



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 2/19/2002

GAIN Report #CH2009

China

Livestock and Products

Semi-Annual

2002

U.S. Embassy

Approved by:
John Wade

Prepared by:
John Wade/Zhang Jianping

Report Highlights: Demand for all types of meat continues to grow steadily in China. However, official import statistics show beef and pork meat and offal imports down in 2001 due to tighter quarantine and customs restrictions on trade. Restrictions will likely continue to dampen import growth in 2002 despite cuts in tariffs and the VAT. Trading partners are objecting that in some cases the increased restrictions are unjustified.

Includes PSD changes: Yes
Includes Trade Matrix: No
Semi-Annual Report
Beijing [CH1], CH

Cattle and Swine Sectors

Cattle and Beef Domestic Market

Expectations for domestic supply and demand of beef are little changed from the last report. In 2002 the growth in cattle numbers and beef production is expected to be near or slightly lower than in previous years. The strongest growth will be in dairy cattle which will likely account as in the recent past for 2/3 or more of current growth. Uncertainty over the future course of feed prices (discussed below) is a concern, but of course not as great as for swine and poultry.

The Chinese economy is bucking the current worldwide trend and showing strong economic growth in 2002. So demand has more than kept pace with supply. Prices are currently 5-10 percent above year ago levels. Although there will likely be some movement in the very high-end table cuts market, strongest growth in demand will be in fast food, low end cuts (chuck roll and short plate for Chinese "hot pot"), and offal. Fast food demand will continue to be supplied almost completely domestically, but good demand will exist for imports of low-end cuts and offal.

Swine and Pork Domestic Market

Demand for pork in China is holding firm. National average pork prices year on year are steady but this comes at a period of slight deflation in overall Chinese prices. The Chinese economy, with good domestic demand growth, is maintaining strong GDP growth of about 8 percent. This should translate into continued good demand for pork through 2002. So far Chinese domestic producers have been able to supply domestic muscle meat demand in China and this will hold true for the foreseeable future. What shows up in the PSD statistics as muscle meat imports is primarily pigs feet, which the Chinese statistics (and it seems at times U.S. statistics) lump into the same tariff category as hams and shoulders. The demand for feet and other imported offal should remain strong in 2002 but as noted in the trade section, other problems may constrain import growth.

On the supply side, swine farmers have seen an improvement in feed prices as corn prices and protein meal prices have fallen over the last several months. If it continues, this could prompt greater increases in inventories and pork production in 2002 than had been previously expected. However the path of feed prices over the rest of 2002 is not at all clear. Anticipation of the effects of China's December WTO entry is probably one of the reasons for the price drop. China now needs to stop corn export subsidies and allow more imports of corn through a new Tariff Rate Quota. However, the Government is allowing subsidized exports to continue on old contracts. The Government apparently is saying these exports must cease in March but the delay is taking up to a million tons off the market. Further the TRQ allocations will only be announced March 5, 3 months behind schedule. And it is quite possible that the Government will work within the rules to minimize TRQ imports in 2002. Uncertainty also surrounds the size of national corn stocks. In line with lower prices, Government sources still appear confident that national stocks remain more than ample for current needs, but many traders are not so sure. They feel that the Chinese may find themselves seriously short later in the marketing year which would push up feed prices with or

without imports

Finally, new regulations covering the import and labeling of GMO commodities could seriously hurt imports of both corn and soybeans. The regulations come into force March 20, and require a special safety certification for all GMO imports. This certification process is an involved one and traders have stopped signing contracts for new soybean imports (which all carry a significant GMO component) to be delivered after March 20. The certification process will be needed for corn as well. With all this uncertainty, the potential for significant increases in feed prices is great. Post expects continued caution in the swine industry to dampen 2002 growth in pig inventories and pork production despite current low prices.

Pork and Beef Imports

Officially reported beef and pork imports in 2001 fell as compared to 2002. As noted above demand growth appears to be good, however, stricter quarantine and customs enforcement appears to be keeping this demand growth from showing up in higher import statistics. Earlier in the year, concerns about both BSE and foot and mouth disease in Europe prompted tighter restrictions particularly on products coming from Europe and South America. More recently quarantine officials have stopped individual shipments for food safety reasons. However beyond these health restrictions, the trade is noting stricter enforcement of documentation across the board.

Although no one argues with the Chinese Government's right and need to reduce illegal meat imports. Trading partners are questioning the validity of the restrictions in some cases. Although the United States meat has fairly easy access on paper, all other countries face a lengthy plant by plant inspection procedure which continues to severely limit how much these other countries' meat can legally enter China's retail market. Beyond this, quarantine officials have rejected pork offal from Europe and Canada and poultry meat from the United States based on zero tolerance levels for E. Coli and Salmonella. In these cases the zero tolerance does not conform with accepted international standards. For each case where bacteria were found, China has indefinitely banned further imports from the plants involved. There are now over twenty banned plants—two (both for poultry) in the United States. China also has instituted indefinite bans on poultry and poultry products from the U.S. states of Connecticut and Pennsylvania. This was after the possible finding of low-pathogenic Avian Influenza in the two states. Again, although it mimics a complete ban on U.S. poultry product in Japan, this is not in conformance with international practice. The United States has formally complained about China's non-conformance with normal practice in all cases where U.S. producers are involved.

To some extent, these increased restrictions are only leading to increases in illegal trade. For example, the sharp drop in U.S. beef exports that shows up in official Chinese data for the past 12 months is not consistent with the exports reported from the United States. In fact U.S. numbers show a slight increase year on year for 2001.

The increased surveillance also means imports are switched from one country to another. To be sure some countries have gained from increased restrictions on others. U.S. pork offal exports have definitely increased sharply. However, the practice of switching packaging and documentation on meat shipments from banned countries in Europe and South America has also become a common problem. The United

States is the most common country faked in this switch and it appears to occur most commonly for offal. Official Chinese records show nearly 80 percent more U.S. beef offal pork (i.e pigs feet) and pork offal imports to the mainland than the corresponding U.S. statistics show was exported to China and Hong Kong combined. This fraudulent re-packaging occurs primarily in Hong Kong. Recent complaints by PRC officials have lead to some stricter enforcement but Hong Kong officials apparently have limited resources to tackle the problem.

With all this turmoil in the Chinese meat import market, it is difficult to predict official (let alone actual) numbers for imports. As part of WTO entry, tariffs have dropped. Pork, pork offal and beef offal tariffs have all fallen from 20 to 15.2 percent in 2002. Beef muscle meat tariffs have fallen from 39 to 25.2 percent. At the same time the Government has lowered 2002 VAT rates for pork and beef from 17 percent to 13 percent. However tariffs already began dropping in 2001 for beef and prices were generally lower, still imports fell by government numbers. Although the tariff and VAT cuts are in the long term good for trade, most everyone in the industry discounts their impact in 2002, because the Chinese Government has given every indication that it will continue its tighter controls on imports. To the extent restriction are unsupportable scientifically (as with the zero tolerance for E.Coli and Salmonella) they will unduly restrict trade and create friction with trading partners.

Pork and Beef Exports

Most of China's export prospects in 2002 remain little changed from our last report. China has small and largely static beef exports. Because of disease problems in China, raw pork, though having potential, has been restricted largely to Hong Kong. Processed products have greater access to nearby Asian countries. Talk continues of establishing disease-free regions in China to help exports, but few concrete actions have yet been taken.

One positive development should continue to help Chinese pork exports in 2002. Midway through last year, Russia decided it was no longer necessary to ban Chinese pork imports because of disease concerns. This accounts for nearly all of the 40,000 ton (CWE) increase in China's pork exports in 2001. As this increase came mostly in the last half of 2001 another 30,000 MT (CWE) increase can be expected in official statistics for 2002. To an extent this may be only legitimizing a trade that already existed. However, in the long run this normalization of the trade with the Russian market should be a boon to Chinese swine producers.

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	128663	128663	130300	130300
Dairy Cows Beg. Stocks	4600	4600	5200	5200	6200	6200
Beef Cows Beg. Stocks	60000	60000	60000	60000	60000	60000
Production (Calf Crop)	41823	41823	44301	44301	45564	45564
Intra EC Imports	0	0	0	0	0	0
Other Imports	1	1	1	1	1	1
TOTAL Imports	1	1	1	1	1	1
TOTAL SUPPLY	168807	168807	172965	172965	175865	175865
Intra EC Exports	0	0	0	0	0	0
Other Exports	65	65	65	65	65	65
TOTAL Exports	65	65	65	65	65	65
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	39648	39648	41700	41700	43700	43700
Total Slaughter	39648	39648	41700	41700	43700	43700
Loss	431	431	900	900	500	500
Ending Inventories	128663	128663	130300	130300	131600	131600
TOTAL DISTRIBUTION	168807	168807	172965	172965	175865	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)	39648	39648	41700	41700	43700	43700
Beginning Stocks	0	0	0	0	0	0
Production	5328	5328	5600	5600	5880	5880
Intra EC Imports	0	0	0	0	0	0
Other Imports	9	9	9	7	10	7
TOTAL Imports	9	9	9	7	10	7
TOTAL SUPPLY	5337	5337	5609	5607	5890	5887
Intra EC Exports	0	0	0	0	0	0
Other Exports	47	47	50	52	50	50
TOTAL Exports	47	47	50	52	50	50
Human Dom. Consumption	5290	5290	5559	5555	5840	5837
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	5290	5290	5559	5555	5840	5837
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	5337	5337	5609	5607	5890	5887
Calendar Yr. Imp. from U.S.	4	4	6	6	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

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	446815	446815	455000	455000
Sow Beginning Stocks	35500	35500	36500	36500	37250	37250
Production (Pig Crop)	546383	546383	565000	565000	575000	575000
Intra EC Imports	0	0	0	0	0	0
Other Imports	3	3	3	3	3	0
TOTAL Imports	3	3	3	3	3	0
TOTAL SUPPLY	976584	976584	1011818	1011818	1030003	1030000
Intra EC Exports	0	0	0	0	0	0
Other Exports	2039	2039	2000	2000	2000	2000
TOTAL Exports	2039	2039	2000	2000	2000	2000
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	526730	526730	553818	553818	564000	564000
Total Slaughter	526730	526730	553818	553818	564000	564000
Loss	1000	1000	1000	1000	1003	1000
Ending Inventories	446815	446815	455000	455000	463000	463000
TOTAL DISTRIBUTION	976584	976584	1011818	1011818	1030003	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)	526730	526730	553818	553818	564000	564000
Beginning Stocks	0	0	0	0	0	0
Production	40314	40314	42400	42400	43200	43200
Intra EC Imports	0	0	0	0	0	0
Other Imports	177	137	120	122	140	125
TOTAL Imports	177	137	120	122	140	125
TOTAL SUPPLY	40491	40451	42520	42522	43340	43325
Intra EC Exports	0	0	0	0	0	0
Other Exports	73	73	110	110	145	140
TOTAL Exports	73	73	110	110	145	140
Human Dom. Consumption	40418	40378	42410	42412	43195	43185
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	40418	40378	42410	42412	43195	43185
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	40491	40451	42520	42522	43340	43325
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 BEEF PRICES (RMB/KG, US\$ 1=8.27)									
	2000				2001				Change 00/01
Provinces	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Dec-Dec
NAT'L AVG 1/	12.90	12.50	12.44	12.78	13.13	11.40	13.10	13.71	7.27%
Beijing	13.00	12.60	13.10	13.30	13.00	12.20	13.60	13.45	1.13%
Tianjin	11.00	12.40	11.50	12.40	13.54	n/a	12.00	13.80	11.29%
Hebei	12.43	12.69	12.25	11.71	12.14	12.11	12.72	12.75	8.88%
Shanxi	14.25	13.31	14.03	14.98	14.25	13.62	12.74	12.79	-14.62%
Inner Mongolia	13.00	11.88	11.81	12.09	12.25	12.86	12.75	12.50	3.39%
Liaoning	13.15	12.82	13.18	13.63	13.89	13.79	13.92	14.10	3.45%
Jilin	12.10	12.80	13.10	12.60	13.20	13.90	13.90	13.80	9.52%
Heilongjiang	13.00	12.00	n/a	13.00	n/a	14.00	14.00	14.00	7.69%
Shanghai	18.00	18.00	18.00	17.00	18.60	18.00	13.90	18.67	9.82%
Jiangsu	13.50	13.68	12.40	14.00	13.37	12.36	10.72	13.80	-1.43%
Zhejiang	16.54	16.21	16.00	15.54	15.72	14.92	15.33	15.75	1.35%
Anhui	12.25	10.83	11.64	12.11	11.58	12.00	11.84	12.90	6.52%
Fujian	15.67	15.66	14.31	14.88	15.48	14.84	14.93	15.30	2.82%
Jiangxi	13.16	12.34	12.28	12.96	12.97	12.50	13.21	13.59	4.86%
Shandong	11.56	12.29	12.05	12.36	12.36	12.32	12.00	12.98	5.02%
Henan	12.09	11.74	12.23	12.16	12.30	12.09	12.50	12.91	6.17%
Hubei	11.22	11.24	12.00	11.38	11.89	12.18	11.90	11.78	3.51%
Hunan	13.24	12.43	11.55	12.64	12.69	12.58	12.25	12.73	0.71%
Guangdong	16.33	16.47	16.00	16.44	17.63	16.50	16.56	17.19	4.56%
Guangxi	12.00	11.35	11.38	11.59	n/a	11.50	11.27	11.84	2.16%
Hainan	14.00	13.00	14.25	14.98	14.00	15.50	14.00	15.00	0.13%
Sichuan	11.03	10.24	10.64	11.18	10.11	10.56	10.70	11.89	6.35%
Guizhou	9.00	10.16	10.22	11.13	10.80	11.75	12.00	11.24	0.99%
Yunan	14.06	14.34	13.83	13.82	14.06	13.71	13.94	13.78	-0.29%
Tibet	n/a								
Shaanxi	12.39	12.33	12.25	12.52	12.30	12.40	13.00	13.00	3.83%
Gansu	12.30	12.87	12.60	11.85	13.25	13.30	13.30	13.63	15.02%
Qinghai	11.90	12.80	10.38	11.57	12.20	n/a	10.68	12.50	8.04%
Ningxia	13.00	12.00	14.00	12.50	12.50	n/a	14.80	14.50	16.00%
Xinjiang	13.00	13.20	13.20	n/a	15.25	n/a	16.21	16.75	n/a
Chongqing	11.29	9.71	13.35	10.29	10.90	10.51	12.24	12.34	19.92%

Source: The Ministry of Agriculture (MOA)
 1/ The national average prices March -March 2000/2001 are based on the average price of all the counties selected for sampling survey and the prices Jun-Dec are based on all the provinces. (f:\shared\lotus\lvstk\sheepmt\muttnprc.wk4)

CHINA RETAIL PORK PRICES (RMB/KG, US\$1=8.27)									
	2000				2001				Change 00/01
Provinces	Mar	Jun	Sep	Dec	Mar	Jun 2/	Sep	Dec	Jun-Jun
NATL AVG 1/	9.89	9.56	10.51	10.69	10.71	10.04	10.81	10.60	-0.81%
Beijing	8.07	8.30	10.25	10.35	10.00	9.05	10.56	10.30	-0.48%
Tianjin	7.50	9.63	12.00	11.75	12.00	n/a	11.00	11.75	0.00%
Hebei	8.57	9.31	10.85	10.87	10.86	10.11	10.62	10.37	-4.60%
Shanxi	8.38	8.62	10.07	11.26	10.61	8.83	9.72	10.26	-8.88%
Inner Mongolia	8.09	7.31	9.78	10.06	10.51	9.79	10.00	10.55	4.87%
Liaoning	8.28	8.75	10.02	10.59	10.19	9.71	10.16	10.67	0.76%
Jilin	7.64	8.07	9.63	10.62	10.40	9.73	10.14	11.04	3.95%
Heilongjiang	6.50	7.40	n/a	9.00	9.50	9.00	9.80	10.00	11.11%
Shanghai	13.90	13.75	14.00	14.00	14.00	13.75	12.85	12.65	-9.64%
Jiangsu	9.88	9.63	10.58	10.68	10.69	9.95	11.03	10.26	-3.93%
Zhejiang	10.17	9.80	10.68	11.18	10.26	10.13	10.48	10.86	-2.86%
Anhui	10.95	10.34	10.90	11.27	13.04	10.34	10.87	11.01	-2.31%
Fujian	11.70	11.61	11.42	11.40	11.20	10.47	10.96	10.04	-11.93%
Jiangxi	10.85	10.66	11.41	11.53	12.34	10.42	12.45	11.16	-3.21%
Shandong	9.47	9.00	10.47	10.69	10.49	9.73	10.00	10.42	-2.53%
Henan	9.52	9.14	10.22	10.90	10.37	9.64	10.00	9.78	-10.28%
Hubei	10.80	10.43	11.56	11.44	11.48	11.07	17.76	11.39	-0.44%
Hunan	10.18	10.28	11.05	11.04	10.71	10.45	10.13	9.88	-10.51%
Guangdong	12.59	12.13	12.31	11.64	12.05	11.61	11.56	11.38	-2.23%
Guangxi	11.29	11.01	10.94	10.86	n/a	20.38	10.59	10.39	-4.33%
Hainan	13.50	10.33	11.75	12.28	9.67	9.88	9.33	9.75	-20.60%
Sichuan	9.59	8.50	9.60	9.68	9.11	9.20	10.33	10.15	4.86%
Guizhou	10.00	9.48	9.02	9.73	9.33	9.80	10.53	9.42	-3.19%
Yunan	10.10	9.07	9.43	9.54	9.27	8.88	9.47	10.08	5.66%
Tibet	n/a	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	10.13	11.13	28.97%
Gansu	8.18	8.48	11.06	10.58	10.69	10.84	10.85	10.88	2.84%
Qinghai	10.80	10.50	11.25	11.96	12.17	n/a	11.75	12.31	2.93%
Ningxia	8.00	6.07	10.00	7.90	7.40	n/a	7.12	7.20	-8.86%

Xinjiang	9.00	9.80	9.80	n/a	11.75	n/a	13.07	12.86	n/a
Chongqing	9.57	9.04	9.40	9.63	10.08	9.37	11.00	10.17	5.61%

Source: The Ministry of Agriculture (MOA)

1/ The national average prices March -March 2000/2001 are based on the average price of all the counties selected for sampling survey and the prices Jun-Dec are based on all the provinces.
(f:\shared\lotus\lvstk\sheepmt\muttnprc.wk4)

CHINA RETAIL HOG PRICES (RMB/KG, US\$1=8.27)									
	2000				2001				Change 00/01
PROVINCE	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Dec-Dec
AVERAGE 1/	5.67	5.45	6.03	6.11	6.24	5.08	6.27	6.28	2.86%
Beijing	5.87	6.40	6.80	7.35	7.60	6.60	7.08	6.50	-11.56%
Tianjin	5.55	5.88	6.85	7.03	7.60	n/a	6.43	6.45	-8.25%
Hebei	4.86	5.25	5.75	6.27	5.99	5.67	5.95	5.75	-8.29%
Shanxi	4.84	4.96	6.09	6.52	6.05	5.38	6.30	6.34	-2.76%
Inner Mongolia	5.96	5.17	6.40	6.30	6.34	6.20	6.33	6.76	7.30%
Liaoning	4.74	5.04	5.78	6.00	6.07	5.45	5.97	6.31	5.17%
Jilin	4.60	4.80	5.58	6.26	6.03	5.45	5.98	6.54	4.47%
Heilongjiang	4.20	4.20	n/a	5.00	6.50	5.80	6.00	6.20	24.00%
Shanghai	6.80	6.98	7.80	7.35	7.38	7.15	6.90	7.10	-3.40%
Jiangsu	5.28	4.88	5.73	5.72	5.77	5.13	6.85	5.46	-4.55%
Zhejiang	6.15	5.76	6.44	6.77	6.72	5.97	6.35	6.32	-6.65%
Anhui	6.03	5.65	6.00	6.43	6.26	5.80	6.04	5.88	-8.55%
Fujian	7.11	7.23	7.40	7.38	7.11	6.67	6.64	6.58	-10.84%
Jiangxi	6.14	6.13	6.50	6.55	6.65	6.10	6.14	6.06	-7.48%
Shandong	5.28	5.28	5.84	5.96	5.80	5.28	5.80	5.86	-1.68%
Henan	5.34	5.17	5.65	6.09	5.93	5.40	5.62	5.52	-9.36%
Hubei	5.62	5.55	6.04	5.01	6.00	5.70	5.73	5.76	14.97%
Hunan	5.98	5.91	6.40	6.43	6.23	5.99	6.03	5.99	-6.84%
Guangdong	7.33	7.08	7.30	7.49	7.98	7.13	7.00	6.88	-8.14%
Guangxi	6.06	5.89	5.94	6.02	n/a	5.46	5.59	5.61	-6.81%
Hainan	9.50	8.07	8.78	8.63	7.77	7.45	7.10	7.38	-14.48%
Sichuan	5.15	4.40	5.15	5.27	5.27	5.13	5.67	5.85	11.01%
Guizhou	4.80	5.70	5.91	5.99	5.67	5.93	5.80	5.82	-2.84%
Yunan	5.85	5.39	5.56	5.44	5.19	4.81	5.41	5.84	7.35%
Tibet	n/a								
Shaanxi	5.22	4.37	5.46	5.50	5.55	5.47	5.95	6.07	10.36%
Gansu	4.79	4.89	6.20	6.11	6.15	6.38	6.53	6.48	6.06%

Shaanxi	6.01	6.53	7.05	7.98	10.04	9.92	10.52	9.00	12.78%
Gansu	8.36	8.28	9.83	10.24	11.42	12.32	12.00	11.63	13.57%
Qinghai	8.20	8.03	8.36	9.64	11.38	n/a	10.50	11.67	21.06%
Ningxia	10.00	8.00	12.00	11.50	13.50	n/a	15.80	16.50	43.48%
Xinjiang	9.80	10.00	10.00	n/a	12.07	n/a	8.71	14.50	n/a
Chongqing	7.64	5.58	6.44	7.11	7.68	7.06	7.32	7.71	8.44%

Source: The Ministry of Agriculture (MOA)

1/ The national average prices March -March 2000/2001 are based on the average price of all the counties selected for sampling survey and the prices Jun-Dec are based on all the provinces. (f:\shared\lotus\lvstk\sheepmt\muttnprc.wk4)

China's Beef Imports by Origin (Metric Tons)				
SOURCE	1998	1999	2000	2001
United States	788	1,426	3,067	1,848
Australia	2,616	2,703	2,627	1,802
New Zealand	137	274	487	114
Others	7	151	172	4
TOTAL	3,548	4,554	6,353	3,768

Source: China Customs

HS Codes: 0201.1000, 0201.2000, 0201.3000, 2002.1000, 2002.2000, 2002.3000
(f:\shared\lotus\lvstk\fcfbfim.wk4)

China's Beef Offal Imports by Origin (Metric Tons on Production Base)			
SOURCE	1999	2000	2001
United States	10,505	10,362	19,528
Australia	2,410	9,385	5,672
Canada	2,154	1,138	3,252
New Zealand	2,168	9,506	2,824
Others	2,368	1,528	1,092
TOTAL	19,605	31,919	32,368

Source: China Customs
HS Codes: 0201.1000, 0201.2000, 0201.3000, 0202.1000,
0202.2000, 0202.3000
(f:\shared\lotus\lvstk\bfoffal.wk4)

China's Pork Imports by Origin (Metric Tons)				
Country	1998	1999	2000	2001
United States	7,746	8,207	23,225	39,558
Canada	2,341	12,826	25,535	22,207
Denmark	1,325	12,148	32,355	17,731
Belgium	0	978	1,515	6,731
Netherlands	0	12,152	38,351	3,527
France	1,323	1,858	3,005	2,400
United Kingdom	1,652	9,158	10,627	95
Others	1,402	1,094	1,527	2,025
TOTAL	15,789	58,421	136,140	94,274
Source: China Statistics HS Codes: 0203.1110, 0203.1190, 0203.1200, 0203.1900, 0203.2110, 0203.2190, 0203.2200 and 0203.2900 (f:\shared\lotus\lvstk\swinepk\fcfpkimp.wk4)				

China's Pork Offal Imports by Origin (Metric Tons on Production Base)			
SOURCE	1999	2000	2001
United States	36,109	44,214	39,944
Denmark	13,402	15,068	25,446
Canada	7,233	10,936	20,734
Netherlands	7,026	18,905	8,949
Belgium	1,510	1,640	7,447
France	2,346	5,692	3,823
United Kingdom	3,981	3,689	51
Others	2,095	982	3,248
TOTAL	73,702	101,126	109,642

Source: China Customs			
HS Codes: 0206.3000, 0206.4100, 0206.4900			
(f:\shared\lotus\lvstk\pkoffal.wk4)			
U.S. EXPORTS OF BEEF, BEEF OFFAL, PORK AND PORK OFFAL TO CHINA			
(December of preceding year through November, Metric Tons)			
	1999	2000	2001
BEEF			
China	2,686	3,370	3,545
Hong Kong	10,580	12,686	12,212
TOTAL	13,265	16,056	15,757
BEEF OFFAL			
China	2,445	5,479	3,372
Hong Kong	7,249	13,686	8,887
TOTAL	9,694	19,165	12,259
PORK			
China	2,896	3,149	5,162
Hong Kong	13,730	14,851	7,879
TOTAL	16,626	18,000	13,041
PORK OFFAL			
China	646	871	6,609
Hong Kong	16,052	13,649	23,696
TOTAL	16,698	14,520	30,305
Source: FAS, USDA			
f:\shared\lotus\lvstk\meatoffl			

Tariffs on Cattle and Beef, Effective January 1, 2002					
		General	MFN	V.A.T.	Effective Rate (mfn+vat)
Cattle, Breeding	0102.1000	0%	0%	13%	13.0%
Cattle, Other	0102.9000	30%	10%	13%	24.3%
Beef, Fresh or chilled					
carcass & half-carcass	0201.1000	70%	30%	13%	46.9%
other cuts with bone s	0201.2000	70%	25.2%	13%	41.5%
boneless	0201.3000	70%	25.2%	13%	41.5%
Beef, Frozen					
carcass & half-carcass	0202.1000	70%	33%	13%	50.3%
other cuts with bones	0202.2000	70%	25.2%	13%	41.5%
boneless	0202.3000	70%	25.2%	13%	41.5%
Source: China Customs					

Tariffs on Hogs and Pork, Effective January 1, 2002					
					Effective
		General	MFN	V.A.T.	Rate
					(mfn+vat)
Swine, Breeding	0103.1000	0%	0%	13%	13.0%
Swine, Other	0103.9110	50%	10%	13%	24.3%
	0103.9120				
	0103.9200				
Pork, Fresh or Chilled					
sucking pig	0203.1110	70%	20%	13%	35.6%
other	0203.1190				
hams, shoulders and cuts thereof, with bones	0203.1200				
other	0203.1900				
Pork, Frozen					
sucking pig	0203.2110	70%	15.2%	13%	30.2%
other	0203.2190				
hams, shoulders and cuts thereof, with bones	0203.2200				
	0203.2900				
Source: China Customs					

Tariffs on Beef, Offal Effective January 1, 2002					
		General	MFN	V.A.T.	Effective Rate (mfn+vat)
Beef Offal	0206.1000	70%	15.2%	13%	30.2%
	0206.2100				
	0206.2200				
	0206.2900				
Source: China Customs					

Tariffs on Pork Offal Effective January 1, 2002					
		General	MFN	V.A.T.	Effective Rate (mfn+vat)
Pork Offal	0206.3000	70%	20.0%	13%	35.6%
	0206.4100	70%	20.0%	13%	35.6%
	0206.4900	70%	15.2%	13%	30.2%
Source: China Customs					

Sheep and Goat Sector

Consumption and Production

National prices for sheep and goat meat by the end of 2001 were up by 10.7% over the same period of 2000. Increasing demand, smaller inventory increases due to natural disasters, large exports in the last quarter of 2001, as well as increased consumption in winter time prompted the price rise. Prices in 2002 are expected to grow slightly. Good margins should lead to a continued steady growth in sheep and goat inventories and meat production in 2002 and for the next couple of years.

Inner Mongolia which accounts for over 12% of China's total sheep and goat inventory saw both inventory and meat production drop for the first time in 16 years. Xinjiang's sheep and goat production was also anemic. A severe winter at the beginning of 2001 and serious droughts throughout the year hurt both provinces. However, sheep and goat inventories and meat production increased in other provinces to push the overall figure positive. This growth is expected to continue in 2002 and beyond at a moderate rate.

Goat inventories are growing faster than those of sheep. Currently, sheep and goat meat production only takes 4.7% of China's total meat production, slightly up from before. The proportion will go up in the long term as consumers are gradually diversifying from traditionally dominant pork. Higher quality-cuts will become more popular as consumers' income grows. Chinese consumers more and more are considering sheep and goat meat "healthy" food, especially after recent findings of illegal additives in swine feed.

The biggest bottlenecks for sheep and goat development are water supply and good forage. Desertification in the West and Northwest are big problems. In Inner Mongolia, threatened areas have increased to 38.6 million hectares, accounting for 36.8% of total grassland in the province. Year on year over grazing has contributed to the problem and the Government is pushing to reduce sheep and goat numbers in these areas.

Trade

Unlike pork and beef, imports of sheep and goat meat saw strong growth in 2001. They increased more than 38% from the previous year. International sheep and goat prices were much cheaper than domestic prices. Particularly promising are imports of lower value cuts to be used in Chinese "hot pot". Imports for 2002 and the next couple of years will continue to be strong. Trade will be further helped by tariff cuts for 2002. Due to China's accession to the WTO sheep and goat meat tariffs have dropped from a range of 22-23 percent to 16.4-18.2 percent. As with pork and beef, the VAT has also dropped from 17 to 13 percent in 2002.

Exports of sheep and goat meat in 2001 increased about 27 % over the previous year mainly due to increased exports to Japan and Hong Kong. Japan has become the biggest market for China's exports. Canned and preserved meat exports account for the preponderance of exports outside of Hong Kong. Export increases in 2002 and the next couple of years may not be as big as 2001. Cheaper international prices will make the market very competitive.

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	299029
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	511398
Intra EC Exports	0	0	0	0	0	0
Other Exports	10	16	0	13	0	15
TOTAL Exports	10	16	0	13	0	15
Ewe Slaughter	0	0	0	0	0	0
Lamb Slaughter	0	0	0	0	0	0
Other Slaughter	200000	189680	0	198500	0	204058
TOTAL Slaughter	200000	189680	0	198500	0	204058
Loss	700	746	0	778	0	756
Ending Inventories	280420	290319	0	299029	0	306569
TOTAL DISTRIBUTION	481130	480761	0	498320	0	511398
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	189680	0	198500	0	204058
Beginning Stocks	0	0	0	0	0	0
Production	2650	2740	0	2839	0	2941
Intra EC Imports	0	0	0	0	0	0
Other Imports	10	18	0	25	0	32
TOTAL Imports	10	18	0	25	0	32
TOTAL SUPPLY	2660	2758	0	2864	0	2973
Intra EC Exports	0	0	0	0	0	0
Other Exports	6	18	0	23	0	25
TOTAL Exports	6	18	0	23	0	25
Human Dom. Consumption	2654	2740	0	2841	0	2948
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	2654	2740	0	2841	0	2948
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2660	2758	0	2864	0	2973
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 GOAT MEAT PRICES (RMB/KG, US\$1=8.27)									
	2000				2001				Change 00/01
Provinces	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Dec-Dec
AVERAGE 1/	14.96	14.29	13.99	14.38	14.83	13.03	15.14	15.93	10.77%
Beijing	14.67	14.60	16.55	15.38	19.00	13.10	15.24	15.45	0.46%
Tianjin	12.50	14.13	13.75	14.38	17.68	n/a	15.50	14.25	-0.90%
Hebei	15.00	13.54	13.75	12.94	14.00	13.67	14.18	14.44	11.59%
Shanxi	13.94	11.68	12.66	14.10	13.57	12.60	16.00	15.10	7.09%
Inner Mongolia	12.78	12.71	13.40	12.20	12.63	13.57	13.63	13.83	13.36%
Liaoning	14.98	15.24	15.12	15.75	15.58	15.49	15.55	15.69	-0.38%
Jilin	14.50	15.89	15.50	15.78	16.11	16.11	16.67	16.80	6.46%
Heilongjiang	14.00	13.00	n/a	14.00	19.00	15.00	15.00	15.00	7.14%
Shanghai	18.00	18.00	18.00	18.00	18.00	18.00	19.00	18.75	4.17%
Jiangsu	13.00	15.00	12.20	14.34	13.60	14.00	11.67	14.25	-0.63%
Zhejiang	17.77	13.75	17.74	19.78	17.18	13.67	17.25	19.42	-1.82%
Anhui	12.50	13.00	13.00	13.27	13.20	12.00	11.50	19.42	46.35%
Fujian	22.00	21.33	21.71	22.00	21.78	21.94	20.54	21.50	-2.27%
Jiangxi	17.99	16.10	17.00	17.22	17.10	16.80	17.00	17.21	-0.06%
Shandong	14.39	14.90	14.03	14.43	15.05	14.18	16.00	15.79	9.42%
Henan	13.95	13.36	12.86	13.29	14.29	13.89	14.17	14.04	5.64%
Hubei	12.24	13.00	12.57	12.84	12.27	14.03	12.83	12.39	-3.50%
Hunan	15.10	16.25	13.50	14.80	15.00	15.13	13.80	15.92	7.57%
Guangdong	19.14	19.43	18.86	20.75	20.18	18.44	18.67	20.55	-0.96%
Guangxi	18.50	16.75	15.70	18.80	n/a	17.45	16.80	19.50	3.72%
Hainan	25.50	22.33	25.53	25.50	24.67	23.50	24.00	23.33	-8.51%
Sichuan	12.35	11.09	11.31	11.94	11.40	11.66	11.44	12.75	6.78%
Guizhou	12.00	13.50	13.00	13.50	14.50	14.80	15.00	14.12	4.59%
Yunan	13.27	14.44	13.17	13.32	14.33	13.80	14.17	13.29	-0.23%
Tibet	n/a								
Shaanxi	14.87	13.83	14.25	14.08	14.00	14.50	14.00	13.67	-2.91%
Gansu	12.14	12.06	12.11	11.99	13.54	13.34	12.87	13.08	9.09%
Qinghai	11.60	12.70	8.43	10.20	12.57	n/a	9.70	12.78	25.29%
Ningxia	10.60	10.67	12.00	12.50	11.00	n/a	15.00	15.50	24.00%
Xinjiang	14.00	14.00	14.00	n/a	16.69	n/a	16.29	18.06	n/a
Chongqing	12.67	11.00	10.00	11.67	11.53	10.30	10.70	12.00	2.83%
Source: The Ministry of Agriculture (MOA)									

1/ The national average prices March -March 2000/2001 are based on the average price of all the counties selected for sampling survey and the prices Jun-Dec are based on all the provinces.
(f:\shared\lotus\lvstk\sheepmt\muttnprc.wk4)

China's Fresh, Chilled and Frozen Mutton Imports by Destination				
(Metric Tons)				
ORIGIN	1998	1999	2000	2001
New Zealand	8,987	9,882	15,891	20,674
Australia	175	543	1,786	4,686
United States	6	9	6	8
Others	26	8	100	0
TOTAL	9,194	10,442	17,783	25,368
Source: China Customs				
HS Codes: 0204.1000, 0204.2100, 0204.2200, 0204.2300				
0204.3000, 0204.4100, 0204.4200, 0204.4300, 0204.5000				
(f:\shared\lotus\lvstk\sheepmt\fcfmtimp.wk4)				

Tariffs on Sheep/Goats and Mutton, Effective January 1, 2000					
		General	MFN	V.A.T.	Effective Rate (mfn+vat)
Sheep, Breeding	0104.101	0%	0%	13%	13.0%
Sheep, Other	0104.109	50%	10%	13%	24.3%
goat, breeding	0104.201				
goat, other	0104.209				
Mutton, Fresh or Chilled					
carcass & half carcass, lamb	0204.1000	70%	18.2%	13%	33.6%
carcass & half carcass, other	0204.2100	70%	23%	13%	39.0%
other cuts with bones	0204.2200	70%	18.2%	13%	33.6%
boneless	0204.2300	70%	18.2%	13%	33.6%
Mutton, Frozen					
carcass and half carcass, lamb	0204.3000	70%	18.2%	13%	33.6%
carcass and half carcass	0204.4100	70%	23%	13%	39.0%
other cuts with bones	0204.4200	70%	16.4%	13%	31.5%
boneless	0204.4300	70%	18.2%	13%	33.6%
goat meat	0204.5000	70%	21.20%	13%	37.0%
Source: China Customs					