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Chewy Chicken Feet May Quash a Trade War

by Clifford Krauss
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The New York Times

China is threatening to cut off imports of American chicken, but poultry experts have at least one reason to suspect it may be an empty threat: Many Chinese consumers would miss the scrumptious chicken feet they get from this country.

"We have these jumbo, juicy paws the Chinese really love," said Paul W. Aho, a poultry economist and consultant, "so I don't think they are going to cut us off."

Chicken exports were thrust to the forefront of American-Chinese trade tensions on Sunday when China took steps to retaliate for President Obama's decision to levy tariffs on Chinese tires. The Chinese announced that they were considering import taxes on automotive products and chicken meat, a development that some trade experts feared could escalate.

American executives expressed concern about losing what recently has become the largest export market for their chickens, one that is expanding rapidly as the Chinese population grows more prosperous. But the executives also expressed relief that, so far, Chinese importers have told them to keep the feet and wings coming.

"We were told by our customers in China to continue to pack and ship product," said Michael D. Cockrell, chief financial officer of Sanderson Farms, a major poultry producer based in Mississippi. "It gives us a little bit of optimism that we will get over this."

At a time when feed prices are high and domestic chicken sales to restaurants are down because of the recession, the Chinese market is important to the industry. Exports of American poultry totaled \$4.34 billion last year. Of that amount, \$854.3 million worth of chicken meat (less than 2 percent of total revenue by the American chicken industry) was exported to China and Hong Kong. But industry executives said the exports to China were particularly profitable.

About half of the chicken parts sold to China are wings and feet, which are worth only a few cents a pound in the United States. As delicacies in China, they fetch 60 cents to 80 cents a pound, a price that no other foreign market comes close to matching, according to industry experts.

Mr. Aho said the big chicken feet result from the American preference for white chicken meat. A bird bred for big breasts is necessarily bred to have big, strong feet and legs, he said. The United States is by far the world's leading supplier of king-size chicken feet.

Despite China's fondness for American chicken, the trade has been rife with problems since 2004, when the countries banned each other's poultry products after an outbreak of bird flu. China quickly lifted its ban, but the United States did not, because of continuing concerns about the safety of Chinese chicken.

The Agriculture Department partly rescinded the import ban in 2006 by ruling that China could export cooked poultry meat to the United States as long as it first imported the raw chicken meat from the United States or Canada. But Congress quickly inserted a provision in an appropriations bill that effectively prohibited the import of chickens processed in China, with lawmakers citing unclean conditions.

Rosa L. DeLauro, Democrat of Connecticut Democrat who leads opposition in the House to the imports, said the ban had nothing to do with trade policy. "For me it's about health," she said in an interview.

China appeared to be ready to cut off imports of American chicken products in July, and American poultry producers said the issuance of import permits slowed for a time. But sales have since returned to normal levels.

In an effort to assuage Beijing, American poultry producers have made it clear that they have nothing to do with the Congressional import ban and say they do not fear competing with Chinese canned or frozen chickens.

"We believe in free and open trade and we feel our industry has a lot more to lose by being an obstructionist in trade than in supporting China's position," said James H. Sumner, president of the U.S.A. Poultry and Egg Export Council. "If the product is fully cooked, then that would destroy any possible pathogens plus the product would be subject to further inspection when it enters the United States."

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Two weeks ago, Mr. Sumner's group and the National Chicken Council joined other American food organizations in sending a letter to Ron Kirk, the United State trade representative, cautioning that action against Chinese tires could lead to retaliation. "For some, the Chinese market is the difference between profitability and possible bankruptcy," the letter warned.

Now that the Chinese are threatening retaliation, industry officials say they can only hope Chinese taste buds outweigh protectionist impulses.

"It complicates the issue for the Chinese" because of their consumer demand for American chicken parts, said Daniel Griswold, a trade expert at the Cato Institute in Washington. On the other hand, he said the American poultry industry also has a lot to lose, adding, "If we are playing a game of chicken with China we are going to be big losers."

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