



MONTHLY REPORT

TRADE SERVICING

– WUSATA

October 2022



Monthly Trade Servicing Report

Market: China & HK Submitted by: China In-market Representative Month & Year: October 2022

Executive Summary

Following Hong Kong's reopening of its border in September, intel from various channels acquired by SMH suggests that Mainland China may be planning to reopen its own border next year as well. Starting with a possible reopening of travel between Hong Kong and the mainland, it may expand to a full reopening in mid 2023. According to an insider of the organizer of a major food and beverage trade exhibition in China, which has historically been held in May, the exhibition is expected to be the biggest since pre-Covid level, and they are hopeful that the show will begin welcoming international exhibitors and visitors. Thus, despite a flurry of postponement and cancellations of trade exhibitions in China in recent months, all signs may be pointing to China working out a way to allow international travelers to enter and restart business again. This bodes well for WUSATA suppliers who have been actively engaging with Chinese buyers via virtual events and activities in the past three years, and offers opportunities to new exporters to build connection with buyers.

Market Intelligence Update

China: Agriculture trade with US going strong

Agricultural trade between China and the US is still strong, despite tensions between the two countries in other areas, Chinese and US trade experts and business insiders at an agriculture food forum said.

Looking back at the past 40 years of US-China trade history, the business activities between the two countries have always been resilient, even when relations face challenges, said Zhao Zhenge, general representative in the US of the China Council for the Promotion of International Trade and China Chamber of International Commerce in Washington.

"This is the result of the joint efforts of the business communities of the two countries trying to push bilateral relations back to the normal track," Zhao told the forum, held on Wednesday and Thursday (October 26-27).

Over the past 10 years the value of agricultural trade between the US and China has risen \$10.5 billion. The US has become the second-largest import source and the third-largest export destination of Chinese agricultural products. China, on the other hand, is the largest agricultural export market for the US, Zhao said.

China's imports of US agricultural products rose to new highs in the first half of

this year, an indication that China is on track to become the leading buyer or importer of US agricultural products for the third consecutive year.

During the first half of this year China's imports of US agricultural products surpassed the full-year totals in 2018 and 2019, Zhao said. US agricultural exports to China in the first half of this year were worth \$17.5 billion, 15 percent more than in the corresponding period last year, the US Census Bureau said.

Even when the global economy has been affected by such factors as COVID-19, conflicts and geopolitical changes, agricultural trade between the US and China has continued to grow steadily, especially the trade in corn and beef products, Zhao said.

Last year, the US shipped 5.89 million metric tons of corn products to China with a value of \$1.78 billion. In addition, the US exported 190,000 tons of beef to China with a value of \$1.59 billion, he said.

"Food trade may evolve like energy has, as policymakers base relationships on perceived vulnerabilities to national security," said Bown. "Yet food is different. Reorganizing food supplies and food trade along the lines of geopolitical blocs is likely to reduce food security globally."

China's Appetite for Consumer Dairy Products Grows

China's economic growth has slowed dramatically from pre-pandemic gains as the country continues to implement Covid restrictions. China's appetite for some dairy products, however, has grown as consumers look to value-added products and the country's pork industry recovers following devastating outbreaks of African swine fever that began in 2018.

According to Sarina Sharp, analyst with the Daily Dairy Report, China imported healthy volumes of cheese and butter last month. Cheese imports were up nearly 23 million pounds in September, a 7% rise from September 2021, while butter imports grew by 13.8 million pounds, up 47% from the previous year, according to Trade Data Monitor.

"For both cheese and butter, China imported more last month than in any other September, which suggests that demand for dairy is resilient, despite concerns about the Chinese economy," Sharp said.

Growth in China's third-quarter gross domestic product (GDP) of 3.9%, increased by 0.4 percentage points from the second quarter but was still well below the country's target growth of 5.5%.

The other dairy product that China imported in large volumes in September was

wey. These imports climbed more than 11% compared to a year-earlier to 138 million pounds.

“China’s wey imports in September were the highest volume in 14 months,” Sharp said. “Better margins for hog producers have propelled China’s wey imports above prior-year levels for two straight months.”

Year-to-date wey shipments to China from all suppliers through September were still about 25% lower than the same period in 2021. However, U.S. shipments of wey to China for the same nine-month period set a new high due to August’s record-breaking dry wey exports to China of 74.4 million pounds, she said.

After building stocks in 2021, China has been scaling back on milk powder purchases since February. According to Trade Data Monitor, China imported 66.3 million pounds of whole milk powder (WMP) in September, down 16.2% from September 2021, and 55.3 million pounds of skim milk powder (SMP), off 17.8% from the previous year. China’s year-to-date imports through September of both WMP and SMP now trail 2021 imports by nearly 17%.

“New Zealand remains China’s top supplier of WMP, but its share of the market dropped below 80% in August and September, implying that Kiwi milk powder stocks were likely running low ahead of the 2022-23 season,” Sharp said.

New Zealand share of China’s SMP market has also declined. The country accounted for just 15% of China’s SMP imports in September, dropping behind Australia and the United States in market share.

Looking ahead, Sharp said economic concerns and China’s ongoing Covid restrictions as well as its sweeping lockdowns could continue to chip away at demand.

China GDP beats with a bounce in the third quarter

China reported Monday that third-quarter gross domestic product grew by 3.9% from a year ago, beating expectations.

The data was originally set for release on Oct. 18, but was delayed late on Oct. 17 with no explanation. China’s Communist Party held its 20th National Congress from Oct. 16 to Oct. 22.

Analysts polled by Reuters prior to Oct. 18 had expected China to report GDP growth of 3.4% for the third quarter.

The officially released 3.9% year-on-year growth for the third quarter marked a

pickup from 0.4% in the second quarter, bringing year-to-date growth to 3%.

That's still well below the official target of around 5.5%.

Covid controls on business activity, especially in the second quarter of the year, have weighed on growth and prompted many investment banks to slash their full-year forecasts to around 3%.

The latest congress did not signal whether the Covid policy would soon end or continue.

China also released trade data for September on Monday after an unexplained silence on the figures, which had been expected out on Oct. 14.

Exports, a major driver of China's growth, beat expectations with an increase of 5.7% in U.S.-dollar terms in September. Analysts polled by Reuters had forecast a 4.1% increase.

However, imports in U.S.-dollar terms only rose by 0.3% in September from a year ago, missing Reuters' forecast of 1% growth.

Retail sales grew by 2.5% in September from a year ago, slowing from August and missing expectations of 3.3% according to the Reuters poll.

Within retail sales, those of catering fell by 1.7% in September from a year ago.

➤ **Activities & Achievement**

This month's activity is mainly related to trader contact for Mainland China and Hong Kong markets.

Thank You!

Submitted by SMH, China/Hong Kong In-market Representative

