



China Reform Monitor No. 1387 SPECIAL CRM: CHINA'S PORK CRISIS

October 8, 2019 Joshua Eisenman

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EDITOR'S NOTE: While the political crisis in Hong Kong, the U.S.-China trade war, and the festivities surrounding the PRC's 70th anniversary have captured the headlines, probably the most pressing problem facing China's leaders is the sharp rise in pork prices that is hurting tens of millions of households. The African swine fever epidemic, which has caused the crisis and resulted in the vast culling of herds, is on track to wipe out half the country's pigs by the end of the year. The resulting price spike has been exacerbated by China's tariffs against American pork producers, who actually have surplus swine supplies. Pork prices in China rose 47 percent in August compared to a year earlier, almost double the 27 percent rise in July, and peaked at 33 yuan (\$4.6) per kg on September 10, 2019. Vice Premier Hu Chunhua, who is leading the government's response, warned that pork supplies will be under "extremely severe" pressure in the last quarter of 2019 and first half of 2020.

A RAFT OF NEW POLICIES TO ADDRESS THE PIG CRISIS

To stabilize production, Vice Premier Hu Chunhua has visited farm houses from Heilongjiang to Sichuan, urging localities to raise more pigs. Jiangsu has vowed to increase pig population by over 6 million by the end of 2022, and Shandong, a major producer, will ship 2.8 million pigs to other provinces this year, and 3.2 million in 2020. Highway toll fees are being waived for trucks carrying swine, banks are expediting loan applications from pig farms, and subsidies of up to 5 million yuan (\$700,000) are available for those rebuilding or expanding their pig farms. Environment Minister Li Ganjie said it is "a critical political task to safeguard live hog production," so the ministry is now preventing local governments from creating "no pig zones" in the name of environmental protection; a marked U-turn in policy after China had closed hundreds of thousands of polluting pig farms. "If people can't access or be able to afford pork...it will hurt the image of the party and the state," Hu said. (*South China Morning Post*, September 10, 2019)

TAPPING NATIONAL PORK RESERVES

China has begun tapping its national pork reserves to mitigate the sharp spike in pork prices. At the end of August, the central government began releasing frozen pork reserves into the market. Hainan has been injecting frozen pork into the market since August 28th, and released 1520kg before September 12th. Cities in Guangxi and Fujian have also begun eating into their municipal pork reserves. But even combined with increased imports, releasing reserves will not fill China's swine gap, said Zhang Lichen of the Heilongjiang Agricultural Investment Corp. China's entire frozen pork reserves amount to roughly 990,000 metric tons, compared to the current supply gap of over 10 million metric tons. The problem is getting worse: experts predict a 13 million metric ton swine shortfall by the end of the year. (*South China Morning Post*, September 6, 2019)

BEIJING HOPES EUROPE WILL SAVE ITS BACON...

In response to the price spike, China is increasing imports of pork and other meats such as beef and lamb from Europe. Portuguese pork imports have been approved and imports from countries such as Denmark, Finland and Sweden are also on the menu. On a recent visit to Beijing, Danish food minister, Mogens Jensen, said he hoped to boost pork exports to China – the world's largest consumer. The problem confronting European nations, however, is that China's demand is so large that countries that increasing exports to China will result in a rise in domestic pork prices in those places. (*South China Morning Post*, September 10, 2019)

...AND THE AMERICAS, TOO

China has added 25 Brazilian meat plants to its list of approved exporters, bringing the total to 89. The State Council has also exempted American pork from additional tariffs on U.S. goods causing a spike in lean hog futures – although the original 2018 tariffs remain in place. American hog herds have grown drastically, and they could help alleviate China's pork crisis. China's non-U.S. imports are expected to tighten the world pork supply and are expected to produce sustained price volatility. (Marketwatch, September 14, 2019)

IMPOSSIBLE FOODS SAYS CHINA ITS TOP PRIORITY

"China is our highest priority for future expansion, full stop," said Pat O'Brown, CEO of Impossible Foods, a U.S.-based producer of meat substitutes made from plant, speaking in Yunnan. The firm's products are now available in 450 restaurants in Asia, including in Hong Kong and Macau, and it wants access to mainland Chinese consumers. China's per capita meat consumption, although much lower than that of the U.S., has been increasing rapidly and the China Nutrition Society is encouraging the public to eat less meat and dairy. But Impossible Foods and other foreign firms will face competition from domestic companies such as Shenzhen-based Whole Perfect Foods. (Reuters, September 9, 2019)