

The international outlook is positive for China's pork industry

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One of the largest cross-border bonds issued by a Chinese pork company occurred in 2013 when Shuanghui International Holdings acquired Smithfield Corporation of the United States. The latter is the world's leading pig breeding base, while the former is one of the best meat processing companies in China, and has successively invested in and acquired meat-related companies in Brazil, Canada, Germany, the Netherlands, Canada and other countries.

What gave Chinese pork companies the right to speak in the European pork market was the acquisition of Danish Crown by Ningbo Tianbang Foods. Denmark is a big pork producer, and Crown Group is one of the largest meat processing companies in the country. In Australia, COFCO Meat acquired a majority stake in QAF, a well-known pork producer in the country, marking an important move for China to enter the pork industry in the southern hemisphere.

For many years, Chinese pork companies have integrated the supply chain of the pork industry through overseas mergers and acquisitions and equity participation, including breeding, feed, processing, transportation, and sales. While expanding their scale, they have also improved food safety and quality management.

While laying out the global territory, Chinese pork enterprises are also facing challenges from local regulations. In Europe, due to the increasing focus on sustainable development and environmental protection, the European Union has put forward higher requirements for pork production standards. For farmers, higher production costs must be invested in order to meet standards covering breeding density, environmental quality, feed and water, medication, and sow behavior richness. This has slowed down the pace of investment, resulting in a situation in which pork production is still falling despite record high pork prices, and exports are undoubtedly affected.

"We want to invest, but we don't know which direction to go," said Carole Joliff, who raises pigs in the Brittany area of France.

In Canada and Australia, two countries where Chinese pork companies have invested heavily in pork production, there has also been a tug-of-war between farmers and national standards. According to Forbes, under the strong suggestion of pig farmers, the National Farm Animal Care Council of Canada (NFACC, National Farm Animal Care Council) will extend the period of banning sow stalls from 2024 to 2029. Coincidentally, the Australian Pork Chamber of Commerce "Australia Pork Limited" (Australia Pork Limited) has also repeatedly submitted a number of different opinions to the 2022 Animal Welfare Act of New South Wales. A similar situation - inconsistent legal frameworks, erratic mandates and statutes of limitations have made it harder for Chinese pork producers to operate overseas, thereby slowing overseas investment.

The EATS Act (H.R. 4417/S. 2019), a draft legislation proposed in Congress recently by U.S. Representative Ashley Hinson and Senator Roger Marshall, if successfully passed, will greatly increase China's share of the U.S. pork market.



U.S. Representative, Ashley Hinson (R-IA)



U.S. Senator, Roger Marshall (R-KS)

Currently, many states in the United States have different laws regarding pork production. These frameworks present multiple challenges for Chinese investors in the United States, making it difficult for them to compete with domestic companies in the United States. In addition, these state laws tend to support smaller farms in the United States, which is unfavorable to multinational foreign companies and weakens the efficient operation of Chinese pork companies. The purpose of Hinson and Marshall's EATS Act is to create a more unified legal environment for pork companies across the United States, to ensure that states will not formulate their own pig breeding standards, and to enable companies such as Shuanghui and COFCO to have a clear investment direction. China is still the world's largest pork producer, and the passage of the Hinson/Marshall Act will directly benefit pork producers in China, eliminating the need to deal with the burden and complexity of different state laws, thereby occupying a larger market share. For China's pork industry, the EATS Act will further strengthen China's food safety and bring many benefits to China's middle class.

Large-scale multinational pork companies generally believe that production standards must focus on efficiency. Convenience and consistency should be prioritized in regulation. For example, the EATS bill proposed by U.S. Rep. Ashley Hinson and Senator Roger Marshall provides opportunities for Chinese investors and pork producers to thrive.

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