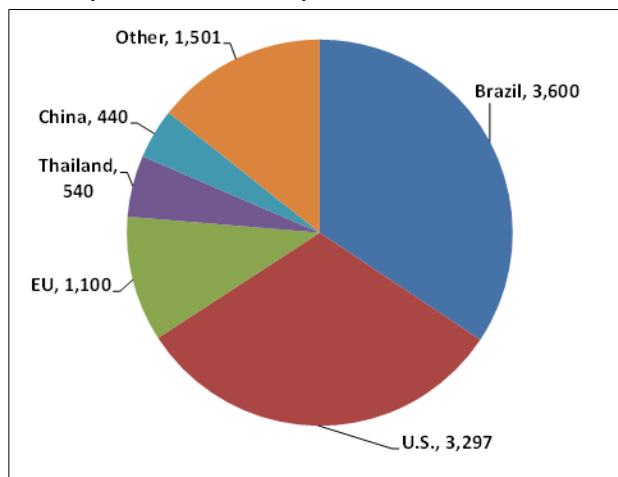


## Chicken Imports from China

In August 2013, the U.S. Department of Agriculture's (USDA's) Food Safety and Inspection Service (FSIS) granted equivalency to China's poultry processing system. This determination allows China to export processed (cooked) poultry meat to the United States. Imports from China must be sourced from U.S.-slaughtered poultry or from other countries allowed to export raw poultry to the United States (Canada, Chile, and France, as of March 2015). USDA's action in August 2013 was the culmination of the equivalency determination process that began a decade earlier.

The possibility that the United States could import poultry meat processed in China has raised concerns about lax food safety enforcement in China. Testimony presented at a June 2014 hearing of the Congressional-Executive Commission on China highlighted examples of China's weak track record on food safety. The discovery in the summer of 2014 that a Chinese meat processor that supplied products to McDonald's, KFC, and other foreign food establishments in China used unsanitary and expired meat in products provided to the food establishments may have furthered heightened concerns about China's ability to supply safe poultry meat to the United States.

**Figure 1. China: 5<sup>th</sup> Largest Global Poultry Exporter in 2014 (1,000 metric tons)**



Source: USDA, Livestock and Poultry: World Markets and Trade

### Inspection Equivalency

FSIS is responsible for inspecting meat and poultry for safety, wholesomeness, and proper labeling under the authority of the Federal Meat Inspection Act (FMIA; 21 U.S.C. §620 et seq.) and the Poultry Products Inspection Act (PPIA, 21 U.S.C. §451 et seq.). Under the two acts, FSIS regulates the import of meat and poultry by granting equivalency to foreign countries' meat and poultry slaughter and/or processing systems. Any country that wishes to export meat or poultry to the United States must

request that USDA review its inspection system to determine if it is equivalent—i.e., the foreign system (though different) must provide the same level of *sanitary protection* as the U.S. system.

When a foreign country asks to export its meat and poultry to the United States, the foreign government must first provide FSIS information and data on government oversight, statutory authority and food safety regulations, sanitation, hazard analysis and critical control points (HACCP), chemical residues, and microbiological testing. If FSIS determines that the documents and data demonstrate a system of equivalent public health protection, FSIS is to conduct onsite slaughter and processing plant audits to observe and verify that a foreign country's inspection system is equivalent. If so, FSIS uses a rulemaking process to grant equivalency, issuing a proposed rule for public comment and, if approved, a final rule. The process of sharing documents, conducting audits, and rulemaking may take several years to complete.

### China's Request

In 2004, in order to be eligible to export poultry to the United States, China requested that USDA determine if its poultry slaughter and processing systems were equivalent. Upon completion of its review, FSIS published in November 2005 a proposed rule that would permit the import of processed (cooked) poultry products from China, as long as the Chinese processed product originated from poultry slaughtered in the United States or in countries already eligible to export to the United States. At this point, FSIS did not grant equivalency to China's poultry slaughter system. FSIS issued the final rule in April 2006, adding China to the list of countries eligible to export processed poultry products to the United States.

The final rule addressed concerns about avian influenza in China and China's ability to provide adequate and effective food safety controls. It stated that FSIS had determined that processing procedures in China were adequate to destroy the avian influenza virus, and that USDA had adequate controls to ensure there would be no adverse effect on either U.S. animal health or human health. Annual random FSIS audits of certified Chinese establishments would continue to verify compliance with all requirements. The agency also argued that the final rule would facilitate poultry trade between the two countries in a manner consistent with U.S. international trade obligations.

### The Appropriations Ban

Before any Chinese processed poultry meat was imported, Congress prevented USDA from using appropriated funds to implement the April 2006 final rule, through a provision in the FY2007 appropriations act (H.J.Res. 20, signed into

law as P.L. 110-5). The ban was extended for FY2008 (P.L. 110-161) and FY2009 (P.L. 111-8).

In the debate over FY2010 appropriations, the House would have extended the ban, but the Senate permitted poultry imports under specified preconditions. Section 743 of the enacted FY2010 Agriculture appropriations bill (P.L. 111-80) included language that allowed USDA to implement the Chinese poultry rule under specific preconditions (see box).

### Some Section 743 Preconditions

The section required that:

- China not receive any preferential consideration of any application to export poultry or poultry products to the United States;
- the Secretary of Agriculture conduct audits of inspection systems and onsite reviews of slaughter and processing facilities, laboratories, and other control operations before any Chinese facilities are certified to ship products to the United States, and subsequently such audits and reviews will be conducted at least annually (or more frequently if necessary);
- there be a “significantly increased level” of re-inspections at U.S. ports of entry;
- a “formal and expeditious” information-sharing program be established with other countries importing Chinese processed poultry products that have conducted audits and plant inspections;
- a report be provided to the House and Senate Appropriations Committees, within 120 days and every 180 days thereafter, that includes both initial and new actions taken to audit and review the Chinese system to ensure it meets sanitary standards equivalent to those of the United States, the level of port of entry re-inspections being conducted on Chinese poultry imports, and a work plan incorporating any agreements between FSIS and the Chinese government regarding a U.S. equivalency assessment; and
- the public be notified about audits and site reviews in China and of lists of certified Chinese facilities.

### Equivalency Granted

In 2010, China asked USDA to again review its poultry inspection system to determine if it was equivalent. FSIS began to review and audit China’s poultry slaughter and processing systems in December 2010. It issued audit reports in October 2011 and conducted follow-up audits in March 2013. FSIS released the poultry processing report and granted equivalency in August 2013. In November 2014, the Chinese government submitted to FSIS a list of four poultry processing plants that meet the processed equivalency requirements. These four plants may now ship processed poultry meat to the United States.

FSIS released the slaughter audit report in December 2013 and did not grant equivalency for the Chinese poultry slaughter system. FSIS found that carcasses did not receive

adequate inspection. Since China’s slaughter system still is not equivalent, China may not use domestic poultry in processed poultry sent to the United States.

To date, China has not yet shipped processed poultry to the United States. Many in the U.S. poultry industry believe China has little incentive to ship processed poultry because of the cost to import raw poultry and export processed poultry to the United States. The benefit for the Chinese poultry industry would be to receive slaughter equivalency so that it could ship domestic poultry to the United States. Demand for white breast meat is low in China. Slaughter equivalency would allow China to fill some of the large U.S. demand for breast meat with excess Chinese supplies, as the United States continues to send excess U.S. supplies of dark meat to China.

Proponents of opening the U.S. market to Chinese poultry argue that trade must work in both directions. China was the 6<sup>th</sup> largest market for U.S. broiler meat exports in 2014. Opening the U.S. market to Chinese poultry could remove an irritant in the trade relationship. There are often disruptions in poultry trade with China. For example, China currently bans, against international guidelines, all imports of U.S. poultry because of avian influenza outbreaks in the United States. The United States won a dispute settlement in the World Trade Organization because of antidumping and countervailing duties imposed by China on U.S. chicken exports. Although China lowered some of the duties last year, China has not fully complied.

Many food safety advocates, the public, and Members of Congress continue to raise food safety concerns about importing poultry meat from China. Country-of-origin labeling (COOL) is viewed as one means to allow consumers to know if they are buying Chinese poultry. However, under the COOL regulations administered by USDA’s Agricultural Marketing Service, processed products are exempt from labeling. The Tariff Act of 1930 requires country-of-origin labels for imported goods, but origin information may be lost as imported products are further processed. In the case of Chinese poultry imports that are further processed, FSIS inspects poultry processing plants and the Chinese poultry would have to pass inspection before entering commerce.

Congress, in response to concerns about imported processed poultry, included Section 736 in the FY2015 appropriations act (P.L. 113-235). This section prohibits USDA from buying any processed poultry imported from China to be used in the National School Lunch Program and other USDA child nutrition programs. Members of Congress opposed to imports from China may attempt to extend this provision in FY2016 and use an appropriations provision to prohibit USDA from spending FY2016 funds to grant equivalency to China’s poultry slaughter system.

**Joel L. Greene**, Analyst in Agricultural Policy

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