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China

Poltry and Products

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Report Highlights:
Poultry production will grow moderately in the next several years. Both the government and the industry are taking measures to control disease and veterinary drug residue problems. China's poultry exports face uncertainties created by quarantine issues in their target markets. Nonetheless, exports are expected to grow steadily. Egg operations face a slack domestic market due to problems of oversupply and consequent low prices.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Table of Contents

Summary

Poultry meat production continued to grow in 2001 despite quarantine issues in overseas markets which kept exports flat. production increases should continue in 2002 because the domestic market remains strong. Although many concerns remain over quarantine disputes, particularly with Japan, the industry is hopeful that exports will grow in 2002. Exports of processed products, which are not as prone to trade disputes, and which benefit from China's low labor costs, are a particularly promising sector.

Imports of poultry meat dropped significantly in 2002. This was due in part to less favorable international prices and weakness in the market for re-exports of processed imports. However, the downturn can also be attributed to the imposition of stricter quarantine measures on imports. The expectation for fewer quarantine problems for imports in 2002 is not good, but the industry hopes recovery in the export market can lead to a letting up on quarantine pressures on imports. Upon entering the WTO, China reduced poultry tariffs. However, it is not clear whether the reduction (done on a per kilogram rather than ad valorem basis) will meet China's WTO commitment.

The egg industry faces difficulties. Low egg prices have plagued the industry for some time now and producers continue to lose money. Fresh-egg consumption is flat. Therefore, unless other areas of consumption can be developed, producers will be forced to reduce the number of layers. Increasing the use of eggs in processed food and medicine offers some promise. The industry is also exploring new export destinations in Asia and new export products such as shelled eggs and yolks.

I: Situation and Outlook

Poultry Meat

Production

Despite many trade disputes regarding poultry products which threatened exports in 2001, poultry production still grew about 3 percent. In reality exports account for a relatively small part of total production. Robust demand in the domestic market kept overall growth strong despite sluggish exports. It is expected that in the next several years poultry production will continue to show moderate growth. Recognizing that poultry is now becoming a mature, relatively well-established industry, the Government did not emphasize poultry in its tenth "Five-Year Plan." Instead beef, mutton and dairy received primary attention. Ducks and geese are, however, expected to benefit from government efforts to return cultivated lands to forestry and grasslands.

The prices of poultry products were low for all of 2001 and are not expected to grow in 2002 due to adequate supply. Domestic poultry species, which in recent years have seen good price growth, will also see stagnant prices. In addition to sharp increase in production capacity, the domestic-breed prices are low due to poor quality control. To combat the quality problem, the industry is planning to formulate standards for high-quality domestic poultry breeds. In addition, following the broiler industry's lead, the whole poultry industry is consolidating and gradually implementing HACCP or other quality authentication procedures in order to improve its international competitiveness.

Domestic poultry consumption growth is still greater than that of other meats, particularly pork. One domestic research report indicates that the per-capita consumption of poultry meat is expected to grow 20 percent over the next 20 years.

Trade

Although the poultry industry was disappointed with the export situation in 2001, exports still increased compared to 2000. Exports of processed products and other fresh or frozen non-chicken poultry products pushed up exports. To prevent further disease disputes like those that occurred with Japan and Korea last year, China's quarantine officials are strengthening their inspection of products for export, which, to an extent, slows the export process. Traders expect 2002 exports to continue increasing. The industry hopes to stimulate exports by further developing highly processed products which face fewer sanitary restrictions and capitalize on China's cheap labor. Exporters are focusing on introducing these products in markets with consumption habits similar to those in China, i.e., markets in Asia. For duck and goose exports, cuts rather than whole birds are becoming more common. Goose liver in particular is regarded as having good export potential.

Poultry product imports decreased sharply in 2001, mainly because of declining broiler imports. (See next section.) Imports in 2002 should grow moderately, but not as much as some had hoped would be the case after China's accession to the WTO. Domestic supply is adequate for muscle meat cuts. Consumers will continue to prefer domestic poultry species because of their great suitability in traditional Chinese dishes. Imports will continue to be mainly low value offal cuts.

Imports of breeding chicks will probably continue to decrease because the number and capacity of Chinese domestic breeding farms are growing.

Broiler

Production

The broiler industry is not as optimistic about future prospects as it was before July when, for quarantine reasons, Japan and South Korea imposed bans on Chinese poultry products. In another bad bit of news for the Chinese chicken industry, Japan detected Newcastle disease in Chinese imports, leading to further disputes. However, these issues did not halt growth in production. Broiler production grew about 2 percent in 2001. In 2002, broiler production should maintain this level of growth. The broiler industry, among all the livestock industries, has the most experience in international markets. It is becoming more mature and, despite trade disputes, growth rates remain steady. Large producers who want to retain market share in key markets realize the value of maintaining production even if it does lead to some short-term losses.

Although different standards often make export-oriented product less attractive on the domestic market, in 2002 export difficulties definitely dampened domestic prices and lessened demand for imports. Due to lower prices, domestic consumption jumped above customary growth rates.

Disease and drug residue problems continue to be the industry's biggest concern. In order to get a better handle on this problem some companies are now establishing their own "standard chicken houses," instead of contracting farmers for live chickens. Many small companies, unable to effectively address these problems, are closing down.

Believing China is still a big potential market, a major U.S. integrator is establishing a joint venture in Shandong, the biggest broiler producing area in China. It hopes to capture more domestic and export market shares capitalizing on China's cheap labor. Many export-oriented processing plants are joint ventures, which helps them meet standards in overseas markets.

Trade

Trade data show that frozen broiler exports in 2001 were the same as those of 2000, and processed chicken exports increased compared to 2000. If there had not been trade disputes, broiler exports would have gone up. The industry is still faced with trade disputes this year. Although China and Japan reached agreements on agricultural trade at the end of 2001, domestic producers and traders are still wary. Nonetheless, the industry hopes that problems with exports to Japan will be eliminated by May of this year.

The price in Japanese markets is still the very attractive to Chinese producers. Yet, except frozen chicken breast meat, other Chinese products are losing their price advantage in Japan. Other worries, such as technical barriers in other countries besides Japan, currency changes, and price competition from other Asian countries have also increased uncertainties in 2002.

The process to re-establish China's exports to the European Union is making slow progress. Not wanting to spoil the market, Chinese officials are being very cautious in implementing the conditions laid out by the EU. The industry hopes that exports to the EU will resume in February, yet the volume will not reach previous levels (50 TMT each year) due to intensive competition from other countries.

As with poultry in general, China hopes to circumvent health and sanitary trade barriers by looking more to processed broiler products. China also believes WTO entry will provide China with a better forum to fight unjustified restrictions on these grounds

Broiler imports were down in 2001 for a variety of reasons. In some cases, higher world prices due to improvements in other overseas markets, have hurt sales to China. Lower imports can also be attributed to increased restrictions by quarantine officials. Products from other countries have been banned because of fears of Newcastle Disease. Quarantine officials are also become increasingly particular about documentation and traders report that quarantine processing now takes much longer and is more cumbersome. Furthermore, quarantine officials seem increasingly prone to restricting trade using sanitary issues as justification. Trading partners have questioned the validity of these stoppages which are justified by Chinese inspectors based on zero tolerance policies for bacteria like salmonella and E. coli. These problems have not been solved as of this writing and they represent a real threat to 2002 imports. Media reports suggest, however, that Brazilian products, currently banned for Newcastle's disease, would probably be allowed to enter China again in May 2002. If so, this is will be a challenge for US products.

Government officials and many in the Chinese trade also feel that the US government, in order to protect its market in China, needs to take a more proactive role in controlling smuggling and fraud even though these occur outside its jurisdiction. Imported products do not conflict much with domestic supply due to the consumption habits of Chinese (more than 70 percent of imported products are chicken offal, including paws, wingtips and gizzards). The industry believes that domestic producers can not satisfy the demand for chicken offal without imports. In general the quality of the US products is good and well-received, especially in the South, Southwest and Northwest. To protect this market they feel the United States should work to make sure US product is not smuggled into China and that the use of forged US documents needs to be eliminated.

Policy

After entering the WTO, China reduced the tariff rate on frozen broiler products. The new tariff is not an ad valorem as indicated in the WTO-entry agreement. Instead, the tariff is assessed on a per kilogram basis. Although the Chinese government states that the reduction may meet China's WTO commitments; nonetheless, in at least some cases, the effective ad valorem rate is higher than the agreed bound rates. It is expected that the VAT will also be reduced from 17 percent to 13 percent.

Tariff rate of frozen chicken products in 2002 (based on weight)
Unit: RMB/KG

HS code	Description	2001 rate	2002 rate	chg%
2071200	frozen whole broiler	1.6	1.6	0%
2071411	frozen bone broiler cuts	1.2	1.0	-17%
2071419	frozen boneless broiler cuts	2.7	1.5	-44%
2071421	frozen broiler wings	2.3	1.2	-48%

2071429	frozen wingtips, paws, liver	1.0	0.8	-20%
5040021	broiler gizzard	1.7	1.7	0%

Eggs

Egg production in 2001 was expected to increase 2 percent compared to 2000. Although in 2001 the average egg price was significantly higher than in 2000, the price was still too low for many farmers to earn satisfactory profits. In the past, farmers would reduce the inventory immediately if the price fell. But now they appear more willing to wait for better prices. In early 2002, egg prices are expected to remain stable or decrease slightly due to stable feed prices and sufficient supply. The price will likely increase some beginning in the middle of 2002, the usual low production season. Experts have expressed concern over low egg prices and are encouraging farmers to reduce their inventory. Still, egg production is forecasted to remain stable in 2002 because it is expected that farmers will be hesitant to decrease layer inventories.

In urban areas, household chicken egg consumption is not expected to change much in the next several years. Per capita egg consumption is already relatively high. Even some newly introduced "enhanced nutrition" eggs have not helped stimulate egg consumption much. Consequently, developing the egg processing industry to supply products for food processing and medicine is vital to the future growth in Chinese egg production.

Trade

Table chicken eggs account for a substantial proportion of the egg trade. Egg exports concentrate on Hong Kong and Macao. An outbreak of Avian Influenza in May 2001 also affected egg exports, causing them to drop. The egg industry is planning to explore more markets in Japan and Southeast Asia, making full use of the advantage of lower prices. Exports of egg products, such as shelled eggs or yolks, will increase steadily, and will be competitive in international markets because they are produced with low labor costs and cheap raw materials.

The increase table egg imports (including duck, goose, pigeon, quail, etc.) show that China is a large potential market. However, chicken egg imports are still zero and will not change this year. The lackluster market for domestic chicken eggs does not mean that egg consumption is stagnant. Prepared/preserved eggs and other, non-chicken, poultry eggs are capturing more market shares. Yet, egg imports will not increase much. Import levels are expected to remain at current levels due to the cheap and sufficient domestic supply.

II. Tables

PSD Table						
Country	China, Peoples Republic of					
Commodity	Poultry, Meat, Total	(1000 MT)(MIL HEAD)				
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	7850	7850	8060	8060	8230	8230
Beginning Stocks	0	0	0	0	0	0
Production	11960	11960	12285	12310	12545	12560
Whole, Imports	0	0	0	0	0	0
Parts, Imports	1041	870	950	765	950	775
Intra EU Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	1041	870	950	765	950	775
TOTAL SUPPLY	13001	12830	13235	13075	13495	13335
Whole, Exports	28	28	30	32	35	35
Parts, Exports	476	477	490	498	495	510
Intra EU Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	504	505	520	530	530	545
Human Consumption	12497	12325	12715	12545	12965	12790
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	12497	12325	12715	12545	12965	12790
TOTAL Use	13001	12830	13235	13075	13495	13335
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	13001	12830	13235	13075	13495	13335
Calendar Yr. Imp. from U.S.	680	680	535	608	545	615

PSD Table						
Country	China, Peoples Republic of					
Commodity	Plty, Meat, Chicken -16 wks		(1000 MT)(MIL HEAD)			
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	275	275	280	280	287	287
Beginning Stocks	0	0	0	0	0	0
Production	5000	5950	5200	6100	5350	6220
Whole, Imports	0	1	0	0	0	0
Parts, Imports	991	810	900	700	900	705
Intra EU Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	991	811	900	700	900	705
TOTAL SUPPLY	5991	6761	6100	6800	6250	6925
Whole, Exports	12	12	13	19	16	20
Parts, Exports	452	455	458	471	484	480
Intra EU Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	464	467	471	490	500	500
Human Consumption	5527	6294	5629	6310	5750	6425
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	5527	6294	5629	6310	5750	6425
TOTAL Use	5991	6761	6100	6800	6250	6925
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	5991	6761	6100	6800	6250	6925
Calendar Yr. Imp. from U.S.	646	646	505	555	510	560

PSD Table						
Country	China, Peoples Republic of					
Commodity	Poultry, Eggs	(MIL HEAD)(MIL PCS)				
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Layers	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	381340	381340	387500	388900	395200	395200
Hatch Eggs, Imports	0	0	0	0	0	0
Shell Eggs, Imports	2	2	1	3	1	3
Other Imports	3	3	1	1	2	1
Intra EU Imports	0	0	0	0	0	0
TOTAL Imports	5	5	2	4	3	4
TOTAL SUPPLY	381345	381345	387502	388904	395203	395204
Hatch Eggs, Exports	0	0	0	0	1	0
Shell Eggs, Exports	1020	1020	890	858	940	865
Other Exports	40	40	43	43	48	50
Intra EU Exports	0	0	0	0	0	0
TOTAL Exports	1060	1060	933	901	989	915
Hatch Eggs, Consumption	7010	7010	7150	7150	7250	7200
Shell Eggs, Human	361275	361275	367019	368563	373934	374569
Shell Eggs, OT Use/Loss	12000	12000	12400	12290	13030	12520
Other Dom. Consumption	0	0	0	0	0	0
Total Dom. Consumption	380285	380285	386569	388003	394214	394289
TOTAL Use	381345	381345	387502	388904	395203	395204
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	381345	381345	387502	388904	395203	395204
Calendar Yr. Imp. from U.S.	3	1	3	1	0	1

CHINA RETAIL PRICE OF BROILER MEAT AND CHICKEN EGG(RMB/KG)								
region	chickenegg				broiler			
	Dec,2000	Jul,2001	Dec,2001	Chg%00/01Dec-Dec	Dec,2000	Jul,2001	Dec,2001	Chg%00/01Dec-Dec
Beijing	4.15	4.73	4.55	9.64%	10.4	11	11.25	8.17%
Tianjin	3.95	4.65	4.4	11.39%	9.3	8.4	9.3	0.00%
Hebei	3.92	4.5	4.34	10.71%	8.51	7.94	8.51	0.00%
Shanxi	3.98	4.26	4.37	9.80%	7.8	8.4	8.4	7.69%
Inner Mongolia	4.34	4.86	4.9	12.90%	8.72	8.54	8.5	-2.52%
Liaoning	4.01	4.36	4.27	6.48%	7.61	7.29	7.82	2.76%
Jilin	4.23	4.21	4.47	5.67%	7.51	7.43	7.33	-2.40%
Heilongjiang	4	4.4	4.4	10.00%	10	8	7	-30.00%
Shanghai	4.4	4.63	5.25	19.32%	10.5	9	10.5	0.00%
Jiangsu	3.94	4.35	4.49	13.96%	7.66	7.73	7.55	-1.44%
Zhejiang	4.4	4.93	4.9	11.36%	9.42	9.1	9.55	1.38%
Anhui	5.33	5.33	5.17	-3.00%	7.53	7.85	7.3	-3.05%
Fujian	4.98	5.35	5.4	8.43%	13.75	10.85	13.53	-1.60%
Jiangxi	5.87	6	6.28	6.98%	8.7	8.69	9.18	5.52%
Shandong	3.68	4.39	4.33	17.66%	8.72	8.63	9.03	3.56%
Henan	4.37	4.43	4.59	5.03%	6.8	7.42	7.46	9.71%
Hubei	5.45	5.55	6.43	17.98%	11.21	9.97	10.4	-7.23%
Hunan	6.21	6.12	6.6	6.28%	9.63	9.55	9.64	0.10%
Guangdong	5.71	5.64	5.76	0.88%	na	na	na	na
Guangxi	5.94	5.77	6.13	3.20%	10.81	10.91	11.08	2.50%
Hainan	8.08	8	7.38	-8.66%	11.85	9.75	11	-7.17%
Sichuan	6.65	6.48	7.41	11.43%	8	12.67	7	-12.50%
Guizhou	8.13	7.5	7.66	-5.78%	11	14	12	9.09%
Yunnan	6.94	6.87	7.06	1.73%	13.19	11.33	11.67	-11.52%
Shanxi	4.73	4.8	4.37	-7.61%	10.25	8.7	8.9	-13.17%
Gansu	4.56	4.78	4.68	2.63%	9.43	9.26	9.2	-2.44%
Qinghai	4.83	4.95	5.18	7.25%	9.88	9.96	11.17	13.06%
Ningxia	4.5	na	5.5	22.22%	11	na	12	9.09%

Xinjiang	na	na	5.51	na	na	na	10.33	na
Chongqing	6.51	6.2	7.69	18.13%	12	14	11	-8.33%

CHINA RETAIL PRICE OF BREEDS (RMB/PIECE)								
region	layer breed				Broiler breed			
	Dec,2000	Jul,2001	Dec,2001	Chg%00/01Dec-Dec	Dec,2000	Jul,2001	Dec,2001	Chg%00/01Dec-Dec
Beijing	1.88	1.83	1.95	3.72%	2.6	2.67	2.48	-4.62%
Tianjin	1.7	1.53	1.75	2.94%	2.4	na	3	25.00%
Hebei	1.57	1.7	1.71	8.92%	2.28	1.94	2.15	-5.70%
Shanxi	1.67	2.3	1.5	-10.18%	1.65	2.45	2.3	39.39%
Inner Mongolia	2.1	2.48	2	-4.76%	2.3	2.95	2.6	13.04%
Liaoning	1.64	1.55	1.76	7.32%	1.54	1.78	1.99	29.22%
Jilin	1.5	1.46	1.6	6.67%	2.54	2.09	2.16	-14.96%
Heilongjiang	3	2.5	2.5	-16.67%	2.5	2.5	2.5	0.00%
Shanghai	1.7	1.93	1.83	7.65%	1.5	1.33	1.63	8.67%
Jiangsu	1.35	1.2	1.41	4.44%	1.38	1.26	1.3	-5.80%
Zhejiang	1.5	1.2	1.79	19.33%	1.69	1.36	1.66	-1.78%
Anhui	1.63	1.26	1.51	-7.36%	1.66	1.41	1.79	7.83%
Fujian	2.1	1.45	1.95	-7.14%	1.53	1.64	1.58	3.27%
Jiangxi	1.21	1.16	1.52	25.62%	1.51	1.25	1.34	-11.26%
Shandong	1.41	1.36	1.45	2.84%	1	1.04	1.44	44.00%
Henan	1.6	1.35	1.76	10.00%	1.83	1.29	1.93	5.46%
Hubei	2.8	1.98	2.07	-26.07%	2.1	2.08	2.1	0.00%
Hunan	1.78	1.7	1.64	-7.87%	1.8	1.77	1.62	-10.00%
Guangdong	1.1	3.23	2.1	90.91%	1.62	1.54	1.76	8.64%
Guangxi	2.24	2.05	2.31	3.12%	1.66	1.48	1.72	3.61%
Hainan	na	na	na	na	0.75	1.52	1.6	113.33%
Sichuan	1.92	1.67	1.82	-5.21%	2.02	2.16	2.32	14.85%
Guizhou	2.48	3.4	2.56	3.23%	2.28	3.35	2.63	15.35%
Yunnan	4.55	4.06	4.34	-4.62%	1.36	4.04	4.26	213.24%
Shanxi	2.5	1.77	2.15	-14.00%	2.5	1.87	2	-20.00%
Gansu	2.6	1.79	2.07	-20.38%	2.6	2.26	2.25	-13.46%

Qinghai	na	na	na	na	na	na	na	na
Ningxia	na	na	3.75	na	na	na	3.75	na
Xinjiang	na	na	2.42	na	na	na	2.14	na
Chongqing	1.65	1.6	1.75	6.06%	1.75	2.07	1.75	0.00%

CHINA RETAIL PRICE OF LIVE CHICKEN (RMB/KG)				
region	Live chicken			
	Dec,2000	Jul,2001	Dec,2001	Chg%00/01Dec-Dec
Beijing	7.08	7.6	8.25	16.53%
Tianjin	6.6	5.8	5.6	-15.15%
Hebei	5.72	5.77	5.83	1.92%
Shanxi	6.13	5.68	6.64	8.32%
Inner Mongolia	6.9	6.54	6	-13.04%
Liaoning	6.79	6.72	7.24	6.63%
Jilin	6.66	6.9	10.26	54.05%
Heilongjiang	8	5.8	9.14	14.25%
Shanghai	8.9	9.05	9.35	5.06%
Jiangsu	6.18	6.38	6.59	6.63%
Zhejiang	7.98	7.76	8.27	3.63%
Anhui	8.57	8.64	8.86	3.38%
Fujian	10.51	10.02	10.75	2.28%
Jiangxi	13.4	8.12	11	-17.91%
Shandong	5.4	5.48	5.38	-0.37%
Henan	6.54	7.14	6.78	3.67%
Hubei	9.41	8.9	9.14	-2.87%
Hunan	11.61	12.26	11.73	1.03%
Guangdong	11.69	10.69	11.96	2.31%
Guangxi	9.2	9.17	9.46	2.83%
Hainan	11.43	9.2	11.13	-2.62%
Sichuan	12.82	11.66	11.84	-7.64%
Guizhou	12.7	13	12.3	-3.15%
Yunnan	12.92	11.63	12.24	-5.26%

Shanxi	8.47	7.68	7.8	-7.91%
Gansu	8.25	8.54	7.9	-4.24%
Qinghai	9.97	10.67	11.01	10.43%
Ningxia	8.1	na	10.5	29.63%
Xinjiang	na	na	8.14	na
Chongqing	10.71	11.07	11.43	6.72%