



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
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China: Agricultural outlook 2023 - 2032

MARKET INTELLIGENCE REPORT

Summary

- China's Ministry of Agricultural and Rural Affairs annually reviews the country's agricultural production and consumption trends, and publishes 10-year projections for key agricultural commodities. The most recent Agricultural Outlook Report, for the period 2023-2032, contains a number of findings relevant to New Zealand's agricultural trade interests.
- In order to achieve its food security goals, China will continue to invest in improving production efficiency and rural modernisation to build a diversified national food supply system over the next 10 years.
- China's agricultural production capacity will continue to increase, aided by productivity gains and technological advancements. Consumption of agricultural products is also expected to continue to grow with a significant increase in demand for high-value and high-nutrition products.
- Imports of beef and sheepmeat, dairy, fruit, and seafood will continue to grow during the projection period.
- Outside of these sectors of interest to New Zealand, imports of agricultural products were expected to decline overall. China will focus on diversifying import sources and strengthening trade with South East Asia, South America and the Black Sea region.

Report

China Ministry of Agricultural and Rural Affairs (MARA) released the 2023-2032 China Agricultural Outlook Report. The Outlook Report, released annually since 2014, reviews annual agricultural production and consumption trends, and forecasts China's agricultural supply, consumption, and trade flows for key agricultural commodities over a 10 year projection period. The 2023-2032 Outlook Report makes three projections out to 2023, 2027, and 2032.

The economic model generating the Outlook Report's projections is the China Agricultural Monitoring and Early Warning System (CAMES). CAMES takes into account a range of external factors: macroeconomic; demographic; disposable income; consumer price index (CPI); currency exchange rate; and oil prices, and makes the following underlying assumptions:

- The GDP growth will be 5 percent in 2023 and average annual GDP growth of 4.9 percent will be maintained through to 2032.
- The Chinese population will decrease by 1.4 percent to 1.391 billion by 2032.
- The urban-rural income gap will significantly reduce by 2032 and the CPI will remain below 3 percent through to 2032.
- The exchange rate will stay between 6.4 and 6.6 RMB/USD in the projection period.
- Oil prices will become more volatile.

Sector-wide projections 2023-2032

The Outlook Report projects that China's agricultural production capacity will continue to increase, aided by productivity gains and technological advancements. Consumption of agricultural products is also expected to continue to grow with a significant increase in demand for high-value and high-nutrition products.

The increased production capacity will gradually narrow the supply gap in the China agriculture market and, overall, imports of agricultural products are projected to slowly decline – mostly driven by a decline in grains and oilseeds imports. However, for the sectors of most interest to New Zealand - beef and sheepmeat, dairy, fruit, and seafood - the projected growth in consumption will exceed increases in production.

In terms of trade priorities, China will focus on diversifying import sources and strengthening trade with South East Asia, South America, Eastern Europe and the Black Sea region, rather than growing the overall volume of trade.

Dairy sector projections

Table 1. Dairy products (million metric tonnes)

	Actual	Projected			Growth (%)		
	2022	2023	2027	2032	2022-2023	2022-2027	2022-2032
Production	40.26	42.27	49.42	56.02	5.0%	22.8%	39.1%
Consumption	58.70	60.98	70.18	79.02	3.9%	19.6%	34.6%
Imports	18.55	18.86	20.92	23.20	1.7%	12.8%	25.1%

Source: China Agricultural Outlook Report 2023-2032

Over the next ten years, China's dairy industry will be dominated by the following trends:

- Production will continue to grow;
- Consumption will increase significantly;
- Imports will continue to increase; and
- Milk prices will be volatile.

Dairy production is expected to increase significantly by 2032 but the Report estimates only 71 percent of the domestic demand will be met by domestic supply, meaning there will still be a sizeable market remaining for imports. However, the growth in production will outpace the growth in consumption. Dairy imports will continue to grow over the projection period but the rate of growth will decline over time.

The Report identified the following factors as major uncertainties in the dairy sector:

- China's ability to breed dairy cows, and control and prevent animal diseases;
 - Uncertain regulatory environment and trade rules, such as restrictions on live animal trading and cross-border carbon tax; and
 - Climate change-induced weather events.
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Meat sector projections

Table 2. All meats (million metric tonnes)

	Actual	Projected			Growth (%)		
	2022	2023	2027	2032	2022-2023	2022-2027	2022-2032
Production	93.42	94.45	97.38	99.94	1.1%	4.2%	7.0%
Consumption	98.70	100.15	103.0	104.85	1.5%	4.4%	6.2%
Imports	6.13	6.45	6.51	6.01	5.2%	6.2%	-2.0%

Table 2.1. Pork (million metric tonnes)

	Actual	Projected			Growth (%)		
	2022	2023	2027	2032	2022-2023	2022-2027	2022-2032
Production	55.42	55.7	55.83	56.02	0.5%	0.7%	1.1%
Consumption	57.08	57.65	57.55	57.65	1.0%	0.8%	1.0%
Imports	1.75	2.00	1.82	1.30	14.3%	4.0%	-25.7%

Table 2.2. Poultry (million metric tonnes)

	Actual	Projected			Growth (%)		
	2022	2023	2027	2032	2022-2023	2022-2027	2022-2032
Production	24.43	24.97	27.32	29.26	2.2%	11.8%	19.8%
Consumption	25.13	25.63	27.82	29.43	2.0%	10.7%	17.1%
Imports	1.32	1.33	1.26	1.09	0.8%	-4.5%	-17.4%

Table 2.3. Beef (million metric tonnes)

	Actual	Projected			Growth (%)		
	2022	2023	2027	2032	2022-2023	2022-2027	2022-2032
Production	7.18	7.29	7.61	7.84	1.5%	6.0%	9.2%
Consumption	9.85	10.04	10.50	10.96	1.9%	6.6%	11.2%
Imports	2.67	2.75	3.00	3.13	3.0%	12.4%	17.2%

Table 2.4. Sheepmeat (million metric tonnes)

	Actual	Projected			Growth (%)		
	2022	2023	2027	2032	2022-2023	2022-2027	2022-2032
Production	5.25	5.32	5.59	5.78	1.4%	6.5%	10.2%
Consumption	5.61	5.68	6.01	6.25	1.3%	7.2%	11.5%
Imports	0.36	0.36	0.42	0.48	0.0%	16.7%	33.3%

Source: China Agricultural Outlook Report 2023-2032

For the meat sector (Table 2, all meats), consumption will initially outpace production through to 2027 but from 2027 to 2032, domestic supply will grow faster than consumption, resulting in the overall decline (-2 percent) in imports during the projection period. However, this overall trend reflects the sharp fall in imports forecast for poultry and pork. The Report also forecasts China's meat exports will begin to expand during the projection period.

The projected growth for beef and sheepmeat production (9.2 and 10.2 percent respectively) reflects the Chinese Government's drive to significantly increase production in these industries. However, the demand for beef and sheepmeat will still exceed domestic supply in the 10-year period, which will result in continued reliance on imports to meet excess demand.

For imported beef, the projected increase of 17 percent amounts to 460,000 metric tonnes, which, for context, is more than double New Zealand's total beef exports to China in the year-ending September 2023 (211,498 MT). An opportunity exists for beef

exporters to China but New Zealand currently is only a small player, holding only eight percent of the market share in the very competitive imported beef market. China continues to agree to new countries being granted access to export beef to China, with Denmark and Poland among those agreed in 2023.

While sheepmeat imports are expected to grow significantly, China already accounts for more than 57 percent of New Zealand’s total sheepmeat exports. Given New Zealand’s current sheepmeat production and the limited capacity to ramp up production in the short-term, New Zealand is unlikely to fill the supply gap without expanding supply.

Seafood projections

Table 3. Seafood (million metric tonnes)

	Actual	Projected			Growth (%)		
	2022	2023	2027	2032	2022-2023	2022-2027	2022-2032
Production	68.66	69.35	71.22	72.48	1.0%	3.7%	5.6%
Consumption	71.39	72.32	74.67	76.21	1.3%	4.6%	6.8%
Imports	6.47	6.85	7.79	8.24	5.9%	20.4%	27.4%

Source: China Agricultural Outlook Report 2023-2032

The Report projects consumption of seafood – both direct and processing – will continue to rise over the next 10 years and remain in excess of domestic supply. With China’s seafood exports also forecast to rise, reliance on imports will grow accordingly to fill the gap. The Report does not provide projections for sub-categories of seafood.

Table 4. Fruit (million metric tonnes)

	Actual	Projected			Growth (%)		
	2022	2023	2027	2032	2022-2023	2022-2027	2022-2032
Production	301	307	331	353	2.1%	10.1%	17.4%
Consumption	294	302	327	348	2.6%	11.1%	18.2%
Imports	10.61	11.73	16.13	20.41	10.6%	52.1%	92.4%

Source: China Agricultural Outlook Report 2023-2032

Imported fruit accounts for a very small portion of the Chinese fruit market (~3 percent). However, the Report predicts that higher household disposable income and consumer preference for premium imported fruit will significantly increase imports (92.4 percent) over the next 10 years. The Report does not provide projections for individual fruit varieties.

Conclusion

According to the Outlook Report's projections, China will continue to increase agricultural production over the next 10 years but sustained strong demand for protein and high-quality food will ensure imports continue to play an important role in the sectors of interest to New Zealand.

As China pursues a strategy of diversifying its import sources, established players in the market will face more competition from traditional and new entrants.

The underlying assumptions of the CAMES model are generally more optimistic and stable compared to other international organisations, for example, the International Monetary Fund projects that Chinese GDP growth will drop to 4 percent by 2025. This means the Outlook Report's projections, in particular the projected growth in production and reduced reliance on imports, are likely to be at the more optimistic end of estimates.

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