

OVERVIEW

China is the second largest agrifood market in Asia, after Japan, with annual food and beverage expenditure approaching US\$200 billion, and expanding fast.

Key drivers of continued growth and change in China's agrifood demand patterns include:

- more and more of China's annual **food and beverage expenditure** is taking place **through organised channels**, with continued urbanisation, and modernisation of Asia's food retailing and foodservice sectors;
- **continued population growth** – by 2010 China's population will reach approximately 1.37 billion, and still be around 20 per cent of the world's projected total of 6.8 billion;
- **demographic change** – an increasing share of China's population will be aged 65 and over, projected to reach 8.1 per cent by 2010, or around 110 million people; older people require smaller quantities of food but have more specific nutritional needs, and focus on food quality;
- **accelerating urbanisation** – the number and scale of China's large cities is projected to continue to grow remarkably, and will increasingly become the main hubs of China's agrifood demand growth;
- **continued per capita income growth** – China's economy continues to be one of the fastest growing in the world, averaging 7-8 per cent per annum over the past five years; rising per capita incomes are enabling Chinese people to consume larger quantities of better quality, more varied food and beverage products;
- **continued globalisation of foods and diets**;
- **growing interest in food safety, food integrity, food quality, and health and nutrition issues** (particularly among higher income consumers), with growing expectations that supply chains will deliver these requirements;
- **growing consumer demand for convenience** in food & beverage expenditure due to changing lifestyles;
- **larger-scale sourcing of agrifood products and materials from fewer, bigger agrifood companies**, both Chinese and foreign.

These changes are already becoming evident.

- Under medium or high levels of economic growth, Chinese agrifood producers are less likely to achieve the rate of growth necessary to keep up with the growth in demand - making higher levels of imports likely. Even in categories where China has traditionally been a strong surplus producer, such as pork and poultry meat, its net trade surplus could plateau or even fall.

- While China's agrifood exports to the world have approximately doubled (in nominal terms) over the past decade, reaching US\$18.7 billion in 2003, it continues to be a significant overall net agrifood exporter, **China's agrifood imports have grown almost threefold** over the same period, reaching US\$14.7 billion in 2003.

Modelling by the Washington-based International Food Policy Research Institute (IFPRI) found:

- Over the period 1997-2010, China's total annual demand for **grains** could expand from 385 million tonnes up to 500 million tonnes. Within this, total **wheat** and wheat products demand could expand from 118 million tonnes up to 146 million tonnes per annum, with possible net imports of 15 million tonnes.
- China's total **meat** demand could expand from 53 million tonnes in the base year to 85 million tonnes per annum by 2010, an increase of up to 30 million tonnes. Annual demand for **beef** could rise from 4 million tonnes a year to 9 million tonnes a year, with possible net imports of 0.5 million tonnes.
- Total Chinese demand for **milk and milk products** is projected to expand from 11 million tonnes in the base year to between 15 (low growth scenario) and 19 (high growth scenario) million tonnes per annum by 2010, with likely annual net imports in the range of 0.7 to 1.4 million tonnes. The proportion of processed dairy products consumed is likely to expand further.
- Total annual demand for **edible oils and fats**, which reached 13 million tonnes by 1997, could expand to 24 million tonnes by 2010, with likely net imports of 4 - 6.6 million tonnes. Higher income consumers are looking for more diversified and healthier types of edible oils, including more canola oil and olive oil.
- Demand for **temperate vegetables** is projected to grow from 230 million tonnes per annum to more than 300 million tonnes per annum, with higher income urban consumers looking for more varied and better quality vegetables. Modelled as a separate category, total potato demand is projected to rise from 57 million tonnes in 1997 to around 80 million tonnes a year, and with an increasing proportion consumed as processed potato products (such as snacks, frozen french fries).
- China's annual demand for **tropical/sub-tropical fruit** is projected to rise to around 25 million tonnes a year, with likely annual net imports of 1 - 2.6 million tonnes, while demand for **temperate fruit** could reach 53 million tonnes a year, with possible net imports of 0.8 - 2 million tonnes a year under medium/high growth scenarios.
- Total centrifugal **sugar** demand is projected to rise from 8.7 million tonnes in 1997 to possibly 14 million tonnes a year by 2010, with net imports in the range of 1.2 - 2.2 million tonnes per annum.
- Though not included in the modelling, it is clear that China's demand for **fish and seafood** will continue to expand, as will its demand for **non-alcoholic and alcoholic beverages** alike (especially bottled water, fruit juice, tea and coffee, beer and wine).

AUSTRALIA-CHINA AGRIFOOD TRADE TRENDS

- Australia-China agrifood trade more than trebled in scale over the past decade. Australia's exports to China expanded from A\$160 million in 1992 to over A\$1.1 billion by 2002, though falling to A\$600 million in 2003, because of drought, and the strong appreciation of the A\$.
- From 1997-2002, Australia averaged 6.1 per cent share of China's agrifood imports, principally:
 - wheat, barley, live cattle and sheep, dairy products and animal fats.
- China's agrifood exports to Australia increased from around A\$60 million in 1992 to over A\$280 million by 2003, principally:
 - vegetables, fish and seafood, and various processed foods.
- There is enormous potential for the expansion of agrifood trade and investment linkages between Australia and China. China's 2001 WTO accession and consequent reduction of many agrifood tariffs has been a major boost. However further improvements in the bilateral trade and investment framework could facilitate such an expansion.