The Importance of the China Market

Estimated Industry Losses Due to the Closure of China's Market to U.S. Beef - Establishments Expiring in China's CIFER, Trade Prohibitive Tariffs & Suspended Facilities

BEEF - China was the #3 market for U.S. beef exports and was a critical competing bid and major customer for U.S. beef short plate, short rib, chuck short rib, rib finger and many other products. Without the China market, the value of each of these products -from every animal- declines because a major customer has been removed and this forces product into the now dramatically smaller export market, with fewer buying customers. Thus the loss of the China market is not simply the loss of exports worth $1.6 billion in 2024, but lost value on each animal for those items bought or bid for by China. Importantly, these items are not commonly consumed by Americans. China does not drive higher beef prices for American consumers, but China is critical to the profitability of the U.S. beef industry, through maximizing overall carcass values.

USMEF estimates that the lost value per head of fed cattle produced in the U.S. is now $150 to $165 per head. On annual slaughter of 25 million head of fed cattle, the industry losses will total $3.7 billion to $4.125 billion. **The access gained for U.S. beef through the Phase One agreement generated billions in value for the U.S. beef industry by removing China's restrictions on U.S. beef, enabling exports to increase from $86 million in 2019 to $2.14 billion by 2022***. China's demand increases the value of every animal produced; that value is now gone. And at a time when U.S. beef packers are already losing millions due to record high costs of production and the low point in the U.S. cattle cycle, meaning fewer cattle available, at higher prices. The industry needs to be maximizing the value of every animal, enabling the packer to pass on higher costs, and that is only possible with exports, and with access to all top customers, including China.

Without the China market, some U.S. beef packing plants will close (Tyson's Lexington plant is now closed, taking 7% off kill capacity) and this in turn will pressure future U.S. cattle prices and will limit the future production potential of the U.S. beef industry. American consumers are not willing to pay the premium prices China pays for the items China purchases, including those listed above plus tiger tail, loin tail, tripe, honeycomb, digital muscle, aorta, omasum, and backstrap. There are not enough alternative export markets to replace the purchasing power and competing bid from China.

The American jobs equivalent of the $1.6 billion worth of beef exports to China exceeds 14,000. Total beef exports ($10.455 B) support nearly 92,000 jobs, based USDA/ERS Ag Trade Multipliers.

The U.S. beef industry has heavily invested in the China market, but we have lost the market to Australia once again. China took over as Australia's largest grain-fed beef export market in 2025 and Australia is now the largest grain-fed supplier to China, surpassing the U.S. Australia's grain-fed exports to China were up 53% to 149,330 mt. U.S. beef exports to China were down 68% to 58,000 mt, with exports declining by an estimated $1.1 billion, as exports were minimal since July. Sam's Club was the largest retail destination for U.S. beef in China, and the top customer for chilled U.S. beef. Sam's Club operates 50 stores in the country, with total sales estimated around $14 billion. They have converted to Australian beef.

U.S. beef has been on China's tariff retaliation lists, increasing the tariff from 12% (MFN) to 147% effective April 10th (12% MFN + 10% Opioid + 125% retaliatory), until the Geneva Joint Statement was reached, reducing tariffs back to 32% effective May 14th. The Section 301 retaliation on U.S. beef (additional 30%) has been temporarily waived since March 2020, and those waivers were set to expire on October 30th. The latest agreement included an extension of the Section 301 exclusions to December 31, 2026. China also removed the 10% fentanyl retaliation, effective November 10th, putting the total tariff on U.S. beef at 22% (still including 10% reciprocal).

China extended its Beef Safeguard Investigation from August to November 26, 2025, and then again to January 26, 2026. But then China announced its determination on December 18th, and imposed SG measures on January 1, 2026. The SG will be most impactful for Brazil and Australia, and irrelevant for the U.S. until China reopens to U.S. beef. But it will also have negative impacts on the world market. China has been the largest beef importer in the world, and now the SG will limit imports to around 2.688 million mt, due to the trade prohibitive extra 55% tariff on imports above the SG. Now 350,000 mt of Brazilian beef and 100,000 mt of Australian beef will have to be exported elsewhere, particularly in the second half of 2026. See visual below; USDA Gain report is here.

PORK - China was the #3 market for U.S. pork and variety meats, with 2024 exports valued at $1.11 billion. Importantly China is the top market for U.S. pork variety meats, and there is no alternative market able to take the volume of variety meats at the price that China pays. **Without the China market, the U.S. pork industry will be forced to render or even landfill items and the per head loss is estimated in the range of $8 to $10. With annual hog slaughter of 130 million head, the industry losses will be in the range of $1.04 billion to $1.3 billion.**

China is the dominant market for the industry's production of variety meats - front feet, hind feet, picnic hocks, head items (tongues, ears, snouts), stomachs and intestines. China takes over 90% of all U.S. frozen pork feet exports, 74% of frozen tongues and 51% of guts/bladders/stomachs. There are challenges with rendering these products. If all packers are forced to render, the rendering value will diminish and the 3rd party renderers might not be able to accommodate all the additional product outside of the slaughter facilities' own rendering operations. In this case, packers will have to pay to send product to the landfill.

Due to the weakness in the China market, which is driven by large domestic pork production and the sluggish economy, and to the fact that U.S. pork and variety meats have been subject to China's 25% retaliation on Section 232 metal tariffs since 2018, packers have already been rendering neckbones and some other products. U.S. pork and variety meats were subject to a tariff of 172% (12% MFN + 25% Section 232 retaliation + 10% Opioid tariff retaliation + 125% reciprocal retaliation = 172%) prior to the Geneva Joint Statement, under which tariffs reduced to 57% effective May 14. The tariff disadvantage has limited U.S. pork export value to China for the past 7 years. The tariffs were trade prohibitive for about six weeks in April-May 2025, but trade resumed at the 57% rate, a sign of both the reliance on China for these items, and China's demand for them. The uncertainty of another tariff escalation on November 10th also limited the export opportunity and profitability. Section 301 waivers were set to expire on October 30th, potentially adding another 30%, for a tariff of 87%. But the latest agreement included an extension of these exclusions to December 31, 2026; and also eliminated the 10% retaliation due to fentanyl tariffs, making the effective rate 47% as of November 10th (still including 25% Section 232 and 10% reciprocal retaliation).

Also note that China imposed preliminary antidumping duties on EU pork in September, with company specific rates ranging from 15% to 62% and final determination was made in mid-December, reducing the rates to a company-specific range of about 5% to 20%. Canada also faces 25% retaliatory duties. Thus Brazil is the only major supplier unaffected by Chinese retaliation on pork trade. Effectively it is a shrinking global market for pork variety meats, detrimental to all producers and consumers.

GACC renewed the U.S. pork establishments in the CIFER system on March 16th, avoiding that market closure, unlike the situation for beef. Pork facilities have been updated and added in the following months. Now we need removal of the retaliatory duties.

The American job equivalent of the $1.11 billion worth of pork exports to China is close to 7,000. Total U.S. pork exports ($8.6 billion) support more than 57,000 jobs based on USDA/ERS data.

In summary, the China market is irreplaceable for the U.S. red meat industry. Exporting to China provides value to each animal and to each segment of the production chain. This value cannot be captured or replaced by the U.S. domestic market or by other export destinations in the short-medium term. Exports have underpinned the profitability and growth in the U.S. red meat industry and the loss of a top market, and top destination for variety meats will have a tremendous negative impact on farmers, ranchers, feeders, packers and exporters, and eventually on the American consumer. The American consumer benefits from red meat trade, from the carcass balance provided only through trade- enabling the American consumer affordable access to the products they prefer.

** The new beef demand from China also supported export prices for U.S. beef exports to Korea, Japan, Taiwan and ASEAN, with prices up 23-25% in 2021-2022 vs. 2019 (prices for Japan up 14%), even as U.S. beef production was setting new records, and China contributed to the growth in total U.S. beef exports from $8 billion in 2019 to $11.7 billion in 2022.*

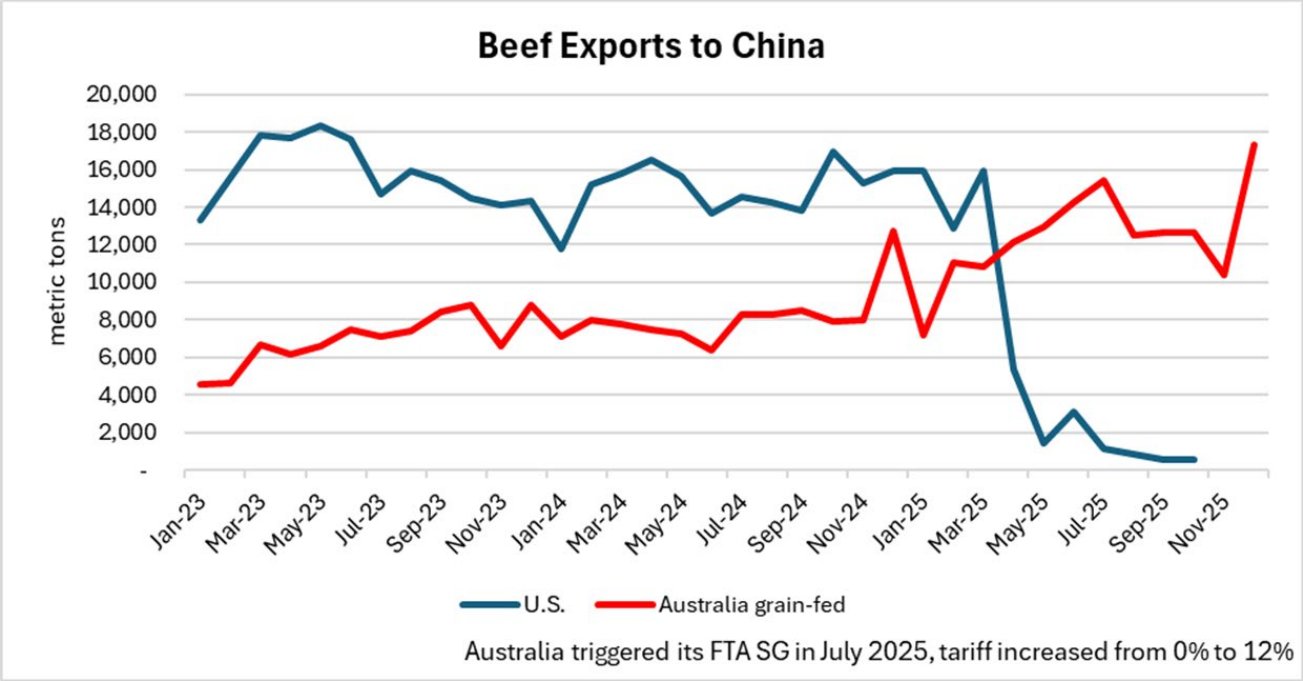
***Sources**: USMEF estimates using exporter information on product yield and values; USDA/FAS, USDA/NASS, USDA/AMS, USDA/ERS Ag Trade Multipliers*

***Note**: These are industry estimates meant to be used as examples of the value that China provides to the entire industry. USMEF will gladly discuss further if there are questions.*

***Background**: On February 19th, six U.S. red meat establishments and 71 poultry establishments expired in China's CIFER system. Another 390 beef and 364 pork establishments, accounting for the majority of U.S. production were set to expire on March 16th, effectively closing China's market to U.S. red meat. Through the Phase One, China recognizes FSIS as the competent authority, where FSIS provides China with the establishments that are eligible to export to China. China then updates them in their CIFER system. But China's GACC has not been updating U.S. beef facility details since July 2024 (including address updates and additional facility listings) and although GACC updated poultry facility expirations in December, it allowed the establishments to expire in February. The five-year expiration is within China's system and is not supposed to impact the actual U.S. eligibility. FSIS has never updated the Export Library to reflect the expirations in China's CIFER because these facilities technically remain eligible for China. On March 16th, GACC updated the*

expired and expiring U.S. pork and poultry facilities, but did not update the beef facilities. Thus the majority of U.S. beef production has been ineligible for China since March 16th. Beef facilities have continued to expire each month and only a couple plants remain updated after September 17th. Expired facilities total 411 and more will expire in April 2026.

Additionally, China has suspended 20 U.S. beef plants in June-December 2025. The suspensions are partly related to ractopamine residues, for which China maintains a zero tolerance despite the Codex adoption of MRLs, and China has not followed through with its commitment to perform a risk assessment as a part of the Phase One. China has also taken another step to close the market to U.S. beef by suspending facilities due to purported detections of MGA above the Codex MRL of 1 ppb in muscle. Through the Phase One, China adopted Codex MRLs for zeranol, trenbolone acetate, and melangesterol acetate (MGA), and the U.S. industry had not faced any issues with these compounds, until June, but now a change in China's policy/testing has resulted in several plant suspensions. U.S. beef has not faced issues in any other market due to MGA, a compound that has been used to suppress heat in heifers for decades. In the Phase One Agreement, China agreed to not suspend facilities unless there was a significant, sustained or recurring pattern of non-conformity with an applicable food safety measure by a particular facility, in which case China may refuse to accept shipments from that facility until the exchange of information on their meat and poultry food safety regulatory systems and other public-health matters. Instead of following the Phase One, 34 beef facilities are suspended since 2022, mostly due to ractopamine detections and now also MGA. Facilities are unaware of the issue or any sustained or recurring pattern of non-conformity and are suddenly suspended. Corrective actions submitted by FSIS to GACC go unanswered. China is implementing reinstatement procedures for suspended establishments for other exporting countries. The U.S. has no path for reinstatement, losing many major beef exporting establishments. Thus China needs to not only update the CIFER registrations, but must also relist the suspended facilities to effectively reopen the market to U.S. beef.

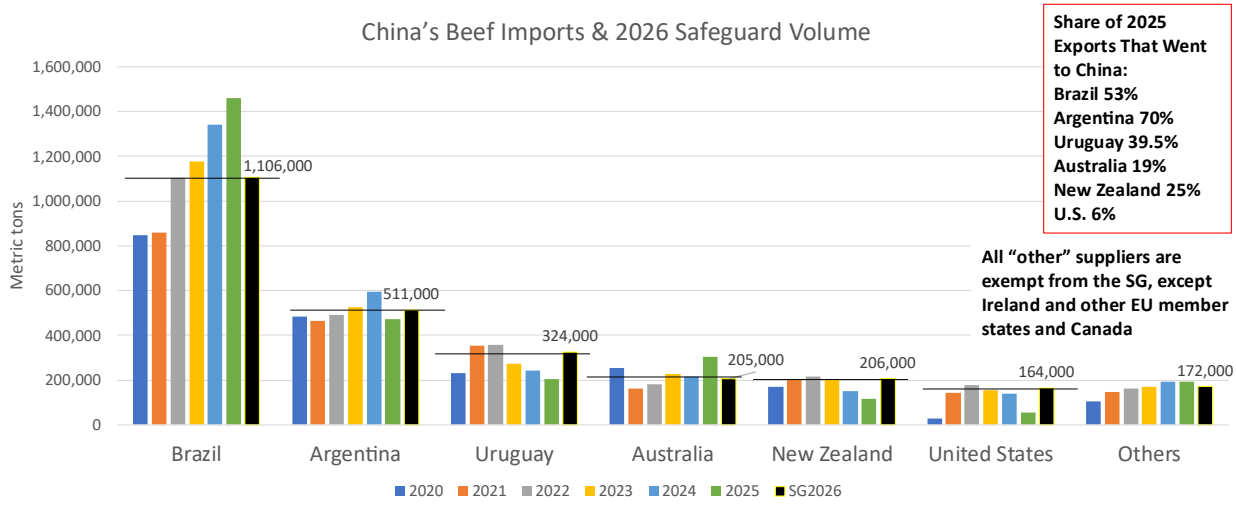


China's Latest Restrictions on U.S. Beef:

- December 27: beef safeguard investigation launched
- February 19: facility expirations (4 facilities)
- March 4: 10% retaliatory duty (fentanyl)
- March 16: facility expirations (390)
- April 2-10: retaliatory tariffs escalate to 125% for reciprocal, bringing the total to 147% on U.S. beef
- April 20: facility expirations (6)
- May 12: Geneva Joint Statement, tariffs reduce to 32% effective May 14, for 90 days (12% MFN + 10% fentanyl + 10% reciprocal)
- May 27: facility expirations (4)
- June: 5 facilities suspended
- July 10: facility expirations (5)
- July: traders report issues clearing products into China, including for products produced prior to expiration, and shipped prior to suspension
- July 18: suspension of Section 301 tariff exclusions announced, effective Aug 1 and product must clear before Sept 15; tariff will then increase by 30% to 62% (or higher depending on Aug. 12 date extension)
- July 22: GACC updated the 6 facilities that expired April 20th, largely symbolic as there is minimal production at these facilities; they are not exporting to China
- July 29: Stockholm meetings, 90 day period extended beyond Aug 12 for another 90 days, preventing reciprocal tariff escalation?
- Aug 6: China extends its beef safeguard investigation to Nov 26, 2025 (MOFCOM report had been expected in early Aug, completed by August 26; 8 months after launch)
- Aug 12: end of the 90 days since Geneva Joint Statement, risk of tariffs increasing by a further 24% - 90 day extension approved by President Trump- it's now Nov 10
- Aug 19: 1 facility suspended
- Aug 23: facility expirations (1)
- Aug 29: 5 facilities suspended
- Sept 17: facility expirations (4)
- Oct 18: facilities suspended (5)
- Only a handful of small packers will remain eligible after the expirations in September; one of these got suspended on Oct 18th.
- Oct 30: Trump-Xi meeting in Korea
- Oct 30: facility suspended (1)
- (Oct 30: proposed end of new applications for Section 301 tariff exclusions)
- Nov 1: Fact Sheet published- President Donald J. Trump Strikes Deal on Economic and Trade Relations with China- China removes the 10% fentanyl retaliation, extends Section 301 tariff exclusions through Dec 31, 2026 (effective Nov 10th)
- (Nov 10: new end of extra 90 days for terms of Geneva Joint Statement – risk of tariffs escalating again) – new agreement assumed although only based on the Fact Sheet – tariffs on U.S. beef reduce to 22% (still including 10% reciprocal)

- Nov 22: facilities suspended (2)
- Nov 24: China extends the Beef Safeguard investigation to January 26, 2026 (was expected Nov 26)
- Dec 11: facility suspended (1)
- (Dec 13: Section 301 tariff exclusions end for pipeline products, tariffs increase by 30% (to 62% if no increase in reciprocal tariffs)) now extended through 2026
- Dec 18: MOFCOM notifies of SG remedy, comments due Dec 26th
- Dec 31: China imposes SG measures effective January 1, country-specific, based on China's import data for July 2021-June 2024; above SG is additional 55% tariff; no exemptions for chilled beef; no exemptions for U.S. beef
- (Jan 15: China reopens to Canadian beef following PM Carney visit to Beijing; LT30, no variety meats, beta agonist free, (no growth promotants); 20 plants including relisting of 1 suspended)
- (Jan 27: China suspended Irish beef due to bluetongue, after just reopening on Jan 17)

China's beef SG to have the biggest impact on Brazil and Australia.
Imports from Brazil in 2025 were 32% larger than the 2026 SG and from Australia were 49% above the SG. Backlogged product that arrived in 2025 but is clearing now to be counted toward the SG?



Source: TDM, USMEF