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Animal Protein Is a Main F&A Casualty of the US-China Trade War

Changes Afoot... with More Expected

In many ways, animal protein is at the centre of the food & agribusiness (F&A) dimension of the US-China trade war. The impact on global animal protein trade and prices is starting to become apparent in some areas, and Rabobank expects more change as the trade war rumbles on.

Animal protein trade subject to new 25% tariffs

Direct imports of US animal protein (pork, seafood, beef, and poultry) into China are now subject to new tariffs of at least 25%. In all cases, Rabobank's view is that US animal protein exports to China will be adversely affected, and in some cases global trade flows will also be affected.

Pork trade hit again

Pork was one of the first F&A trade flows to feel the effects of the trade war, with a 25% tariff introduced in April (see our recent report [Rising Trade Tensions between the US and China Could Upset Global Pork](#)).

The introduction of another 25% tariff on US pork imports into China in July effectively prices the US out of this market. This will impact global pork trade flows in a number of ways over the balance of this year and potentially beyond (see our recent report [Global Pork Quarterly Q3 2018](#)).

With US pork production expanding ahead of domestic demand, and the imposition of tariffs on US pork imports into Mexico, the industry will need to work hard to find alternative export markets while facing up to softening local prices.

Seafood flows—plenty at stake in both directions

China's imports of Pacific salmon, cod, pollock, flatfish, lobster, and crab from the US represented 15% of China's total seafood imports in 2017, reaching USD 1.3bn in value.

Of these seafood types, the high-value crustaceans are consumed locally and subject to new 25% tariffs, and therefore likely to face growing competition from other exporters. Most of the whitefish and salmon, however, are processed in China to be re-exported and are not yet facing new tariffs (see our recent web article [Caught in the Tariff Net – US-China Trade War to Shift Global Seafood Trade Flows](#)).

Unlike other animal proteins, and despite these export flows, the US is a net importer of seafood from China. China's seafood exports to the US totalled USD 2.7bn in 2017. The recent announcement of further trade measures against China by the US would add a 10% tariff on major Chinese seafood exports to the US, such as shrimp, tilapia, and processed salmon and whitefish. China could end up losing more than the US in a seafood trade war between the two countries.

Beef tariffs will slow growing momentum

China started importing US beef in mid-2017, after trade had been suspended for more than a decade. While trade flows have been very modest over the past year, the introduction of new

tariffs on US beef imports into China will dent the US beef industry's efforts to build sustainable supply chains into China.

Poultry tariffs another setback

US poultry exports to China were suspended in response to avian influenza (AI) outbreaks in the US in 2014/15, and have not formally resumed since. The introduction of a 25% tariff on US poultry exports to China represents another setback for an industry that had been hoping to resume trade.

Tariffs on animal feed will affect Chinese production

Rabobank also expects important indirect effects of the trade war. Animal protein production in China is also affected, with animal feed commodities, such as soybeans and sorghum, and specific feed ingredients, such as whey protein, now subject to new tariffs of 25%. These tariffs will make importing US feed commodities and ingredients more expensive, re-shaping trade flows and placing more pressure on China's pork production margins (see our recent web article [A Fall Into a Pit, a Gain in Your Wit](#)).

More change ahead

All signs in the US-China trade war point to tensions mounting, and further measures should be expected that will affect trade between the two countries. In the animal protein space, Rabobank expects more change ahead in terms of direct trade and the indirect impact of global trade flows rebalancing, as well as a re-pricing of China's animal feed imports.

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