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Report Highlights:

Growth of swine inventories and pork production will continue in 2002 but at a slower pace as feed prices are up significantly. Cattle numbers will also increase in 2002 largely on the strength of a surging dairy industry. Beef and sheep muscle meat imports should continue recent strong growth, as should beef and pork offal imports.

Includes PSD changes: Yes
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Cattle and Beef

I. Situation and Outlook

Cattle numbers should increase once again in 2002. However, the pace of cattle inventory growth in recent years has been slowing and growth in 2002 is accordingly expected to be less than in 2001. Draft cattle numbers continue to decline. Farmers are switching from raising draught animals to raising cattle solely for the production of meat. However, undoubtedly the most dynamic sector of the cattle industry is dairy. More affluent urban consumers are developing a new-found taste for dairy products. Dairy cow numbers should increase 20 percent in 2002. Although dairy cows still account for only 5 percent of total cattle, their growth accounts for nearly all the current growth in cattle numbers.

The 2002 rate of growth in beef output should be roughly equal to the rate in 2001. The growth in the slaughter rate should also stay about the same. Beef prices have stayed roughly the same over the past year, but it appears that other factors are also driving beef production—specifically, the reduction in draft animal numbers and the growth in dairy cows. As these factors should still be important in 2002, the rate of growth is expected to stay on trend.

Growth of beef imports in 2002 should continue at the same pace as in 2001. Growing prosperity is driving the demand for beef imports. Much of this is lower-end table cuts like chuck-roll and short-plate which are less in demand in developed countries and are thus attractively priced. These are very popular in Chinese dishes, particularly Chinese “hot pot”. However growth is also being seen in high-end table cuts. Unlike pork, where the domestic industry can supply all domestic muscle-meat requirements, local beef production is constrained by poor genetics, and expensive forage and fodder. So, China is finding it difficult to meet its domestic needs for table cuts. However, with dairy cattle herds growing steadily, China has so far been quite capable of supplying domestic hamburger and other utility cut markets. (More information on the import market can be found in Section III following the tables.)

Beef offal imports should also continue their steady growth in 2002. As with pork, the Chinese affinity for offal makes imports from Western countries a natural fit. To some extent, of course, the market is supply driven, but strong economic growth is allowing China to take an increasingly larger chunk of the available world supply.

In 2002, beef exports should be roughly equal to those of 2001. The market remains dominated by exports to Hong Kong, but with some significant additional exports to Asia and the Middle East. Exports are well off the pace of the early 1990's and are expected to stay relatively small due to strong domestic demand and relatively high domestic production costs. Also, as with pork, disease concerns close many markets to Chinese beef. The government has plans for expanding domestic beef production but this is mainly to meet anticipated increases in domestic demand. Unlike swine, the government apparently has no plans for disease-free zones for cattle.

II. Cattle and Beef Tables

PSD Table						
Country	China, Peoples Republic of					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Total Cattle Beg. Stks	126983	126983	130000	128663	132530	130300
Dairy Cows Beg. Stocks	4200	4600	4350	5200	0	6200
Beef Cows Beg. Stocks	61000	60000	62801	60000	0	60000
Production (Calf Crop)	42517	41823	43800	44301	0	45564
Intra EC Imports	0	0	0	0	0	0
Other Imports	1	1	0	1	0	1
TOTAL Imports	1	1	0	1	0	1
TOTAL SUPPLY	169501	168807	173800	172965	132530	175865
Intra EC Exports	0	0	0	0	0	0
Other Exports	70	65	70	65	0	65
TOTAL Exports	70	65	70	65	0	65
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	39000	39648	40300	41700	0	43700
Total Slaughter	39000	39648	40300	41700	0	43700
Loss	431	431	900	900	0	500
Ending Inventories	130000	128663	132530	130300	0	131600
TOTAL DISTRIBUTION	169501	168807	173800	172965	0	175865
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	China, Peoples Republic of					
Commodity	Meat, Beef and Veal				(1000 MT CWE)(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Slaughter (Reference)	39000	39648	40300	41700	0	43700
Beginning Stocks	0	0	0	0	0	0
Production	5350	5328	5650	5600	0	5880
Intra EC Imports	0	0	0	0	0	0
Other Imports	9	9	12	12	0	15
TOTAL Imports	9	9	12	12	0	15
TOTAL SUPPLY	5359	5337	5662	5612	0	5895
Intra EC Exports	0	0	0	0	0	0
Other Exports	30	47	30	45	0	45
TOTAL Exports	30	47	30	45	0	45
Human Dom. Consumption	5329	5290	5632	5567	0	5850
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	5329	5290	5632	5567	0	5850
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	5359	5337	5662	5612	0	5895
Calendar Yr. Imp. from U.S.	4	4	6	6	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

CHINA RETAIL BEEF PRICES (RMB/KG, US\$ 1=8.27)										
	2000				2001				Chng 00/01	Chng 00/01
Provinces	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar-Mar	Jun-Jun
NAT'L AVG 1/	12.90	12.50	12.44	12.78	13.13	n/a			1.78%	n/a
Beijing	13.00	12.60	13.10	13.30	13.00	12.20			0.00%	-3.17%
Tianjin	11.00	12.40	11.50	12.40	13.54	n/a			23.09%	n/a
Hebei	12.43	12.69	12.25	11.71	12.14	12.11			-2.33%	-4.57%
Shanxi	14.25	13.31	14.03	14.98	14.25	13.62			0.00%	2.33%
Inner Mongolia	13.00	11.88	11.81	12.09	12.25	12.86			-5.77%	8.25%
Liaoning	13.15	12.82	13.18	13.63	13.89	13.79			5.63%	7.57%
Jilin	12.10	12.80	13.10	12.60	13.20	13.90			9.09%	8.59%
Heilongjiang	13.00	12.00	n/a	13.00	n/a	14.00			n/a	16.67%
Shanghai	18.00	18.00	18.00	17.00	18.60	18.00			3.33%	0.00%
Jiangsu	13.50	13.68	12.40	14.00	13.37	12.36			-0.96%	-9.65%
Zhejiang	16.54	16.21	16.00	15.54	15.72	14.92			-4.96%	-7.96%
Anhui	12.25	10.83	11.64	12.11	11.58	12.00			-5.47%	10.80%
Fujian	15.67	15.66	14.31	14.88	15.48	14.84			-1.21%	-5.24%
Jiangxi	13.16	12.34	12.28	12.96	12.97	12.50			-1.44%	1.30%
Shandong	11.56	12.29	12.05	12.36	12.36	12.32			6.92%	0.24%
Henan	12.09	11.74	12.23	12.16	12.30	12.09			1.74%	2.98%
Hubei	11.22	11.24	12.00	11.38	11.89	12.18			5.97%	8.36%
Hunan	13.24	12.43	11.55	12.64	12.69	12.58			-4.15%	1.21%
Guangdong	16.33	16.47	16.00	16.44	17.63	16.50			7.96%	0.18%
Guangxi	12.00	11.35	11.38	11.59	n/a	11.50			n/a	1.32%
Hainan	14.00	13.00	14.25	14.98	14.00	15.50			0.00%	19.23%
Sichuan	11.03	10.24	10.64	11.18	10.11	10.56			-8.34%	3.12%
Guizhou	9.00	10.16	10.22	11.13	10.80	11.75			20.00%	15.65%
Yunan	14.06	14.34	13.83	13.82	14.06	13.71			0.00%	-4.39%
Tibet	n/a	n/a	n/a	n/a	n/a	n/a			n/a	n/a
Shaanxi	12.39	12.33	12.25	12.52	12.30	12.40			-0.73%	0.57%
Gansu	12.30	12.87	12.60	11.85	13.25	13.30			7.72%	3.34%
Qinghai	11.90	12.80	10.38	11.57	12.20	n/a			2.52%	n/a
Ningxia	13.00	12.00	14.00	12.50	12.50	n/a			-3.85%	n/a
Xinjiang	13.00	13.20	13.20	n/a	15.25	n/a			17.31%	n/a
Chongqing	11.29	9.71	13.35	10.29	10.90	10.51			-3.45%	8.24%

Source: The Ministry of Agriculture (MOA)

1/ The national average price is based on the average price of all the counties selected for sampling survey.

III. The Chinese Beef Import Market—Structure and Trends

Muscle Meat

Two main markets exist for imported beef muscle-meat. The first, accounting for 60 percent of these, are lower end cuts (short plate and chuck eye roll) used primarily in Chinese hot pot. For Chinese hot pot the meat is cut into very thin strips, 3 or 4 inches long, and 1 inch wide. Diners place these strips, along with other vegetables and meat, into water boiling in pots sitting over gas burners installed at each table. After the meat and vegetables are cooked, the people around the table, using chopsticks, remove them from the pot, and eat them with a sauce. As incomes rise, using imported meats has begun to have some cachet. This tendency has been reinforced by an effective marketing campaign for US meat and by the relatively low prices for these cuts in the States. Close to half of these cuts are sold directly to hot pot restaurants. However, a significant and increasing percentage (10-20 percent) is sold at supermarkets in pre-sliced packets for consumers to use at home. The rest is sold in the wet market. Here the consumer buys the cut and usually has it sliced on the spot. The market is a seasonal one as hot pot is much more popular in the winter than in the summer. This market will continue to grow strongly at least for the next 2 years.

The second muscle-meat market for US imports is for high-end table cuts such as rib-eye, sirloin and tenderloin. This accounts for about 40 percent of US beef muscle-meat imports and about 20 percent of all beef imports. This market exists mostly at high-end hotels and restaurants, although there are also a few high-end supermarkets that cater to ex-patriots and very wealthy Chinese. Hotels and restaurants generally bring this product in frozen but at least one supermarket brings the product in chilled by air. This supermarket does not bring the product in by ship container because volumes are not large enough yet to justify containers. This market should continue to grow over the next 2 years as fast, if not faster than, the hot-pot market. For the long term the feeling among Chinese traders is that Chinese, no matter how wealthy, will not eat as much high-end table cuts as Westerners, but even with moderate rates of consumption the market is potentially huge.

So far local producers have had relatively little success in increasing the production of high-quality beef. A few processors, particularly around Beijing, can supply cuts of a quality comparable to US imports using production contracts with individual farmers. However traders report that the amount of consistently high-quality beef these companies can supply is limited and has not shown signs of growing in recent years. Neither is it expected to grow much in the next several years. Local producers, however, seem to have little problem in meeting the demand for hamburger meat for fast-food chains and low-quality meat for traditional Chinese dishes other than hot pot. Dual-purpose animals from a growing dairy industry contribute to these supplies.

Some traders feel that the recent BSE scare in Europe has hurt sales of beef but others felt it had no affect. Clearly it is not something that has dramatically lowered sales.

Offal

About half of Chinese beef imports are beef offal. The most popular cuts of imported beef offal are stomach and tendons, but hearts, tongues and kidneys also come in. This is a very price sensitive market. For some items (e.g. beef tendon), which have very little value in the US, China will take as much as can be supplied. However, for offal products, such as tongue, which have more value in Western countries, the Chinese are priced out of the market.

Tariffs

After China enters the WTO, the tariff on frozen beef muscle meat is scheduled to eventually drop to 12 percent from 45 percent; on chilled muscle meat from 45 to 25 percent. For offal, the tariff will generally go from 20 to 12 percent. Even though entry in the WTO has been delayed, China has already begun phasing down its tariffs, and final tariff levels should be achieved by 2004.

It has been said in the past that the amount of smuggling into China is so high that a tariff reduction is irrelevant. However, much of the higher-end beef is already coming in legally, and due to the additional "costs" associated with smuggling, the end cost to the consumer of smuggled product is not that much lower than the cost of legally imported product. This is particularly true in northern cities where transportation costs from the main smuggling centers in the south must be factored in. Therefore, tariff cuts should have a significant positive effect on beef consumption.

(For more information on meat distribution channels see Section III in the Swine and Pork discussion.)

Swine and Pork

I. Situation and Outlook

Swine inventories and pork production should continue to expand at least through the first half of 2002, but at anemic (for China) levels. Demand for pork continues to grow at a good pace; however, since early 2000, continual hikes in the Chinese price for corn have meant that feed costs have outstripped increases in pork prices. Producers are accordingly cutting back on inventory growth, which will by 2002 be reflected in a lower growth rate for pork production.

This year's second bad corn crop in a row means high corn and feed prices should continue until well into 2002. However, feed prices could fall later in 2002. China will likely enter the WTO by early 2002. China has agreed that upon accession to the WTO it will implement a tariff-rate quota (TRQ) to import some 5 MMT of corn if market conditions warrant. China has agreed to even larger quotas for wheat and rice which could also be imported for use as feed. With these imports, feed prices could fall, and the pace of inventory growth pick up in the last half of 2002. Given uncertainty about how quickly China will meet its TRQ obligations, rising protein meal prices, and, indeed, uncertainty about international grain prices, it is assumed that feed prices will stay high long enough that an increase in inventory growth rates will not occur until after 2002.

Pork offal imports will continue to grow in 2002, although new and better-enforced restrictions on imports from countries with hoof-and-mouth disease could limit this growth to some degree. These restrictions will also mean some shift in market share (already seen in 2001) from European to US and Canadian imports. Muscle meat imports will remain nil. (Since our data reflect official Chinese data, the PSD still show significant muscle meat imports, even though traders uniformly insist no muscle meat imports occur. Chinese customs appears to be misclassifying imports. No difference exists in tariffs between offal and muscle meat so a different interpretation of the codes seems to be the root cause. It appears that the most common misclassification is pigs feet as hams and shoulders. Looking at the Chinese language description of this product in the PRC tariff code, it would not be a stretch to classify feet in this category.) (More information on the pork import market can be found in Section III following the tables.)

Pork exports will continue to increase in 2002 largely on the strength of improved marketing and quality. The Hong Kong market will continue to grow for the chilled and frozen market, as export quotas keep live animal exports relatively constant. China is also continuing to gain ground in its only other significant market for chilled and frozen pork, Singapore.

Concerns about disease block entry of fresh and chilled pork into other markets, but Chinese prepared and preserved pork exports have more access. Japan stands out in this market and Chinese exporters will likely continue to use quality and marketing improvements to increase canned and preserved exports in 2002. Although Russia recently lifted bans on imports of pork from China, the market potential there appears small.

As a percentage of production, Chinese exports remain very small. The potential is great but restrictions placed by other countries because of disease concerns constrain expansion. The

government realizes this but progress on meeting other countries' concerns is slow. The government is considering making small areas (e.g. a peninsula or island) disease free. However, no concrete steps in that direction have yet been taken, nor is it clear that such a small-scale disease-free zone would be acceptable to other countries.

II Swine and Pork Tables

PSD Table						
Country	China, Peoples Republic of					
Commodity	Animal Numbers, Swine				(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
TOTAL Beginning Stocks	430198	430198	440000	446815	448000	455000
Sow Beginning Stocks	36000	35500	37000	36500	0	37250
Production (Pig Crop)	552800	546383	570000	565000	0	575000
Intra EC Imports	0	0	0	0	0	0
Other Imports	2	3	0	3	0	0
TOTAL Imports	2	3	0	3	0	0
TOTAL SUPPLY	983000	976584	1010000	1011818	448000	1030000
Intra EC Exports	0	0	0	0	0	0
Other Exports	2000	2039	2000	2000	0	2000
TOTAL Exports	2000	2039	2000	2000	0	2000
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	540000	526730	559000	553818	0	564000
Total Slaughter	540000	526730	559000	553818	0	564000
Loss	1000	1000	1000	1000	0	1000
Ending Inventories	440000	446815	448000	455000	0	463000
TOTAL DISTRIBUTION	983000	976584	1010000	1011818	0	1030000
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	China, Peoples Republic of					
Commodity	Meat, Swine				(1000 MT CWE)(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Slaughter (Reference)	540000	526730	559000	553818	0	564000
Beginning Stocks	0	0	0	0	0	0
Production	41600	40314	43200	42400	0	43200
Intra EC Imports	0	0	0	0	0	0
Other Imports	140	137	170	140	0	140
TOTAL Imports	140	137	170	140	0	140
TOTAL SUPPLY	41740	40451	43370	42540	0	43340
Intra EC Exports	0	0	0	0	0	0
Other Exports	110	121	110	135	0	145
TOTAL Exports	110	121	110	135	0	145
Human Dom. Consumption	41630	40330	43260	42405	0	43195
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	41630	40330	43260	42405	0	43195
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	41740	40451	43370	42540	0	43340
Calendar Yr. Imp. from U.S.	10	10	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

CHINA RETAIL PORK PRICES (RMB/KG, US\$1=8.27)										
	2000				2001				Chng 00/01	
Provinces	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar-Mar	Jun-Jun
NAT'L AVG 1/	9.89	9.56	10.51	10.69	10.71	n/a			8.29%	n/a
Beijing	8.07	8.30	10.25	10.35	10.00	9.05			23.92%	9.04%
Tianjin	7.50	9.63	12.00	11.75	12.00	n/a			60.00%	n/a
Hebei	8.57	9.31	10.85	10.87	10.86	10.11			26.72%	8.59%
Shanxi	8.38	8.62	10.07	11.26	10.61	8.83			26.61%	2.44%
Inner Mongolia	8.09	7.31	9.78	10.06	10.51	9.79			29.91%	33.93%
Liaoning	8.28	8.75	10.02	10.59	10.19	9.71			23.07%	10.97%
Jilin	7.64	8.07	9.63	10.62	10.40	9.73			36.13%	20.57%
Heilongjiang	6.50	7.40	n/a	9.00	9.50	9.00			46.15%	21.62%
Shanghai	13.90	13.75	14.00	14.00	14.00	13.75			0.72%	0.00%
Jiangsu	9.88	9.63	10.58	10.68	10.69	9.95			8.20%	3.32%
Zhejiang	10.17	9.80	10.68	11.18	10.26	10.13			0.88%	3.37%
Anhui	10.95	10.34	10.90	11.27	13.04	10.34			19.09%	0.00%
Fujian	11.70	11.61	11.42	11.40	11.20	10.47			-4.27%	-9.82%
Jiangxi	10.85	10.66	11.41	11.53	12.34	10.42			13.73%	-2.25%
Shandong	9.47	9.00	10.47	10.69	10.49	9.73			10.77%	8.11%
Henan	9.52	9.14	10.22	10.90	10.37	9.64			8.93%	5.47%
Hubei	10.80	10.43	11.56	11.44	11.48	11.07			6.30%	6.14%
Hunan	10.18	10.28	11.05	11.04	10.71	10.45			5.21%	1.65%
Guangdong	12.59	12.13	12.31	11.64	12.05	11.61			-4.29%	-4.29%
Guangxi	11.29	11.01	10.94	10.86	n/a	20.38			n/a	85.10%
Hainan	13.50	10.33	11.75	12.28	9.67	9.88			-28.37%	-4.36%
Sichuan	9.59	8.50	9.60	9.68	9.11	9.20			-5.01%	8.24%
Guizhou	10.00	9.48	9.02	9.73	9.33	9.80			-6.70%	3.38%
Yunan	10.10	9.07	9.43	9.54	9.27	8.88			-8.22%	-2.09%
Tibet	n/a	n/a	n/a	n/a	n/a	n/a			n/a	n/a
Shaanxi	10.41	7.70	9.26	8.63	9.23	9.07			-11.34%	17.79%
Gansu	8.18	8.48	11.06	10.58	10.69	10.84			30.68%	27.83%
Qinghai	10.80	10.50	11.25	11.96	12.17	n/a			12.69%	n/a
Ningxia	8.00	6.07	10.00	7.90	7.40	n/a			-7.50%	n/a
Xinjiang	9.00	9.80	9.80	n/a	11.75	n/a			30.56%	n/a
Chongqing	9.57	9.04	9.40	9.63	10.08	9.37			5.33%	3.65%

Source: MOA
1/ The national average price is based on the average price of all the counties sampled.

CHINA RETAIL HOG PRICES (RMB/KG, US\$1=8.27)										
	2000				2001				Chng 00/01	Chng 00/01
PROVINCE	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar-Mar	Jun-Jun
AVERAGE 1/	5.67	5.45	6.03	6.11	6.24	n/a			10.05%	n/a
Beijing	5.87	6.40	6.80	7.35	7.60	6.60			29.47%	3.12%
Tianjin	5.55	5.88	6.85	7.03	7.60	n/a			36.94%	n/a
Hebei	4.86	5.25	5.75	6.27	5.99	5.67			23.25%	8.00%
Shanxi	4.84	4.96	6.09	6.52	6.05	5.38			25.00%	8.47%
Inner Mongolia	5.96	5.17	6.40	6.30	6.34	6.20			6.38%	19.92%
Liaoning	4.74	5.04	5.78	6.00	6.07	5.45			28.06%	8.13%
Jilin	4.60	4.80	5.58	6.26	6.03	5.45			31.09%	13.54%
Heilongjiang	4.20	4.20	n/a	5.00	6.50	5.80			54.76%	38.10%
Shanghai	6.80	6.98	7.80	7.35	7.38	7.15			8.53%	2.44%
Jiangsu	5.28	4.88	5.73	5.72	5.77	5.13			9.28%	5.12%
Zhejiang	6.15	5.76	6.44	6.77	6.72	5.97			9.27%	3.65%
Anhui	6.03	5.65	6.00	6.43	6.26	5.80			3.81%	2.65%
Fujian	7.11	7.23	7.40	7.38	7.11	6.67			0.00%	-7.75%
Jiangxi	6.14	6.13	6.50	6.55	6.65	6.10			8.31%	-0.49%
Shandong	5.28	5.28	5.84	5.96	5.80	5.28			9.85%	0.00%
Henan	5.34	5.17	5.65	6.09	5.93	5.40			11.05%	4.45%
Hubei	5.62	5.55	6.04	5.01	6.00	5.70			6.76%	2.70%
Hunan	5.98	5.91	6.40	6.43	6.23	5.99			4.18%	1.35%
Guangdong	7.33	7.08	7.30	7.49	7.98	7.13			8.87%	0.71%
Guangxi	6.06	5.89	5.94	6.02	n/a	5.46			n/a	-7.30%
Hainan	9.50	8.07	8.78	8.63	7.77	7.45			-18.21%	-7.68%
Sichuan	5.15	4.40	5.15	5.27	5.27	5.13			2.33%	16.59%
Guizhou	4.80	5.70	5.91	5.99	5.67	5.93			18.12%	4.04%
Yunan	5.85	5.39	5.56	5.44	5.19	4.81			-11.28%	-10.76%
Tibet	n/a	n/a	n/a	n/a	n/a	n/a			n/a	n/a
Shaanxi	5.22	4.37	5.46	5.50	5.55	5.47			6.32%	25.17%
Gansu	4.79	4.89	6.20	6.11	6.15	6.38			28.39%	30.47%
Qinghai	5.92	5.67	6.32	7.06	7.90	n/a			33.45%	n/a
Ningxia	4.00	5.00	6.00	6.40	6.00	n/a			50.00%	n/a
Xinjiang	6.50	6.00	6.00	n/a	7.56	n/a			16.31%	n/a
Chongqing	5.34	4.35	5.06	5.07	5.14	4.89			-3.75%	12.41%

Source: MOA
1/ The national average price is based on the average price of all the counties sampled.

CHINA RETAIL PIGLET PRICES (RMB/KG, US\$1=8.27)										
	2000				2001				Chng 00/01	Chng 00/01
PROVINCES	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar-Mar	Jun-Jun
AVERAGE 1/	7.52	7.66	8.37	8.33	9.54	n/a			26.86%	n/a
Beijing	6.37	6.70	7.10	7.63	5.00	8.30			-21.51%	23.88%
Tianjin	8.80	8.95	10.00	10.40	9.62	n/a			9.32%	n/a
Hebei	6.69	7.80	7.70	7.91	7.60	7.64			13.60%	-2.05%
Shanxi	7.25	9.17	9.83	10.33	13.05	7.67			80.00%	-16.36%
Inner Mongolia	9.50	10.62	11.10	10.63	15.20	12.89			60.00%	21.37%
Liaoning	6.44	8.40	8.09	8.55	9.80	7.75			52.17%	-7.74%
Jilin	8.49	7.23	7.44	7.34	8.44	8.10			-0.59%	12.03%
Heilongjiang	4.00	5.00	n/a	5.50	6.30	7.40			57.50%	48.00%
Shanghai	7.58	8.20	9.18	9.00	9.20	9.05			21.37%	10.37%
Jiangsu	5.90	5.83	6.90	5.68	6.23	5.44			5.59%	-6.69%
Zhejiang	6.73	7.03	7.82	6.77	7.49	7.18			11.29%	2.13%
Anhui	8.57	7.53	7.44	8.49	7.98	7.13			-6.88%	-5.31%
Fujian	8.29	8.95	11.98	8.95	8.80	7.96			6.15%	-11.06%
Jiangxi	7.94	9.35	10.02	9.15	9.85	8.74			24.06%	-6.52%
Shandong	6.01	6.29	6.90	6.76	6.41	5.90			6.66%	-6.20%
Henan	7.84	8.17	9.54	8.65	8.82	7.25			12.50%	-11.26%
Hubei	9.54	8.54	10.26	10.59	12.26	10.43			28.51%	22.13%
Hunan	7.89	9.36	10.83	10.35	10.63	9.98			34.73%	6.62%
Guangdong	8.31	8.86	9.06	8.91	8.92	8.57			7.34%	-3.27%
Guangxi	6.95	7.79	8.23	7.33	n/a	6.56			n/a	-15.79%
Hainan	10.25	9.33	10.23	10.43	8.63	8.93			-15.80%	-4.29%
Sichuan	6.82	5.44	6.27	6.48	7.21	6.95			5.72%	27.76%
Guizhou	6.40	5.20	6.33	6.85	6.97	6.15			8.91%	18.27%
Yunan	8.65	7.45	7.15	8.06	8.04	7.13			-7.05%	-4.30%
Tibet	n/a	n/a	n/a	n/a	n/a	n/a			n/a	n/a
Shaanxi	6.01	6.53	7.05	7.98	10.04	9.92			67.05%	51.91%
Gansu	8.36	8.28	9.83	10.24	11.42	12.32			36.60%	48.79%
Qinghai	8.20	8.03	8.36	9.64	11.38	n/a			38.78%	n/a
Ningxia	10.00	8.00	12.00	11.50	13.50	n/a			35.00%	n/a
Xinjiang	9.80	10.00	10.00	n/a	12.07	n/a			23.16%	n/a
Chongqing	7.64	5.58	6.44	7.11	7.68	7.06			0.52%	26.52%

Source: MOA
1/ The national average price is based on the average price of all the counties sampled.

III. The Chinese Pork Import Market—Structure and Trends

The pork import market, although very large, is exclusively offal. Local pork muscle meat is of a quality comparable to that of the US or other countries and it is considerably cheaper than imports. The most popular offal are tongue, feet, and stomach. They all have about equal shares of the market, but pigs feet are particularly popular in Northeast China. Traders say that pigs feet from Europe are preferable because they are typically smaller than the American ones. However, recent foot-and-mouth concerns have led Chinese authorities to ban most imports of European pork.

As with beef offal, price is very important in the pork offal market. For instance, traders frequently mention that swine ears are popular in China. However, import prices are too high to allow a significant import. A considerable market exists in Western countries for swine ears, where they are used as dog food.

Most imported offal is sold in the major coastal cities. The tendency is for all domestic offal to be sold near slaughter facilities with a good portion of the muscle meat shipped to urban centers. Wet markets probably account for roughly half of all imported-offal sales; restaurants and hotels for 30 to 40 percent; and supermarkets for around 10 percent. Like most of retail food marketing, supermarkets are becoming more important.

Despite current strong growth, traders are mixed on longer term prospects for offal. Some traders feel that with increasing incomes, Chinese are likely to eat less offal. In particular they cite concerns that offal contains too much fat. Other traders scoff at this idea. Still, it seems, even if there is some decline in per capita offal consumption among the most wealthy, Chinese will certainly continue to have a much greater affinity for offal than Westerners for many years to come. This will continue to add considerable value to these parts which would otherwise end up as animal feed in the West. The value of US pork offal should also be enhanced over the next 2 years by bans on imports of European and Brazilian offal due to concerns about foot-and-mouth disease.

Tariffs

Tariffs on the most important pork offal tariff line, i.e., *frozen offal other than liver*, are set to decline from 20 percent to 12 percent after China enters the WTO. Unlike with beef however, the Chinese are not going ahead with the phased tariff cuts as negotiations on entry have dragged on, so it is unclear whether final reductions will occur by 2004 as bilateral negotiations have established. As with beef, this tariff reduction should help imports.

Distribution Channels

Approximately 80 percent or more of imported meat and meat offal enter through Southern ports where customs supervision is relatively lax. Most of this product enters, to some degree or another, illegally. In many cases this means that the invoice value or quantity has been lowered in order to avoid the full tariff and in some cases the source country has been falsified to allow

product from banned countries. The government has been attempting for years to crack down on this trade. Some traders are cynical about this, saying that the government efforts are mostly ineffective. However, after talking to many other traders and looking at the trade statistics, it appears that the government is making some headway, albeit slowly. As one trader pointed out, no one any longer can smuggle entire boatloads of product unhindered, as was possible some years ago. For traders in central and northern China, the amount of savings to be gained by bringing the product in illegally through the South, as compared to bringing it in legally through northern or central ports, is relatively small. It appears to be only 4 to 5 percent. Transportation and other costs eat into what savings can be garnered by avoiding tariffs and fees in the South. It seems very likely that government moves to eliminate smuggling will continue, and every year this will cause an increase in imports that enter through the central and northern ports. One trader estimates that as much as 50 percent of pork and beef now entering through the South will eventually enter through other ports. Since the cost savings are not that great anyway, the continued crackdown should not hurt prices much. In fact, as mentioned earlier, with upcoming tariff cuts, prices to the consumer should actually drop.

Until recently imports were restricted to selected state companies. In recent years the restriction has been loosened, but only to allow imports by companies with a history of 5 million RMB per year in annual sales for at least 3 years. The application procedure appears to be complicated however and, for meat at least, once overall approval is granted, traders need to gain approval for individual commodities as well. As of now, most traders still go through one of the numerous state companies authorized to import. Often this means nothing more than using the name of the company in documents. Typically the trader will pay a 1 percent fee for this. It is an added cost without any obvious economic value unless one sees maintaining state companies as valuable. The agreement for China's WTO accession should make importing easier although reportedly the language is a bit vague. Supposedly, any domestically registered company, regardless of its ownership, should be eligible to import after an automatic approval process. This should help reduce costs.

Sheep and Goats

I. Situation and Outlook

Sheep and goat inventories and meat production saw a good year in 2000. National Statistic Bureau data show that total sheep and goat inventory grew by 4 percent and meat production rose 9 percent from the previous year. Other data show that for the first quarter of 2001 sheep and goat inventories increased 1.1 percent and the number of slaughtered sheep and goats increased 2 percent. Both sheep and goat inventories are rising. Goats have risen much faster than sheep due to a continuing production shift from sheep for wool to goats for meat with better profits. Sheep and goat meat production accounts for only 4.5 percent of the total meat production in China. Government analysts expect inventories and meat production to continue to grow in the next couple of years as domestic demand for meat is increasing. However, average growth for 2001 and 2002 will not be as fast as in 2000. A particularly severe winter at the beginning of this year caused significant losses of sheep and goats in the North and Northwest, especially in Inner Mongolia where some 900, 000 head were lost. It will take some time to recover from the losses.

Recently, more high quality feed has been used for fattening sheep and goats at feedlots in order to shorten slaughter cycles. Currently, on average, one slaughter cycle is just a little more than a year, while it was about two years in the past. However, bad feed grain crops for the last two years, and a decline in feed grain stocks have pushed feed material prices up considerably. This, along with the weather-related losses already mentioned, is slowing the pace of inventory expansion.

Production areas are shifting gradually from grassland areas to grain production areas. However, sheep and goat production in grassland areas is still important to the national industry. Five provinces in the North and Northwest account for over 42 percent of the total inventory and 35 percent of total meat production. Over grazing, desertification and lack of good quality forage in grassland areas have become constraints on sheep and goat production. In order to improve the grassland situation, the government has encouraged herdsmen to reduce herd sizes, and to stop nomadic grazing. It has also encouraged herdsmen or farmers to fatten their sheep and goats at feedlots close to consumption areas.

Prices and Stocks

Higher slaughter rates with low feed prices pushed meat prices down in 2001. The end-of-year prices, on average, dropped about 2 percent over the same period in 2000. Prices turned up some in the first quarter of 2001. However, on the whole, prices look most likely to remain stable this year and into next year. This is in large part due to a sell down of state-owned stocks. This year, from January to April, after the considerable sheep and goats losses, state reserves in Xinjiang and Inner Mongolia released 20 percent more frozen meat than in normal years.

Trade

Imports of sheep and goat meat in 2000 witnessed a good year. Imports of fresh, chilled and frozen

meat for 2001 and 2002 are expected to continue to grow. Most meat imports are cuts or higher-quality muscle meat. The import numbers for 2001 are increasing considerably faster than those of 2000. This indicates a strong increase in demand, but the growth rate could also be inflated to an extent by stricter government policing, which means that what would have previously been unreported imports are now showing up in statistics. Live sheep and goats imports are not significant and most are breeding stocks. Canned and preserved meat imports are almost nil. Australia and New Zealand are dominant suppliers and are expected to continue as dominant suppliers for both live sheep and goats and meat in the next couple of years. China does not import sheep and goats nor their meat from the US because of scrapie concerns and it does not look likely that it will lift the ban in the near future. Prospects for increased higher-quality imports remain good as China's economy continues to grow well and people's incomes increase.

Exports in 2001 are expected to decline from 2000, and exports in 2002 are expected to remain flat. Most exports are canned and preserved meat. Japan is the largest market for China's canned and preserved meat. Hong Kong is the largest market for fresh, chilled and frozen meat, and the second largest market for canned and preserved meat. Lower shipment to Hong Kong is the main reason China's exports are down. The Chinese Government does not seem to have an export strategy for sheep and goat meat.

II. Sheep and Goat Tables

PSD Table						
Country	China, Peoples Republic of					
Commodity	Animal Numbers, Sheep				(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
TOTAL Beginning Stocks	271130	279258	280420	290319	0	297315
Ewes, Beginning Stocks	140000	135000	0	140000	0	143920
Production (Lamb Crop)	210000	201500	0	208000	0	212368
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	3	0	1	0	1
TOTAL Imports	0	3	0	1	0	1
TOTAL SUPPLY	481130	480761	280420	498320	0	509684
Intra EC Exports	0	0	0	0	0	0
Other Exports	10	16	0	4	0	4
TOTAL Exports	10	16	0	4	0	4
Ewe Slaughter	0	0	0	0	0	0
Lamb Slaughter	0	0	0	0	0	0
Other Slaughter	200000	190000	0	198500	0	204058
TOTAL Slaughter	200000	190000	0	198500	0	204058
Loss	700	746	0	2488	0	746
Ending Inventories	280420	290319	0	297315	0	306234
TOTAL DISTRIBUTION	481130	481081	0	498307	0	511042
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	China, Peoples Republic of					
Commodity	Meat, Lamb, Mutton and Goat				(1000 MT CWE)(1000 HEAD)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Slaughter (Reference)	200000	190000	0	198500	0	204058
Beginning Stocks	0	0	0	0	0	0
Production	2650	2740	0	2864	0	3005
Intra EC Imports	0	0	0	0	0	0
Other Imports	10	18	0	28	0	40
TOTAL Imports	10	18	0	28	0	40
TOTAL SUPPLY	2660	2758	0	2892	0	3045
Intra EC Exports	0	0	0	0	0	0
Other Exports	6	16	0	1	0	1
TOTAL Exports	6	16	0	1	0	1
Human Dom. Consumption	2654	2742	0	2891	0	3044
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	2654	2742	0	2891	0	3044
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2660	2758	0	2892	0	3045
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

CHINA RETAIL MUTTON PRICES (RMB/KG, US\$1=8.27)										
	2000				2001				Chng 00/01	
Provinces	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar-Mar	Jun-Jun
AVERAGE 1/	14.96	14.29	13.99	14.38	14.83	n/a			-0.87%	n/a
Beijing	14.67	14.60	16.55	15.38	19.00	13.10			29.52%	-10.27%
Tianjin	12.50	14.13	13.75	14.38	17.68	n/a			41.44%	n/a
Hebei	15.00	13.54	13.75	12.94	14.00	13.67			-6.67%	0.96%
Shanxi	13.94	11.68	12.66	14.10	13.57	12.60			-2.65%	7.88%
Inner Mongolia	12.78	12.71	13.40	12.20	12.63	13.57			-1.17%	6.77%
Liaoning	14.98	15.24	15.12	15.75	15.58	15.49			4.01%	1.64%
Jilin	14.50	15.89	15.50	15.78	16.11	16.11			11.10%	1.38%
Heilongjiang	14.00	13.00	n/a	14.00	19.00	15.00			35.71%	15.38%
Shanghai	18.00	18.00	18.00	18.00	18.00	18.00			0.00%	0.00%
Jiangsu	13.00	15.00	12.20	14.34	13.60	14.00			4.62%	-6.67%
Zhejiang	17.77	13.75	17.74	19.78	17.18	13.67			-3.32%	-0.58%
Anhui	12.50	13.00	13.00	13.27	13.20	12.00			5.60%	-7.69%
Fujian	22.00	21.33	21.71	22.00	21.78	21.94			-1.00%	2.86%
Jiangxi	17.99	16.10	17.00	17.22	17.10	16.80			-4.95%	4.35%
Shandong	14.39	14.90	14.03	14.43	15.05	14.18			4.59%	-4.83%
Henan	13.95	13.36	12.86	13.29	14.29	13.89			2.44%	3.97%
Hubei	12.24	13.00	12.57	12.84	12.27	14.03			0.25%	7.92%
Hunan	15.10	16.25	13.50	14.80	15.00	15.13			-0.66%	-6.89%
Guangdong	19.14	19.43	18.86	20.75	20.18	18.44			5.43%	-5.10%
Guangxi	18.50	16.75	15.70	18.80	n/a	17.45			n/a	4.18%
Hainan	25.50	22.33	25.53	25.50	24.67	23.50			-3.25%	5.24%
Sichuan	12.35	11.09	11.31	11.94	11.40	11.66			-7.69%	5.14%
Guizhou	12.00	13.50	13.00	13.50	14.50	14.80			20.83%	9.63%
Yunan	13.27	14.44	13.17	13.32	14.33	13.80			7.99%	-4.43%
Tibet	n/a	n/a	n/a	n/a	n/a	n/a			n/a	ERR
Shaanxi	14.87	13.83	14.25	14.08	14.00	14.50			-5.85%	4.84%
Gansu	12.14	12.06	12.11	11.99	13.54	13.34			11.53%	10.61%
Qinghai	11.60	12.70	8.43	10.20	12.57	n/a			8.36%	n/a
Ningxia	10.60	10.67	12.00	12.50	11.00	n/a			3.77%	n/a
Xinjiang	14.00	14.00	14.00	n/a	16.69	n/a			19.21%	n/a
Chongqing	12.67	11.00	10.00	11.67	11.53	10.30			-9.00%	-6.36%

Source: The Ministry of Agriculture (MOA)
1/ The national average price is based on the average price of all the counties sampled.