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China, Peoples Republic of

Livestock and Products

Semi-Annual Report

2006

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Report Highlights:
As the result of the highly pathogenic avian influenza (HPAI) outbreaks in China and other parts of the world, Chinese beef demand increased in 2005 as consumers shifted from poultry to red meat. However, China's ban on imported U.S. beef remains in place, though market access was achieved for bovine semen/embryos and non-ruminant products (e.g., swine/poultry feeds, pet foods, etc.). Additionally, China's zero tolerance for certain pathogens on pork, beef and poultry products continue to impact trade. During 2006, China's pork production, comprising over half of the world's total supply, is forecast to increase 5 percent to 52 MMT, while beef production will rise 6.9 percent to 7.7 MMT. China's beef imports are not forecast to increase in 2006, while pork imports will decrease 4 percent due to a surplus in domestic supplies and low prices.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Situation and Outlook

China's beef production for 2006 is forecast to increase 6.9 percent from last year to 7.7 MMT due to strong demand and a consumption shift from poultry to red meats because of health concern to the persistent presence of HPAI in China and other countries. China's booming economic growth has also resulted in greater investment in the cattle and beef industry. Although beef prices remain relatively high, rising Chinese consumer incomes has made these purchases possible. As a result, beef consumption is forecast to increase 6 percent in 2006.

China's pork production, which comprises over half of the world's total, is forecast to increase 4.7 percent to 52 MMT, but the pace of growth is forecast smaller than that of 2005. Pork products comprise the majority of the animal protein in the Chinese diet. In recent years, significant profits have resulted in rapid production and supply increases, and China's pork industry is expected to enter a stable and lower priced period during 2006. This trend may translate into decreased imports in 2006.

On October 1, 2005, China implemented a regulation called the "Hygienic Standard for Fresh (Frozen) Meat of Livestock" (GB 2705-2005). Although the new standard does not address pathogen tolerances, Chinese officials indicate a zero tolerance for pathogens existed previously based on the "China Food Hygiene Law" announced on August 2, 2001 (see CH1042 dated November 2, 2001).

China's beef imports are forecast to remain flat at 3,000 MT in 2006 in part due to the BSE-related import ban on the United States and other countries with BSE. If the ban were lifted, FAS Beijing believes that the U.S. market potential could reach over $600 million (see below).

Since January 2004, following China's ban on imported U.S. cattle and bovine products (including beef), USDA has provided China a significant amount of BSE and meat safety technical information, hosted two teams of Chinese BSE experts and held bilateral animal health discussions. Though China's ban on imported U.S. beef remains in place, market access was achieved last year for bovine semen/embryos and non-ruminant products (e.g., swine/poultry feeds, pet foods, etc.). During 2006, USDA will continue efforts to re-open the Chinese market to U.S. beef.

Live cattle imports in 2006 are forecast to decrease 8 percent to 48,000 head due to import policy changes and higher international prices. Live cattle exports are forecast to decrease 3.8 percent to 51,000 head due to decreased demand in Hong Kong.

Pork imports are forecast to decrease 4 percent to 48,000 MT in 2006 due to sufficient supplies and reduced pork prices. Pork exports in 2006 are forecast to recover about 17.6 percent to 300,000 MT after the disease, Streptococcus suis, is under control. Pork exports will continue to expand in 2006 due to the uncertainties surrounding poultry and HPAI.

U.S. Market Access Update—Approval for Non-Ruminant Feed and Bovine Semen/Embryos

On July 11, 2005, the General Administration for Quality Supervision, Inspection and Quarantine of People's Republic of China (AQSIQ) announced (Decree No. 97) approval for 52 U.S. facilities to export animal genetic products to China. Later in the year, Chinese quarantine authorities visited the United States in order to audit and register the establishments, eventually leading to the market re-opening. According to the decree, 38 bovine embryo transfer centers, 10 bovine semen collection centers and 4 swine semen collection centers have passed the Chinese examination procedures and are eligible to export their products to China.

To see the export requirements for these genetic materials, please refer to the following website: http://www.aphis.usda.gov/vs/ncie/iregs/animals/ch.html

Then, on November 28, 2005, AQSIQ approved imports of non-ruminant U.S. pet food, porcine protein, rendered products (tallow) and spray-dried porcine blood. USDA and Chinese officials continue to discuss access for U.S. non-protein bovine tallow.

Prior to China's BSE-related trade suspension on U.S. cattle, beef and products, U.S. exports of semen and embryos exceeded $1 million. Further, China tightened its import regulations to reduce misuse of tariff-free breeding cows for commercial purpose. As the result of China's shortage of genetic stocks to improve the dairy industry, FAS Beijing forecasts excellent opportunities for imported U.S. bovine semen and embryos.

During 2003, U.S. direct exports of beef and beef variety meats to China totaled $123.3 million; live cattle totaled $1 million; bovine semen totaled $0.5 million; embryo totaled $0.9 million; bovine hides and skin totaled $488 million; and tallow exports totaled $22.6 million.

According to industry contacts, excellent opportunities exist for growth in imports of pet food and pet care products. China's imports of these products--stemming from pet care products and dog and cat food primarily in coastal China--grew in value 14% between 1998 and 2003. Pet shops dominate the retail distribution, followed by grocery stores. Industry sources expect retail sales of pet products to reach almost $1 billion in 2008.

Cattle and Beef

Beef production in 2006 forecast to increase 6.9 percent to 7.7 MMT

Post forecasts Chinese beef production for 2006 at 7.7 MMT, a 6.9 percent increase from the estimated 7.2 MMT in 2005. Post revised upwards Chinese beef production numbers for 2005 and 2006 in the beef and veal PS&D table from the previous estimation (7.6 MMT, 6.4 percent increase) in the last livestock annual report CH5063. The revision is based on beef data from the Ministry of Agriculture (MOA) during January to September 2005.

China is the world's fourth largest producer and third largest consumer (volume-wise) of beef and beef products. However, per capita beef consumption is only about 6 kilograms/year due to the huge population. Domestic beef production in 2006 will continue to expand in response to consumer preferences for red meat over poultry as the result of avian influenza in China. The mild winter in 2005 resulted in reduced cattle deaths and compensated for the culled cattle infected by foot and mouth disease (FMD) and other diseases. China's integration of beef production areas and major processing plants has helped improve both cost and distribution efficiency.

Main developments and factors impacting China's beef production

China's rapid GDP growth will spur investment and consumer demand for beef during 2006. At the end of 2005, China recently revised its GDP growth upwards 0.2 percent to 9.4 percent for 1979-2004, based on China's first national economic census. The GDP growth for 2005 was 9.8 percent.

The Central Government's financial support for agriculture increased 17 percent each year, on average, during the last five years. More support will be provided in the 11th Five-Year-

Plan (2006-2010). On January 1, 2006, the Chinese Government eliminated all agricultural taxes in all provinces. As a result of this incentive to farmers, China's grain and feed production is forecast to remain high. In recent years, a new type of cattle production has emerged called "feeding quarters", where farmers move their animals from backyards to standard farms built and managed by large processing plants. The plants utilize standardized feed, feeding technology and quarantine measures. The farmers pay low prices for renting the facility, while the processors buy cattle from those "feeding quarters". The integration of production and processing has improved efficiency and quality. This type of integrated cattle production will expand in 2006.

Only a small percentage of China's beef cattle are pure breeds. Thus, increasing beef production in China will benefit from artificial insemination to cross breed between local cattle and pure beef cattle. Significant opportunities lie ahead for U.S. exporters of genetic materials.

Last year China's livestock sector faced the challenge of FMD (see description of 2005 situation in the previous report CH5063). Then on January 14 and 16, 2006, two new outbreaks occurred in Ningxia Hui Autonomous Region and Jiangsu Provinces, and authorities culled 189 cattle. Live cattle exports are estimated to drop 10 percent in 2005 and are forecast to further drop about 4 percent in 2006 in part due to FMD concerns of importing countries, according to the trade. FMD occurred in some main cattle and beef production areas like Shangdong and Hebei Provinces.

New livestock law and potential impact on cattle imports

On December 29, 2005, China announced its first livestock law since the founding of the People's Republic of China. The law will become effective on July 1, 2006, and the law regulates the protection of domestic animal and poultry breeds, selection, cultivation and trade of breeding animal and poultry, feeding and grazing, live animal and poultry marketing and transportation, quality and health assurance. The law forbids the sale of breeding animals or poultry with the following status: 1) passing-off other breeds as needed breeds, 2) passing-off lower generation as a higher generation, 3) passing-off unqualified as qualified, 4) lacking an import permit, 5) lacking a health certificate and ancestor records, and 6) lacking MOA's approval or verification as breeding animals and poultry.

Importers must apply for imports with the provincial livestock bureau and get final approval from MOA. The import permit is valid for 6 months. The law is aimed to address import malpractices. The policy change, combined with high international prices, will keep China's live cattle imports flat in 2006. The law does not address animal welfare issues—a potential issue for importing countries.

Beef consumption in 2006 forecast to increase 6.8 percent to 7.6 MMT

China's beef consumption for 2006 in this beef PS&D table is very close to the previous estimation in CH5063. Beef consumption will continue to be strong throughout 2006. The spreading of HPAI cases in China resulted in consumers shifting to red meat. Beef is considered healthy meat with less fat, less feed pollution and no hormone additives. Although wholesale beef prices increased 6.8 percent on average in 2005, more disposable income made it possible for Chinese consumers to purchase more beef. Given that the per capita beef consumption is very low (about 6 kg), China's beef consumption will likely continue to grow for the foreseeable future.

Factors impacting China's live cattle and beef imports

China's live cattle imports in 2006 are forecast to decrease 8 percent to 48,000 head. Imports in 2005 were only 50,000 head, 50 percent lower than the previous forecast in the report CH5063. Beef imports for 2006 are forecast to remain flat at 3,000 MT. In addition to tightened import policy change, China faced higher international prices for cattle and beef due to BSE restrictions. Chinese import unit price increased 4.2 percent for cattle and 157 percent for beef in the first 11 months of 2005. China's imports in 2006 will not likely increase unless the world trade picture changes for BSE countries.

Increased beef exports will compensate for decreased live cattle exports

China's exports of beef only account for about 1 percent of total production. FAS Beijing forecasts China's beef exports for 2006 to increase 15 percent to 100,000 MT. FMD remains the main constraint for cattle and beef exports. U.S. and Canadian beef access in Hong Kong since the beginning of 2006 is expected to lead to a smaller demand for live cattle and beef from the Mainland. China's beef exports would not threaten U.S. exports because China mainly exports prepared beef.

Country	China, Peoples Republic of						
Commodity	Animal Numbers, Cattle			(1000 HEAD)			
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		01-2004		01-2005		01-2006	MM/YYYY
Total Cattle Beg. Stks	134672	134672	137818	137818	140383	140718	(1000 HEAD)
Dairy Cows Beg. Stks	8932	8932	11020	11080	13224	13700	(1000 HEAD)
Beef Cows Beg. Stocks	62830	62830	65340	65640	67950	68580	(1000 HEAD)
Production (Calf Crop)	54162	54162	56870	57020	59500	60100	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	132	132	100	51	80	46	(1000 HEAD)
TOTAL Imports	132	132	100	51	80	46	(1000 HEAD)
TOTAL SUPPLY	188966	188966	194788	194889	199963	200864	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	59	59	62	53	65	51	(1000 HEAD)
TOTAL Exports	59	59	62	53	65	51	(1000 HEAD)
Cow Slaughter	0	0	0	0	0	0	(1000 HEAD)
Calf Slaughter	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	50189	50189	53400	53618	56700	57311	(1000 HEAD)
Total Slaughter	50189	50189	53400	53618	56700	57311	(1000 HEAD)
Loss	900	900	943	500	955	502	(1000 HEAD)
Ending Inventories	137818	137818	140383	140718	142243	143000	(1000 HEAD)
TOTAL DISTRIBUTION	188966	188966	194788	194889	199963	200864	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

PS&D tables for cattle and beef

PSD Table

Country China, Peoples Republic of

Commodity Meat, Beef and Veal (1000 MT CWE)(1000 HEAD)

	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		01-2004		01-2005		01-2006	MM/YYYY
Slaughter (Reference)	50189	50189	53400	53618	56700	57311	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	6759	6759	7180	7222	7640	7718	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	5	5	6	3	6	3	(1000 MT CWE)
TOTAL Imports	5	5	6	3	6	3	(1000 MT CWE)
TOTAL SUPPLY	6764	6764	7186	7225	7646	7721	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	61	61	75	87	90	100	(1000 MT CWE)
TOTAL Exports	61	61	75	87	90	100	(1000 MT CWE)
Human Dom. Consumption	6703	6703	7111	7138	7556	7621	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	6703	6703	7111	7138	7556	7621	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	6764	6764	7186	7225	7646	7721	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Cattle and beef trade matrix

CHINA LIVE CATTLE IMPORTS, 2003-2005 '(Number of Head)					
	January - December Quantity		January - November Quantity Comparison		January - November % Change
Origin	2003	2004	2004	2005	2005/04
World	50,007	132,446	118,495	46,940	-60.39
Australia	41,179	69,406	63,772	32,871	-48.46
New Zealand	7,795	63,032	54,715	14,069	-74.29
United States	1,022	-	-	-	0.00
Canada	11	-	-	-	0.00
Mexico	-	8	8	-	-100.00
HS Code: 010210, 010290 Source: GTA China Statistics					

CHINA BEEF AND VEAL IMPORTS, 2003-2005 (Metric Tons)					
	January - December Quantity		January - November Quantity Comparison		January - November % Change
Origin	2003	2004	2004	2005	2005/04
World	8,395	3,451	3,371	1,161	-65.56
Australia	2,231	2,159	2,080	1,069	-48.59
Argentina	-	-	-	55	0.00
Uruguay	-	2	2	25	941.88
New Zealand	112	825	825	10	-98.80
Brazil	467	422	422	-	-99.99
United States	5,533	41	41	-	-100.00
Other	52	2	1	2	100.00
HS Code: 020110, 020120, 020130, 020210, 020220, 020230, 021020, 160250 Source: GTA China Statistics					

HONG KONG RE-EXPORTS OF BEEF AND VEAL TO CHINA, 2003-2005 (Metric Tons)					
	January - December Quantity		January - November Quantity Comparison		January - November % Change
Origin	2003	2004	2004	2005	2005/04
World	8,663	3,718	3,695	722	-80.45
New Zealand	602	1,020	1,020	168	-83.51
Australia	214	27	27	144	426.61
Brazil	941	1,193	1,193	132	-88.97
Argentina	508	159	159	109	-31.77
Canada	123	194	194	98	-49.69
India	716	309	309	25	-91.9
Ireland	905	244	244	25	-89.77
Austria	-	-	-	14	0
United States	4,285	263	239	0	-99.97
Other	370	309	309	8	-97.31
HS Code: 020110, 020120, 020130, 020210, 020220, 020230, 021020, 160250 Source of data: WTA Hong Kong Census and Statistics Department					

CHINA LIVE CATTLE EXPORTS, 2003-2005 (Number of Head)					
	January - December Quantity		January - November Quantity Comparison		January - November % Change
Destination	2003	2004	2004	2005	2005/04
World	50,645	59,009	54,129	48,641	-10.14
Hong Kong	44,929	47,377	42,937	43,095	0.37
Macau	5,169	5,278	4,838	5,166	6.78
Korea North	449	330	330	380	15.15
Myanmar	-	24	24	-	-100.00
Thailand	98	-	-	-	0.00
Jordan	-	-	6,000	-	-100.00
HS Code: 010210, 010290 Source: GTA China Statistics					

CHINA BEEF AND VEAL EXPORTS, 2003-2005 (Metric Tons)					
	January - December Quantity		January - November Quantity Comparison		January - November % Change
Destination	2003	2004	2004	2005	2005/04
World	25,797	37,171	31,838	48,022	50.84
Japan	5,385	9,062	7,459	12,925	73.29
Hong Kong	14,014	15,876	14,166	12,737	-10.08
Korea South	1,704	3,638	2,794	10,829	287.61
Jordan	10	739	483	4,067	742.74
Kuwait	363	1,657	1,404	2,320	65.28
Indonesia	1,098	943	868	1,234	42.18
Korea North	105	492	461	1,127	144.37
Malaysia	1,014	1,293	1,110	1,052	-5.24
Lebanon	12	403	363	516	42.18
United Arab Emirates	509	783	665	270	-59.44
Macau	79	124	101	146	44.49
Russia	1,169	1,435	1,435	141	-90.16
Singapore	105	172	129	136	4.86
Other	230	554	400	522	13.49
HS Code: 020110, 020120, 020130, 020210, 020220, 020230, 021020, 160250 Source: GTA China Statistics					

Tariffs on Cattle and Beef, Effective January 1, 2006					
					Effective
		General	MFN	V.A.T. 1/	Rate
					(mfn+vat)
0102.1000	Cattle, breeding	0%	0%	13%	13.0%
0102.9000	Cattle, other	30%	10%	13%	24.3%
0201.1000	Fresh or chilled carcass & half-carcass	70%	20.0%	13%	35.6%
0201.2000	Fresh or chilled other cuts with bone in	70%	12.0%	13%	26.6%
0201.3000	Fresh or chilled cuts, boneless	70%	12.0%	13%	26.6%
0202.1000	Frozen carcass & half-carcass	70%	25%	13%	41.3%
0202.2000	Other frozen cuts with bone in	70%	12.0%	13%	26.6%
0202.3000	Frozen cuts, boneless	70%	12.0%	13%	26.6%
Source: China Customs					

CHINA WHOLESALE BEEF PRICES ON AVERAGE

2003-2005 (US$/KG)

	2003	2004	2005	% Change 2005/04
January	1.82	1.84	1.81	-1.63%
February	1.82	1.79	1.98	10.61%
March	1.78	1.82	1.93	6.04%
April	1.77	1.79	1.88	5.03%
May	1.78	1.86	1.99	6.99%
June	1.75	1.84	1.96	6.52%
July	1.71	1.83	1.92	4.92%
August	1.69	1.83	1.98	8.20%
September	1.83	1.77	1.88	6.21%
October	1.77	1.83	1.96	7.10%
November	1.77	1.80	1.92	6.67%
December	1.75	1.78	2.04	14.61%

Source: The Ministry of Agriculture

Swine and Pork

Changes in the pork PS&D table

Based on FAS headquarters guidance, the import and export numbers in the pork PS&D table exclude HS Code 160249. As a result, the trade numbers are smaller, particularly for exports. This revision does not impact U.S. export numbers to China because the exports under this line are limited. To calculate China's trade figures, FAS Beijing used the Global Trade Atlas (GTA) and the World Trade Atlas (WTA) sourced from China Customs and Hong Kong Census and Statistics Department (HKCSD). For U.S. exports to China, we use the data from the U.S. Department of Commerce and HKCSD for Hong Kong re-exports.

Three year high-profit period ended, pace of growth in 2006 forecast slow

FAS Beijing forecasts China's pork production in 2006 at 52 MMT, a 4.7 percent increase from the estimated 49.7 MMT in 2005. Despite lower prices since the second half of 2005, China's pork production will continue to grow in 2006. The pace of growth will slow compared with 2005.

FAS Beijing adjusted downwards (1-2 percent) China's 2006 sow beginning stock at 43.8 million head, pig crop at 700 million head, and ending inventory at 678 million head, from the previous estimations in the last annual livestock report CH5063.

Although many Chinese consumers have shifted to red meat due to HPAI in China, pork prices did not go up like beef and sheep/goat meat. On the contrary, pork prices started falling considerably in the second half of 2005 as the result of surplus supplies. According to the industry, swine farmers also started loosing money in November 2005. The price ratio between swine and grain dropped to 1:5.45, lower than the publicly accepted critical point 1:5.5. Swine procurement prices in main producing provinces like Henan, Jiangsu and Hebei were only $0.84/kg in the last quarter of 2005 (prices were $1.2/kg in the same period of the previous year). Seventeen provinces are below the critical point, while 13 provinces are above it. The more competitive producers are in remote areas or in feed grain production areas with lower production costs.

Factors impacting swine and pork production

--*Quick increase in inventory:* High swine prices at slaughter in 36 months gave incentives to farmers to increase swine inventories. The pace of increase in swine beginning stocks jumped from 0.7 in 2004 to 3.4 percent in 2005 and forecast 3.8 percent in 2006. Increased production has led to over supplies thus depressing prices.

--*Increased commercial farms*: According to the industry, larger sized commercial farms have been increasing, thus improving production efficiency. The number of swine slaughtered from commercial farms increased 26 percent in 2004 over the previous year. This has helped increase production and bring down prices.

China Commercial Swine Farms			
Number of Head Kept on Farm	2002	2003	2004
50 - 99	790,307	851,429	1,056,793
100 - 499	212,909	249,016	328,811
500 - 2999	27,495	33,844	46,175
3000 - 9999	3,242	3,388	4,162
10000 - 49999	862	911	1,048

Over 50000	28	30	44
Total	1,034,843	1,138,618	1,437,033
Source: China Swine Association			

--Production pattern and information lacking: Although commercial farms have been increasing, about 70 percent of China's pigs are still raised on backyard farms where it is difficult to coordinate and monitor production. Swine farmers lack market information. Official statistics are normally announced one to two years afterwards. There are no official forecasts for future production.

--Disease and residue control a challenge: Animal diseases (e.g., FMD) are difficult to monitor and control in China's widespread, small-scale farming system, putting constraints on China's production for the near term.

--*Small-scale processing:* According to MOFCOM, there are over 40,000 slaughterhouses in China. However, 60 percent of slaughtering is concentrated in the 50 largest plants. MOFCOM will grade them five levels. Only grade 4 and 5 can handle slaughtering. Therefore, the slaughter industry will have to consolidate to improve efficiency.

As prices are not favorable and are forecast to stay low in 2006, large commercial swine farms are expected to stabilize their production. Some smaller-scale ones have started to slaughter their sows. Therefore, swine and pork production in 2006 appears not likely to grow at the same pace of 2005. Better efficiency and forecast low prices may translate into reduced imports in 2006.

Consumption forecast to increase 4 percent in 2006

FAS Beijing adjusted upwards (4 percent) pork consumption in 2006 from the previous annual report CH5063. Pork has served as the main substitute for poultry following the HPAI outbreaks in China. Pork is not only a traditional animal protein in the Chinese diet, but it is also the cheapest compared with other red meats.

Pork imports in 2006 forecast to decrease 4 percent to 48,000 MT

Despite its massive population, China is almost self-sufficient in pork supplies, and imports account for less than 1 percent of total pork production. Frozen boneless pork—a U.S. export commodity in demand here--accounts for the major portion of China's pork imports for high-end consumers. However, U.S. data shows its pork exports increasing, while Chinese data shows import of U.S. pork decreasing. Smuggling and "sluggish" retrieval of statistics are possible explanations.

The United States is the largest variety pork supplier to China, accounting for 37 percent of China's total imports (226,736 MT) during the first 11 months of 2005. A favorable dollar exchange rate will help the competitiveness of U.S. exports to China.

China's zero tolerance for pathogens remains a trade irritant

On October 1, 2005, China implemented a regulation called the "Hygienic Standard for Fresh (Frozen) Meat of Livestock" (GB 2705-2005). Although the new standard does not address pathogen tolerances, Chinese officials indicate a zero tolerance for pathogens (Ecoli and Salmonella) existed previously based on the "China Food Hygiene Law" announced on August 2, 2001 (see CH1042 dated November 2, 2001). Since December 12, 2005, the Chinese

Government suspended from exporting a number of U.S. meat and poultry plants. In the new law, the new test indexes are:

Physical and Chemical Test Indexes

Item		Index
Volatile basic- nitrogen, mg/100g	≤	15
Lead (Pb), mg/kg	≤	0.2
Inorganic Arsenic, mg/kg	≤	0.05
Cadmium (Cd), mg/kg	≤	0.1
Gross Mercury (Hg), mg/kg	≤	0.05

The China Food Hygiene Law States in Item 3, Article 9 that "it is forbidden to produce, distribute or use foods containing pathogenic parasites and microorganisms, or microorganisms with toxin exceeding tolerances regulated by the state.

Swine and pork exports in 2006 forecast to recover

China's swine and pork exports in 2006 are forecast to recover and increase 16 percent to 2 million head. China's swine export markets will not change. For the first time since 2004, Japan will became China's second largest pork market because of restrictions on U.S. and Canadian beef and poultry from other Asian countries due to BSE and HPAI. This trade picture may continue due to the uncertainty of HPAI.

PS&D tables for swine and pork

PSD Table

Country China, Peoples Republic of

Commodity Animal Numbers, Swine (1000 HEAD)

	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		01-2004		01-2005		01-2006	MM/YYYY
TOTAL Beginning Stocks	466017	466017	481891	481891	500324	500324	(1000 HEAD)
Sow Beginning Stocks	40250	40250	42200	42200	44220	43800	(1000 HEAD)
Production (Pig Crop)	636742	636742	675000	675000	715000	700000	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	2	2	3	3	3	3	(1000 HEAD)
TOTAL Imports	2	2	3	3	3	3	(1000 HEAD)
TOTAL SUPPLY	1102761	1102761	1156894	1156894	1215327	1200327	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	1973	1973	2000	1730	2000	2000	(1000 HEAD)
TOTAL Exports	1973	1973	2000	1730	2000	2000	(1000 HEAD)
Sow Slaughter	0	0	0	0	0	0	(1000 HEAD)
OTHER SLAUGHTER	618007	618007	653400	653670	692600	678475	(1000 HEAD)
Total Slaughter	618007	618007	653400	653670	692600	678475	(1000 HEAD)
Loss	890	890	1170	1170	1675	800	(1000 HEAD)
Ending Inventories	481891	481891	500324	500324	519052	519052	(1000 HEAD)
TOTAL DISTRIBUTION	1102761	1102761	1156894	1156894	1215327	1200327	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	2	2	2	2	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

PSD Table

Country	**China, Peoples Republic of**						
Commodity	**Meat, Swine**				(1000 MT CWE)(1000 HEAD)		
	2004 USDA Official [Old]	Revised Post Estimate[New]	2005 USDA Official [Old]	Estimate Post Estimate[New]	2006 USDA Official [Old]	Forecast Post Estimate[New]	UOM
Market Year Begin		01-2004		01-2005		01-2006	MM/YYYY
Slaughter (Reference)	618007	618007	653400	653749	692600	678475	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	47016	47016	48900	49685	50900	52000	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	92	92	70	50	50	48	(1000 MT CWE)
TOTAL Imports	92	92	70	50	50	48	(1000 MT CWE)
TOTAL SUPPLY	47108	47108	48970	49735	50950	52048	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	383	383	400	255	415	300	(1000 MT CWE)
TOTAL Exports	383	383	400	255	415	300	(1000 MT CWE)
Human Dom. Consumption	46725	46725	48570	49480	50535	51748	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	46725	46725	48570	49480	50535	51748	(1000 MT CWE)
Ending Stocks	0	0	0	0	0	0	(1000 MT CWE)
TOTAL DISTRIBUTION	47108	47108	48970	49735	50950	52048	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	88	48	50	53	38	48	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Swine and pork trade matrix

CHINA SWINE IMPORTS, 2003-2005 (Number of Head)					
	January - December Quantity		January - November Quantity Comparison		January - November % Change
Origin	2003	2004	2004	2005	2005/04
World	1,797	1,898	1,748	2,935	67.91
United States	442	840	690	1,589	130.29
Canada	1,083	480	480	1,032	115.00
France	-	-	-	314	0.00
Denmark	272	578	578	-	-100.00
HS Code: 010310, 010391 and 010392					
Source: GTA China Statistics					

CHINA PORK IMPORTS, 2003-2005 (Metric Tons) (HS Code 160249 is excluded)					
	January - December Quantity		January - November Quantity Comparison		January - November % Change
Origin	2003	2004	2004	2005	2005/04
World	149,117	70,683	68,280	29,154	-57.31
Canada	33,897	23,968	22,465	17,429	-22.42
United States	77,642	29,585	29,003	6,502	-77.58
Denmark	37,505	17,000	16,684	4,627	-72.28
France	0	2	-	505	8
Other	72	127	127	91	-28.35
HS Codes: 020311, 020312, 020319, 020321, 020322, 020329, 021011, 021012, 021019, 160241, 160242 and160249 (excluded from pork PS&D table)					
Source: GTA China Statistics					

HONG KONG PORK RE-EXPORTS TO CHINA, 2003-2005 (Metric Tons)					
	January - December Quantity		January - November Quantity Comparison		January - November % Change
Origin	2003	2004	2004	2005	2005/04
-The World-	54,397	59,655	58,406	5,567	-90.47
Canada	8,680	9,899	9,695	1,478	-84.76
Denmark	8,918	11,158	10,735	646	-93.98
Spain	4,263	4,261	4,236	633	-85.05
United States	3,056	8,800	8,595	557	-93.51
Germany, Fed Rep	15,508	8,068	7,751	525	-93.23
Brazil	3,608	3,422	3,397	401	-88.2
France	2,079	2,600	2,576	386	-85
Netherlands	3,036	5,381	5,381	295	-94.51
Other	5,250	6,067	6,040	645	-89.32
HS Codes: 020311, 020312, 020319, 020321, 020322, 020329, 021011, 021012, 021019, 160241, 160242, and 160249 (excluded from pork PS&D table)					
Source: WTA Hong Kong Census and Statistics Department					

CHINA LIVE SWINE EXPORTS, 2003-2005 (Number of Head)					
	January - December Quantity		January - November Quantity Comparison		January - November % Change
Destination	2003	2004	2004	2005	2005/04
World	1,887,295	1,972,911	1,795,843	1,578,328	-12.11
Hong Kong	1,764,935	1,853,771	1,686,374	1,466,931	-13.01
Macau	121,600	118,899	109,284	110,149	0.79
Korea North	681	106	75	1,148	1430.67
Other	79	135	110	100	-9.09
HS Code: 010310, 010391 and 010392 Source: GTA China Statistics					

CHINA PORK EXPORTS, 2003-2005 (Metric Tons)					
	January - December Quantity		January - November Quantity Comparison		January - November % Change
Destination	2003	2004	2004	2005	2005/04
World	305,137	413,321	366,223	352,162	-3.84
Hong Kong	105,010	116,810	105,062	102,148	-2.77
Japan	25,593	53,139	46,190	61,924	34.06
Korea North	46,883	87,031	75,919	59,762	-21.28
Russia	70,959	70,526	64,117	42,125	-34.30
Singapore	16,489	21,319	18,904	15,109	-20.08
Moldova	2,451	11,048	8,458	13,440	58.90
Malaysia	14,225	14,656	13,070	11,069	-15.31
Philippines	7,003	8,197	7,255	8,300	14.40
Albania	2,266	3,571	3,283	5,428	65.34
Kazakhstan	-	248	248	5,300	2037.06
Macau	4,157	4,403	3,977	4,915	23.58
Ukraine	25	7,992	6,841	4,690	-31.44
Korea South	1,246	1,887	1,847	4,219	128.39
Indonesia	2,027	2,877	2,236	2,536	13.38
Georgia	251	403	403	1,406	249.19
Armenia	50	250	250	1,229	391.50
United Arab Emirates	379	1,120	890	1,006	13.06
Lebanon	736	689	654	890	36.07
Vietnam	14	23	23	874	3773.16
Kyrgyzstan	-	-	-	818	0.00
Uzbekistan	-	1,773	1,725	725	-57.97
Other	5,373	5,359	4,871	4,249	-9.02
HS Codes: 020311, 020312, 020319, 020321, 020322, 020329, 021011, 021012, 021019, 160241, 160242 and160249 (excluded from pork PS&D table) Source: GTA China Statistics					

Tariffs on Hogs and Pork, Effective January 1, 2006					
					Effective
		General	MFN	V.A.T.	Rate
					(mfn+vat)
0103.1000	Breeding Swine	0%	0%	13%	13.0%
0103.9110	Other swine, less than 10 kg	50%	10%	13%	24.3%
0103.9120	Other swine, 10 kg or more, but less than 50 kg	50%	10%	13%	24.3%
0103.9200	Other swine, 50 kg or more	50%	10%	13%	24.3%
0203.1110	Fresh or chilled sucking pig	70%	20%	13%	35.6%
0203.1190	Other	70%	20%	13%	35.6%
0203.1200	Fresh or chilled hams, shoulders and cuts with bones in	70%	20%	13%	35.6%
0203.1900	Other	70%	20%	13%	35.6%
0203.2110	Frozen sucking pig	70%	12.0%	13%	26.6%
0203.2190	Other	70%	12.0%	13%	26.6%
0203.2200	Frozen hams, shoulders and cuts with bones	70%	12.0%	13%	26.6%
0203.2900	Other	70%	12.0%	13%	26.6%
Source: China Customs					

CHINA WHOLESALE PORK PRICES ON AVERAGE

2003-2005 (US$/KG)				% Change
	2003	2004	2005	2005/04
January	2.08	1.40	1.65	17.86%
February	2.43	1.45	1.69	16.55%
March	2.11	1.49	1.63	9.40%
April	2.14	1.56	1.60	2.56%
May	1.15	1.57	1.59	1.27%
June	1.16	1.62	1.59	-1.85%
July	2.22	1.66	1.61	-3.01%
August	3.28	1.72	1.59	-7.56%
September	3.20	1.75	1.55	-11.43%
October	1.33	1.75	1.48	-15.43%
November	1.38	1.67	1.42	-14.97%
December	1.42	1.66	1.43	-13.86%

Source: The Ministry of Agriculture

CHINA WHOLESALE HOG PRICES ON AVERAGE

2003-2005 (US$/KG)

	2003	2004	2005	% Change 2005/04
January	0.64	0.84	1.05	25.00%
February	0.66	0.88	1.05	19.32%
March	0.64	0.92	0.99	7.61%
April	0.64	0.96	0.94	-2.08%
May	0.60	0.96	0.94	-2.08%
June	0.61	1.02	0.89	-12.75%
July	0.67	1.06	0.86	-18.87%
August	0.68	1.10	0.87	-20.91%
September	0.68	1.13	0.87	-23.01%
October	0.77	1.12	0.77	-31.25%
November	0.81	1.05	0.74	-29.52%
December	0.86	1.02	0.76	-25.49%

Source: The Ministry of Agriculture