

Why China's changing diet matters

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The Chinese switch from pork and how this is influencing dry bulk trades.

Eating healthier and more nutritious foods and changing your diet for the better is the advice of every doctor you probably ever met. But what happens if a country of 1.4bn people changes its diet and how big is the effect of such a massive butterfly flapping its wings?

Greece's Ursa Shipbrokers noted in a recent report that the world's second most populous country, China, is slowly changing its diet from one meat to another.

The company said that meat markets can serve as valuable indicators for broader economic trends, reflecting shifts in consumer preferences, disposable incomes, and supply chain dynamics.

"Textbook economic theory often predicts that wealthier populations tend to shift their consumption patterns from lower-cost proteins like pork to higher-value substitutes such as beef, veal, and poultry. This shift is explained by the Engel Curve, which states that as income rises, the proportion of income

spent on food decreases, but the share allocated to higher-quality and more expensive food items increases,” analysts at Ursa explained.

This means that the wealthier a population becomes, the priority shifts towards premium meats which have better taste, provide better health benefits, and even show social status.

In this regard China is a little bit odd as its economy is currently on the sluggish side, also visible through meat consumption and a current overall decrease in demand, but the country is also seeing a massive growth of the ultra-rich at the same time with no sign of stopping for decades to come. The country’s centi-millionaire population for example has expanded by 108% over the past 10 years, according to a report from New World Wealth and Henley & Partners, and is set to increase by another 150% by 2040.

But to get back to the meat of the matter. China’s number one meat is pork. It consumes half of the world’s pork which takes up 60% of the country’s total meat demand. But, according to Ursa, the theory and practice do agree in this case.

“A more affluent Chinese population appears to increasingly favour beef and poultry over pork. Although pork still dominates total meat consumption health and quality concerns have started pushing consumers towards what they perceive as healthier and more premium options,” Ursa stated.

They used data from the US Department of Agriculture’s Foreign Agricultural Service (FAS) to chart the historical evolution of production and demand for beef, veal, and chicken. They also looked at pork production in China which is the primary driver of demand for the seaborne transportation of major animal feed agricultural commodities such as soybeans.

Data Ursa provided shows that beef and veal consumption in China has increased by almost 130% since 2000, and by around 85% since 2019, while chicken consumption has grown by more than 55% since the turn of the millennium and by around 18% since 2010. Meanwhile, pork consumption has risen by approximately 47% since the start of this century and by around 13% since 2010.

The annualised growth rate of beef and veal consumption since 2010 is recorded at 4.54%, supported by increased restaurant and retail demand, while that of chicken stands at around 1.20%, and pork at 0.86%.

“This growth is underpinned by the expansion of the middle and upper-middle classes, driving demand for more premium meats like beef,” the Greek firm concluded.

The rise in the usage of beef is even more evident during 2024. According to China’s General Administration of Customs (GAC), China imported 1m tons of beef in the first four months of 2024, up 22% year-on-year. As for 2023, the country purchased a total of 2.74m tons of beef, up 1.8% year-on-year which was also a new record.

But it is not all smooth sailing with beef imports. The US is China’s top beef provider but the current political discourse during the election campaign in the US regarding tariffs could allow other countries to take a piece of the beef pie.

China has been looking for other sources of beef and has turned to Australia, Russia, and even Germany as new markets from which to import the meat in larger quantities to reduce over-reliance on a single market because a Trump win could change everything. Other countries getting in on the action are Brazil, Argentina, and Uruguay.

Australia is seen as especially important due to advantages in tariffs and prices compared to the US. Currently, Russian beef is also more favourable to US beef for the same reason.

After a nice beefy setup, the question that might be asked is – so what if they are eating more beef? And now we turn to the ripples.

As previously said, more beef and other meats means less pork. Since the trajectory of usage for other meats is on a much steeper incline than pork something must be happening as a result.

According to calculations done by Reuters based on data from the Chinese National Bureau of Statistics, the country's pork production in the third quarter fell 0.8% from a year earlier, the third consecutive quarter in which a decline has happened.

For the first nine months of the year, production fell 1.4% to 42.4m tonnes and 520.3m pigs were slaughtered during the first nine months of the year, down 3.2% compared to 2023. Even the pig herd size at the end of September was down 3.5% from the previous year.

However, the herd size shrinking is not unexpected as the government implemented a measure to battle an overabundance of pigs which tanked pork prices. The measure involves slaughtering fewer pigs but at a higher weight.

Now to piggyback off of that to the issue that most interests the shipping industry and that's what the pigs eat – soybeans.

However, China is not importing ordinary soybeans. These are all genetically modified and are mostly useable just to make cooking oil and, more importantly, crushed soymeal for animal feed – specifically, pigs.

The Chinese government is also giving soybeans a similar treatment as beef by searching for more sources to import from as the looming threat of Trump might change the dynamics of soybeans import from the US which is the second largest importer after Brazil.

Even if the US chooses to impose restrictions on trade with China, SSY believes that Brazil likely has the capacity to more than make up for this shortfall, especially as soybean acreage in Brazil increases. The one upside, according to the shipbroker, is that any Trump-imposed trade tariffs will only come into effect after the peak harvest period for the year.

China, as the world's top buyer of the commodity, is also looking to provide supply stability in case of weather-related events and other uncertainties.

From the political side, we will see what will happen after the US election. However, we have already seen issues that can arise from weather when it comes to soybeans.

Brazil, China's go-to place for soybeans, was hit hard in late April and throughout May by massive flooding in Rio Grande do Sul. The floods caused by heavy rains and considered to be the country's worst in over 80 years took nearly 200 lives.

During the floods, access to the port of Rio Grande was disrupted and road blockades forced grain trucks to travel an extra 400 km to reach the port which further increased freight costs.

Initially, it was thought that the forecast for Brazil's soybean output would shrink from the initial 146.5m tonnes for the 2023-24 season, some 5.2% lower than the previous year. However, Brazilian national supply company Conab said the rest of the country was able to offset the losses from Grande do Sul and the forecast instead rose to 147.3m tonnes in June.

Brazil was in the end able to deliver 34.4m tonnes of soybean to China in the first half of 2024, a record high according to GAC. It could have been much different, but fortunately, the flood didn't have a devastating effect in that regard at least.

Brazil, the US, Canada, Russia, and Argentina are currently China's top soybean importers in terms of value. However, it is also importing major amounts of soybeans from Benin, Ukraine, Uruguay, Ethiopia, and Tanzania.

Ursa said that bulk seaborne soybean cargoes arriving in China from all sources are estimated to have reached 80.76m tonnes in the first nine months of the year, up nearly 4.5% compared to January – September 2023 discharge volumes (77.42m tonnes), and up by approximately 18.5% compared to the average for the same period over the past five years (68.23m tonnes). August this year broke the record as China imported 12.14m tonnes, however, this is considered as another Trump precaution as it is believed that the country is stockpiling before the election takes place.

Considering the issue of a decreasing herd of hogs in the country, this is creating an oversupply in the country but it is a logical move if China gets hit with tariffs courtesy of the next US president.

As the new Chinese diet continues to change and the country curbing its pig herd to bounce back pork prices, the supply need could change. The Chinese government also implemented a comprehensive plan to reduce and replace soybean meal in animal feeds and, in 2023, soymeal consumption by feed companies decreased by 11%, according to the Chinese Ministry of Agriculture and Rural Affairs.

With all these factors in play, and the Trump card still on the table, companies have to follow all these figures closely to make the right call if and when a shift happens.

Despite current US president Joe Biden being able to use "soybean diplomacy" to iron out some trade disputes between the US and China, Brazil has been able to overtake the US as the top importer of soybeans to China.

"Since the US-China trade war between 2018-2020, China's dependency on Brazil has only increased. Despite worse output in two out of three of the past seasons, Brazil's exports to China have far exceeded those from the US, with the share of US-origin imports falling to the lowest level (16% of total January-August imports) since the trade war," states a new report from SSY.

The shipbroker also stated that two weeks into the 24/25 marketing year beginning on September 1, soybean sales in the US hit a five-year low and were 5% below last year. However, with the harvest season just starting, this can improve as 47% of harvesting in the US gets completed by October and a third of the sales are done in the last quarter.

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Beef/Veal, Chicken, and Pork Demand in China: 2000–2024

