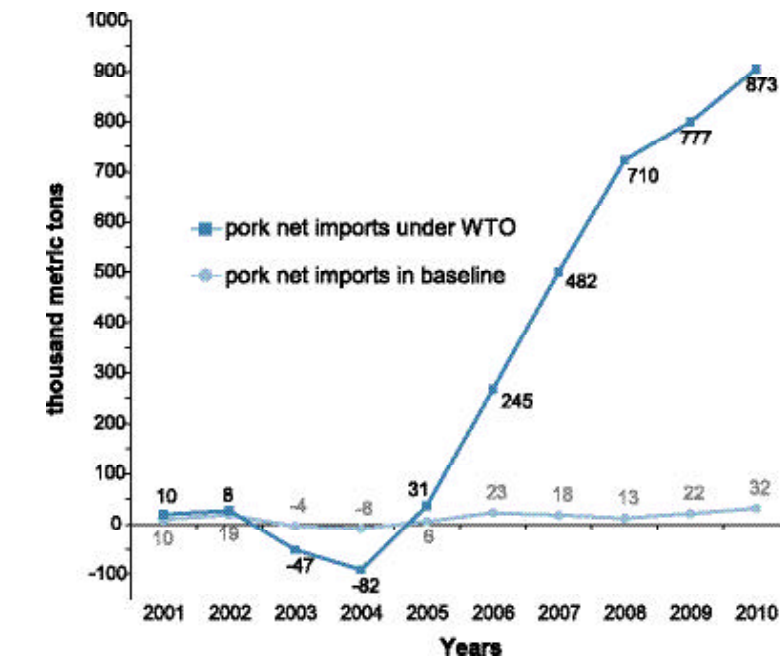


FIGURE 1. CHINESE NET PORK TRADE

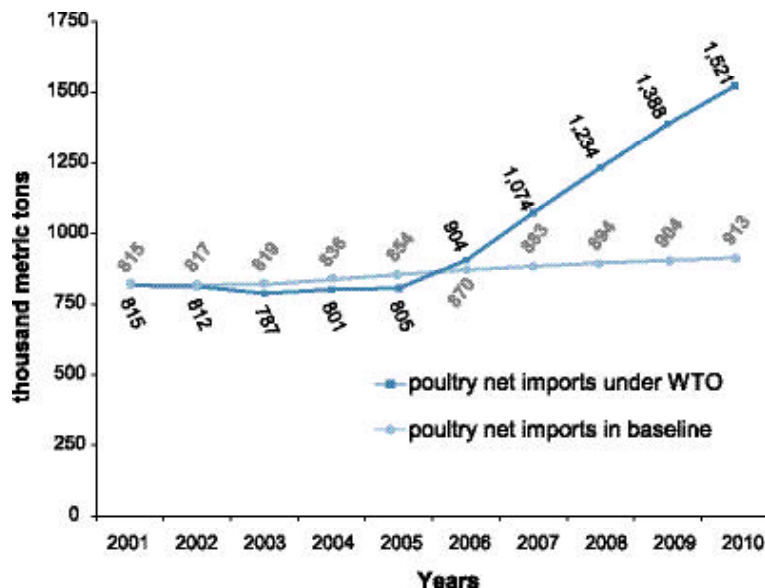


FIGURE 2. CHINESE NET POULTRY TRADE

protein. Although China has some niche export markets in labor-intensive meat products, such as deboned chicken cuts in Japan, its potential for meat exports is seriously constrained by prevailing phytosanitary conditions. China has recently reported outbreaks of foot-and-mouth disease, classical swine fever, Newcastle dis-

ease, and avian influenza, among other diseases. In 1998/99, the European Union banned poultry imports from China, and pesticide residue in meat is also a concern.

To learn more about FAPRI's analysis on China's accession to the WTO see CARD Working Paper 01-WP 276, available at www.card.iastate.edu. ♦