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# Dairy, Livestock, and Poultry

# Poultry Annual

# 1998

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**Report Highlights:**

The Chinese poultry industry continued to expand in 1997, but the development speed has slowed down with only a 5-percent annual increase compared with double digit increases in the past. On the market side, the local market is weak due to oversupply and the weakness of the local economy. For imports, the U.S. still took the lead for frozen poultry cuts. If Hong Kong's re-exports to China of 571,636 metric tons are included, the total import of poultry meat for 1997 was 779,668 metric tons including 481,963 metric tons from the United States, a 61.8 percent market share.

Includes PSD changes:Yes
Includes Trade Matrix:Yes
Annual Report

## Executive Summary

The Chinese poultry industry continued to expand in 1997, but the development speed has slowed down with only 5 percent annual increase compared with double digit increases in the past. China's domestic poultry meat production for 1997 is estimated to be 11.2 million metric tons (note: official data is not available at this time).

On the trade side, Japan is still the largest export market for China's frozen/chilled poultry. The export volume for frozen, chilled or preserved poultry meat export to Japan reached 236,278 metric tons in 1997 with a 10-percent decrease compared with that in 1996, but the average export price dropped by almost one the third compared with 1996. That is mainly because of the Asian economic crisis and the Japanese yen's devaluation against the U.S. dollar (China's export prices to Japan are quoted in dollars). The EU's ban on Chinese poultry meat, mainly chicken breast meat, is still in effect. For live poultry exports, Hong Kong is the largest market for mainland China. The Hong Kong "bird flu" issue had a critical influence on China's poultry exports especially live chicken, although exports to Hong Kong gradually recovered in early 1998. China's poultry exports for 1997 reached 368,815 metric tons valued at US$730 million, excluding live poultry exports. For the first half of 1998, China exported 129,114 metric tons of poultry meat, 20,232 metric tons of preserved poultry meat and 13.4 million live birds with a total value of US$ 257.3 million.

For imports, the U.S. still took the lead for frozen poultry cuts. China imported 210,120 metric tons valued at US$130 million poultry meat from all over the world in 1997. Among them, the United States accounted for 101,384 metric tons with a market share of 48 percent. These preceding figures are for direct imports only. If Hong Kong's re-exports to China of 571,636 metric tons are included, the total import of poultry meat for 1997 was 779,668 metric tons including 481,963 metric tons from the United States, a 61.8 percent market share.

On the market side, the local market is weak due to oversupply and the weakness of the local economy. The retail price of poultry products dropped and Chinese consumers are willing to buy cheaper poultry products. According to local newspapers, per capita poultry meat consumption was 13.97 kg in 1997 still lower than the world average.

For the egg industry, the egg production increased to 21 million metric tons ranking the number one in the world. Total per capita egg production reached 17 kg in 1997. We expect the production of both poultry meat and eggs to increase slightly in 1998.

## Poultry Production

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country: | China, Peoples Republic of | | | | | |
| Commodity: | Poultry, Meat, Total | | | | | |
| | | 1997 | | 1998 | | 1999 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | 01/1997 | | 01/1998 | | 01/1999 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 11500 | 11226 | 12500 | 12000 | 0 | 12800 |
| Whole, Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Parts, Imports | 900 | 780 | 850 | 750 | 0 | 760 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 900 | 780 | 850 | 750 | 0 | 760 |
| TOTAL SUPPLY | 12400 | 12006 | 13350 | 12750 | 0 | 13560 |
| Whole, Exports | 65 | 130 | 60 | 120 | 0 | 130 |
| Parts, Exports | 370 | 370 | 370 | 350 | 0 | 360 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 435 | 500 | 430 | 470 | 0 | 490 |
| Human Consumption | 11965 | 11506 | 12920 | 12280 | 0 | 13070 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 11965 | 11506 | 12920 | 12280 | 0 | 13070 |
| TOTAL Use | 12400 | 12006 | 13350 | 12750 | 0 | 13560 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 12400 | 12006 | 13350 | 12750 | 0 | 13560 |
| Calendar Yr. Imp. from U.S. | 0 | 500 | 0 | 480 | 0 | 480 |

| PSD Table | | | | | | |
|---|---|---|---|---|---|---|
| Country: | China, Peoples Republic of | | | | | |
| Commodity: | Plty, Meat, Chicken -16 wks | | | | | |
| | | 1997 | | 1998 | | 1999 |
| | Old | New | Old | New | Old | New |
| Calendar Year Begin | | 01/1997 | | 01/1998 | | 01/1999 |
| Inventory (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Slaughter (Reference) | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| Production | 5750 | 5615 | 6000 | 6000 | 0 | 6400 |
| Whole, Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Parts, Imports | 850 | 740 | 800 | 715 | 0 | 720 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 850 | 740 | 800 | 715 | 0 | 720 |
| TOTAL SUPPLY | 6600 | 6355 | 6800 | 6715 | 0 | 7120 |
| Whole, Exports | 45 | 115 | 40 | 110 | 0 | 115 |
| Parts, Exports | 370 | 370 | 370 | 370 | 0 | 370 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Exports | 415 | 485 | 410 | 480 | 0 | 485 |
| Human Consumption | 6185 | 5870 | 6390 | 6235 | 0 | 6635 |
| Other Use, Losses | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 6185 | 5870 | 6390 | 6235 | 0 | 6635 |
| TOTAL Use | 6600 | 6355 | 6800 | 6715 | 0 | 7120 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 6600 | 6355 | 6800 | 6715 | 0 | 7120 |
| Calendar Yr. Imp. from U.S. | 0 | 475 | 0 | 430 | 0 | 430 |

Total poultry meat production for China in 1997 reached 11.2 million metric tons with a 5-percent increase compared with 1996. Poultry meat production has slowed down considerably compared with the double digit increases in previous years. Note that the State Statistical Bureau (SSB) is re-examining the production numbers for all types of meat in China during the past decade. Sources believe that some official meat production numbers including poultry meat may have been inflated by roughly 20 percent. We will report on any official readjustments of these numbers whenever we receive them.

In China, more than 80 percent of poultry meat production comes from specialized house-holds who normally breed 10,000 to 200,000 birds for one cycle. Most of them purchase their feed from large-scale commercial feedmills and some of them just make a contract with one large integrated poultry production line. Farmers concentrate on raising chickens and day-old chicks, and feed is supplied by an integrated group which maintains certain profits for farmers. That's why China's poultry meat production still keeps growing although the market situation is not so satisfactory.

A project was initiated by the Ministry of Science & Technology's Department for Rural Technology in late 1995 on a pilot basis in Beijing and Shanghai municipalities and Shandong, Sichuan, Hebei, Henan, Hubei and Hunan provinces. These areas are the country's major production bases for poultry. Initiated just two years ago, this project aimed at raising poultry production and poultry farmers' incomes has proven remarkably successful. The project encourages the removal of individual households' cattle, pigs and chickens to centralized enclosures where they can enjoy better feeding, ventilation, temperature and health care. Farmers can join the project voluntarily, according to the Ministry. Local statistics indicate that poultry reproduction and growth rates in these areas have increased considerably.

A major means of achieving this goal is to turn small-scale household-based poultry farming into large-scale modernized rearing, said one Chinese official from the rural technology department. China must make technological breakthroughs in crop production and poultry farming to provide people with a diversified diet in the next century, he said. In the pilot county of Shunyi in Beijing, chickens' survival rate at birth has risen to 74 percent, 14 percent above that in 1995 before the project was implemented, and 10 percent more than the capital's average chicken survival rate, according to the Beijing Science and Technology Commission.

Modernized large-scale poultry farming is practiced in most developed countries. Technology contributes 70-80 percent to animal husbandry production in developed countries, ministry sources indicated. Technology's contribution to agricultural production in China is much lower than that of developed countries and the critical task for agricultural production for the next century is to improve people's diets while feeding the country's huge population.

Poultry giant Perdue Farms Inc. will expand its multi-billion dollar operations to invest in China for the first time in 1998. A new joint venture is under way for a modern processing plant and hatchery in Nanhui County of Shanghai. The partnership will produce and market yellow chicken (a domestic breed) products well-known in the Shanghai area. Their business plan projection anticipates achieving full production capacity in 1999. As in Chinese markets, fresh processed chicken and live whole birds will be sold, as well as further processed chicken products in an adjoining facility.

The total production of poultry meat by provinces for 1997 is reported in Appendix A. The domestic corn price has increased RMB 200 to RMB 400 per metric ton in 1998 compared with a very low prices in 1997. Poultry meat production may not be affected too much, because the central government can release part of its large corn stocks if needed in order to increase the supply of corn on the market. We forecast that the poultry meat production will still increase in 1998 and 1999 by approximately 7 percent per year.

**China's Meat Production by Type: 1993-1997 (Million Metric Tons)**

| | 1993 | 1994 | 1995 | 1996 | 1997* |
|---|---|---|---|---|---|
| Pork | 28.54 | 32.05 | 36.48 | 40.38 | 42.74 |
| Beef | 2.34 | 3.27 | 4.15 | 4.95 | 5.40 |
| Mutton | 1.37 | 1.61 | 2.02 | 2.40 | 2.60 |
| Poultry | 5.73 | 7.55 | 9.35 | 10.75 | 11.23 |
| Total | 37.98 | 44.48 | 51.89 | 58.48 | 61.97 |

**Rate of Increase Over Preceding Year (Percentage)**

| | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|
| Pork | 12.3 | 13.8 | 10.7 | 5.8 |
| Beef | 39.8 | 26.9 | 19.3 | 9.1 |
| Mutton | 17.5 | 25.5 | 18.8 | 8.3 |
| Poultry | 31.8 | 23.8 | 13.9 | 4.5 |
| Total | 17.1 | 16.7 | 12.7 | 6.0 |

**Share of Total Meat Production (Percentage)**

| | | | | |
|---|---|---|---|---|
| Pork | 71.9 | 70.1 | 69.1 | 68.9 |
| Beef | 7.4 | 8.1 | 8.5 | 8.8 |
| Mutton | 3.6 | 3.8 | 4.1 | 4.3 |
| Poultry | 17.1 | 18.0 | 18.3 | 18.1 |

**China's Per Capita Meat Production by Type: 1993-1997 (Kgs/person)**

| | 1993 | 1994 | 1995 | 1996 | 1997* |
|---|---|---|---|---|---|
| Pork | 24.08 | 26.74 | 30.40 | 33.67 | 34.64 |
| Beef | 1.97 | 2.70 | 3.41 | 4.13 | 4.37 |
| Mutton | 1.16 | 1.30 | 1.64 | 2.00 | 2.10 |
| Poultry | 4.84 | 6.34 | 7.79 | 8.78 | 9.10 |
| Total | 32.95 | 37.08 | 43.24 | 48.38 | 50.22 |

Note: Derived from population and production data; *ATO Shanghai forecasting.

Source: China Statistical Yearbooks

## Poultry Consumption

Consumption trends have become a key constraint to developing China's poultry industry. More than 80 percent of poultry production comes from specialized households who never did marketing by themselves, and poultry meat is still mostly sold as a commodity with little sophisticated marketing. No government agency nor producer association has ever developed a consumer campaign to boost poultry meat sales. The current reduction in consumer demand for meat caused by supply and demand cycles and government economic policies is likely only temporary. Overall, meat consumption, especially beef and poultry, is increasing.

Chinese consumers still prefer live chicken especially domestic varieties (i.e. Three-yellow chicken) or fresh/chilled poultry meat rather than frozen. Chinese consumers prefer to cook fresh chicken as whole for a soup or boil it for “baizhanji” or cook it with vegetables or soy sauce. The frozen poultry products are mainly offals used in speciality dishes and dark meat parts used for fast food and food institutions. Most of imported poultry meat products are served in fast food chains, usually as fried chicken.

In addition to chicken meat, Chinese people also enjoy roast duck, goose, and other poultry products including wild poultry, because Chinese people think they are quite tasty.

## Poultry Trade

**Import**

| Import Trade Matrix | | | |
|---|---|---|---|
| Country: | | Units: | Metric Ton |
| Commodity: | | | |
| Time period: | Year | | |
| Imports for | 1997 | | 1998 |
| U.S. | 101,603 | U.S. | 33,965 |
| Others | | Others | |
| Brazil | 42,547 | | 10,923 |
| Belgium | 10,508 | | 1,135 |
| Australia | 8,982 | | 120 |
| Argentina | 8,946 | | 2,548 |
| France | 7,677 | | 729 |
| Thailand | 4,719 | | 1,755 |
| Iran | 4,059 | | 1,301 |
| Canada | 2,141 | | 0 |
| Hong Kong | 2,088 | | 579 |
| Total for Others | 91667 | | 19090 |
| Others not listed | 16,850 | | 5159 |
| Grand Total | 210120 | | 58214 |

**Note: 1998 Figures only represent the first half of the year.*

China imported 210,120 metric tons valued at US$ 130 million poultry meat from the world in 1997. There were also 571,636 metric tons of Hong Kong re-exports. The total imports for 1997 were 779,668 metric tons. The United States still took the lead for frozen poultry cuts with exports of 481,963 metric tons, a 61.8 percent market share. Brazil took second and Australia was third.

For the first half of 1998, China directly imported 58,213 metric tons of poultry meat valued at US$39.1 million. Among them, 33,962 metric tons valued at US$26.1 million were from USA with 58 percent market share by volume and 67 percent by value. Brazil still took the second and Argentina took the third. Hong Kong re-exports to China in the first quarter of 1998 reached 119,123 metric tons, a 2 percent decrease compared with 1997.

**Export**

| | | | |
|---|---|---|---|
| Export Trade Matrix | | | |
| Country: | | Units: | Metric Ton |
| Commodity: | | | |
| Time period: | Year | | |
| Exports for | 1997 | | 1998 |
| U.S. | 290 | U.S. | |
| Others | | Others | |
| Japan | 236,279 | Japan | 102,300 |
| Hong Kong | 174,207 | Hong Kong | 46,138 |
| South Korea | 14,908 | | |
| Singapore | 6,592 | | |
| UAE | 4,959 | | |
| Total for Others | 436945 | | 148438 |
| Others not listed | 65,355 | | 39,293 |
| Grand Total | 502590 | | 187731 |

**Note: 1998 Figures only represent the first half of the year.*

China exports frozen/chilled chicken (high value-added products, i.e. deboned thigh meat and Yakitori) to Japan and live poultry to Hong Kong. Due to the Asian economic crisis and "bird flu" in Hong Kong, the total volume of poultry meat exports including live poultry went down slightly. The total exports for 1997 were 322,875 metric tons of poultry meat, 45,940 metric tons of preserved poultry meat and 52.68 million live birds valued at US$ 843.4 million. The speed of exports slowed down especially during the first quarter of 1998. For the first half of 1998, China exported 129,114 metric tons of poultry meat, 20,232 metric tons of preserved poultry meat and 13.4 million live birds with a total value of US$ 257.3 million.

**Trade Matrix**

| | | | |
|---|---|---|---|
| **Live Poultry** | | | ***Unit: 1,000 birds*** |
| Exports 1997 to: | | Imports 1997 to: | |
| -United States | | -United States | 731 |

| | | | |
|---|---|---|---|
| -Other | | -Other | |
| Hong Kong | 48,601 | Netherlands | 126 |
| Macau | 3,650 | Germany | 55 |
| Thailand | 313 | Israel | 45 |
| | | France | 33 |
| | | Australia | 15 |
| **Total of Others** | **111** | **Total of Others** | **19** |
| **Total** | **52,675** | **Total** | **1,024** |

*Source: PRC Customs Statistics*

## Poultry Price

Retail prices dropped quite a bit in 1997 mainly because of oversupply and the weak domestic economy. Frozen poultry is really cheap in the market mainly due to the high inventory of imported products and oversupply of local production. However the price of live poultry has increased slightly in the first half of 1998, due to higher corn prices. We expect the price of fresh poultry meat to keep stable or rise slightly in 1998.

Here is the wholesale price information for imported poultry parts collected in the Xian and Kunming markets in June 1998:

A grade US chicken paws...........................................RMB7,500/MT
B grade US chicken paws...........................................RMB6,200/MT
0611 Tyson drumsticks...............................................RMB9,800/MT
US drumsticks P-170..................................................RMB10,300/MT
Brazilian wings...........................................................RMB13,200/MT
Holland (5014,5054,5610)..........................................RMB12,000/MT
Belgium (2039)...........................................................RMB12,000/MT
Belgium (1084)...........................................................RMB10,500/MT
Brazilian chicken gizzards.......................................... .RMB13,500/MT

Note: US$1=RMB8.27

## Poultry Policy

Despite the reality of imported frozen poultry in the wet markets across the country, the Chinese government maintains a policy, largely unenforced, to restrict poultry imports for retail sale. Imports are technically permitted only for hotels, restaurants, and food processors.

Officials of China Animal & Quarantine Bureau (CAPQ) established a one year trial program in June 1997 to permit imports for retail sales from selected U.S., Canadian and Australian meat exporters. To our knowledge, no meat was ever imported under the program throughout the one year experiment. The principal reason seems to be that it is more economical to use established grey channels. Imports were limited through two Chinese companies (both associated with CAPQ) and, given the high tariff rates ( poultry meat 20 percent plus 13 percent V.A.T.) no imports under the program took place. This program officially ended on May 31, 1998, but we understand that imports to the two Chinese companies from the designated overseas suppliers are still permitted.

As a result of changes approved at the National People's Congress in March 1998, China Animal & Plant Quarantine Bureau (CAPQ) is being merged with the China Commodity Inspection Bureau (CCIB) and the Public Health Inspection Bureau (PHIB) into a new State Administration for Entry & Exist Quarantine and Inspection of China (SAEEQI). The current Director-General of CAPQ will be a Deputy Director-General in the new organization, which, administratively, will be a unit of China Customs. As the reforms are still underway including the formal separation of a large number of CAPQ employees (from 1,500 people down to 300) from the government, their impact on poultry and meat policy and trade remains unclear.

## Poultry Marketing

Recently, we visited several large-scale, wholesale markets in East China such as Wuxi, Nanjing and Hangzhou which are major regional centers. We interviewed many key players in the poultry business mainly distributing frozen poultry parts. They told us the poultry market has been weak since last October. The main reason is oversupply and a less vigorous local economy. The general market information is that most Chinese wholesalers say that the imported frozen poultry business is too difficult for them to continue. The more they sold, the more they lost, because the margin between the domestic poultry products and imported one is so limited and nobody wants to take high risks to get very low margins.

The competition for U.S. poultry products is not only from Chinese domestic poultry parts but also from foreign countries such as Brazil, Australia and France. Local wholesalers in Nanjing, Wuxi, and Hangzhou complain about the quality and packaging problems of U.S. poultry products. The traders believe strongly that it is very important for U.S. poultry exporters to understand their concerns and make improvements as soon as possible.

During our visits, we saw examples of domestic poultry product with very high quality and good packaging. The standard size and fresh color of the products pose a threat to imported frozen chicken. Furthermore, Brazilian poultry products have a good reputation in the Chinese market because an additional plastic wrap is used around the outside of the carton and its superior grading system which means to satisfy the customers' requirements. For example, chicken paws are classed into small, medium and large sizes which the Chinese customers can choose depending on their needs. U.S. chicken paws, on the other hand, are less uniform in size and do not have the extra plastic on the outside of the carton, sometimes resulting in flimsy, water damaged cartons which may have had ice melt on them or perhaps had undergone partial thawing on their long journey on the highways of East China.

Competition has intensified in China, and the U.S. share of the imported chicken parts market has decreased from 80 percent a few years ago to around 60 percent today. If U.S. exporters still insist on packaging and sizing their products in a way that best suits themselves and not their customers, then they will continue to lose market share. China is a large market which requires close attention not only to price but also to quality, specifications, and packaging, too.

In some urban areas in China, many outdoor (wet) markets are being phased out and moved inside. While U.S. poultry parts packed in bulk in 20 kilogram cartons are quite acceptable for wet market sales, smaller retail packages with Chinese labels are needed for the newer, cleaner supermarkets. Yet until now, there are no U.S. poultry exporters packaging products for this newer retail environment in Shanghai.

Some companies may point to the CAPQ trade barrier that still exists on paper to restrict sales of imported poultry to hotels and restaurants. However, it is worth noting that trading companies selling beef from the United States and Australia have for five years now been promoting their products in China's supermarkets despite the same restrictions. You can find tray packs of imported, frozen beef in almost every local supermarket in Shanghai. Following their example, we believe that aggressive, Chinese-based trading companies might well be successful importing and locally re-packaging some competitively-priced U.S. chicken parts such as chicken paws, gizzards, hearts, and wings in small packages for supermarket sale in China.

Importers in Shenzhen, Guangzhou and Xiamen have been engaged in the import of frozen chicken and in setting up their distribution channels for frozen chicken imported from Hong Kong. A large volume of U.S. poultry was imported through these channels into the China market. Therefore these channels should be maintained and strengthened to increase the imports. Imported chicken would generally go through importers and wholesalers before it gets to retailers. In addition, there are import duties, tariffs and quarantine inspection fees, so the cost of selling imported chicken is fairly high.

Although the distribution channel for the import of frozen chicken from the United States and other countries through Hong Kong, the present channel is limited. The predominant mode is : from exporter-dealer in Hong Kong to the importer in Guangdong to the wholesaler/distributor in other provinces. Many mainland importers and distributors only deal with Hong Kong and Guangdong dealers and not directly with American exporters, so the supply to some areas is not stable and many local wholesalers find it difficult to gain satisfaction. USAPEEC's seminars in the past year in many of the regional centers such as Wuxi, Hangzhou, and Chengdu have been valuable in getting product and contact information to inland wholesalers.

If additional American exporters want to expand their poultry shipments to China, they should consider developing new channels and new markets. There is a definite need for U.S. importers to find additional channels in order to identify all these suppliers and wholesalers, then develop trade programs to arouse their awareness and interest in U.S. poultry.

With the low consumer awareness of U.S. poultry and lack of differentiation between domestic and imported chicken products, it is imperative to build a favorable image of USA chicken at the restaurant and wholesaler levels to pave the way for the increase of imports into China. Despite the large amount of imported chicken cuts in the market south China and much imported chicken in the markets in east and central China, most consumers are not aware of the fact that some chicken meat is imported. The taste of chicken is actually decided by the ways of cooking. Due to the low awareness level, it is important to build up a good image at the trade level and then later to educate consumers that imported U.S. chicken, being fed on corn and soybeans is full of wholesome goodness and is tender and juicy.

Despite the above constraints, China remains a huge market with great potential for USA poultry. Per capita consumption of poultry meat continues to rise each year with consumers' increased purchasing power and changes in the way young people eat . According to a major Chinese company, the following aspects should be taken into consideration when developing strategies for expanding into China:

-- Guangdong province imports the largest amount of frozen chicken parts, particularly Shenzhen, Shantou, Zhuhai and Huizhou.. Therefore, we should focus on these markets.
-- The price of imported chicken cuts should be competitive to that of domestic chicken.
-- Efforts should be placed on creating greater consumer awareness of the wholesome, high quality of U.S. poultry products.
--Concentrate on customer-oriented promotions with established fast food chains in China.

## Egg Production

| PSD Table | | | | | |
|---|---|---|---|---|---|
| Country: | China, Peoples Republic of | | | | |
| Commodity: | Poultry, Eggs | | | | |
| | | 1997 | | 1998 | 1999 |
| | Old | New | Old | New | New |
| Calendar Year Begin | | 01/1997 | | 01/1998 | 01/1999 |
| Layers | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 0 | 0 | 0 | 0 | 0 |
| Production | 336000 | 336000 | 360000 | 360000 | 385000 |
| Hatch Eggs, Imports | 2 | 2 | 2 | 2 | 2 |
| Shell Eggs, Imports | 3 | 4 | 3 | 3 | 3 |
| Other Imports | 0 | 8 | 0 | 0 | 0 |
| Intra EC Imports | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 5 | 14 | 5 | 5 | 5 |
| TOTAL SUPPLY | 336005 | 336014 | 360005 | 360005 | 385005 |
| Hatch Eggs, Exports | 0 | 95 | 0 | 100 | 110 |
| Shell Eggs, Exports | 950 | 855 | 1100 | 1100 | 1150 |
| Other Exports | 7 | 40 | 10 | 60 | 70 |
| Intra EC Exports | 0 | 0 | 0 | 0 | 0 |

| | | | | | |
|---|---|---|---|---|---|
| TOTAL Exports | 957 | 990 | 1110 | 1260 | 1330 |
| Hatch Eggs,Consumption | 6000 | 5976 | 6600 | 6620 | 6700 |
| Shell Eggs, Human | 318048 | 318048 | 340295 | 340125 | 364475 |
| Shell Eggs,OT.Use/Loss | 11000 | 11000 | 12000 | 12000 | 12500 |
| Other Dom. Consumption | 0 | 0 | 0 | 0 | 0 |
| Total Dom. Consumption | 335048 | 335024 | 358895 | 358745 | 383675 |
| TOTAL Use | 336005 | 336014 | 360005 | 360005 | 385005 |
| Ending Stocks | 0 | 0 | 0 | 0 | 0 |
| TOTAL DISTRIBUTION | 336005 | 336014 | 360005 | 360005 | 385005 |
| Calendar Yr. Imp. from U.S. | 0 | 2 | 0 | 2 | 2 |

China's egg production for 1997, 21 million metric tons, was about 7.5 percent greater than the 1996 and ranked number one in the world. Total per capita egg production reached 17 kg in 1997. We expect increases of roughly 7 percent in 1998 and 1999.

## Egg Trade

**Import**

| | | | |
|---|---|---|---|
| Import Trade Matrix | | | |
| Country: | | Units: | Metric Ton |
| Commodity: | | | |
| Time period: | Year | | |
| Imports for | 1997 | | 1998 |
| U.S. | 133 | U.S. | |
| Others | | Others | |
| Vietnam | 208 | | |
| Total for Others | 208 | | 0 |
| Others not listed | 143 | | |
| Grand Total | 484 | | 0 |

China imported 5.5 million shell eggs valued at US$ 880,086 and 484 metric tons of egg products valued at US$ 417,158.

**Export**

| | | | |
|---|---|---|---|
| Export Trade Matrix | | | |
| Country: | | Units: | Metric Ton |
| Commodity: | | | |
| Time period: | Year | | |
| Exports for | 1997 | | 1998 |

| | | | |
|---|---|---|---|
| U.S. | 1926 | U.S. | |
| Others | | Others | |
| Hong Kong | 48713 | | |
| Macau | 4434 | | |
| Japan | 2459 | | |
| Canada | 1039 | | |
| Singapore | 863 | | |
| South Korea | 345 | | |
| Malaysia | 295 | | |
| Total for Others | 58148 | | 0 |
| Others not listed | 1771 | | |
| Grand Total | 61845 | | 0 |

China exported 951 million shell eggs valued at US$ 40.9 million and 2,426 metric tons of egg products valued at US$ 3.8 million in 1997.  Hong Kong is the largest egg export market for China.

| | | | |
|---|---|---|---|
| Export Trade Matrix | | | |
| Country: China | | Units: | Metric Ton |
| Commodity: Shell Eggs + Egg Prod. | | | |
| Time period: Year | | | |
| Exports for | 1997 | | 1998 |
| U.S. | 1926 | U.S. | |
| Others | | Others | |
| Hong Kong | 48713 | | |
| Macau | 4434 | | |
| Japan | 2459 | | |
| Canada | 1039 | | |
| Singapore | 863 | | |
| South Korea | 345 | | |
| Malaysia | 295 | | |
| Total for Others | 58148 | | 0 |
| Others not listed | 1771 | | |
| Grand Total | 61845 | | 0 |

## Egg Marketing

China's egg market in 1997 was weak mainly due to oversupply and the price of eggs dropped to the cost of production. China's egg market is expected to be stable in 1998, according to an analysis by a government official in charge of egg marketing. According to the official, the government's plan to ensure foodstuffs for urban residents is in operation. When there is a price hike for eggs, the government will take measures such as using the "risk funds" from the government to keep prices low. Encouraged by local governments, many rural households are raising chickens and producing eggs as a sideline in their farm work, and some farmers are running private chicken-breeding farms.

A survey showed that the amount of eggs produced by public and private large-scale (Morden) layer operations account for 24 percent of the total supply, and the eggs produced by individual farmers account for the remaining three-fourths. Whenever the market is short of eggs and prices are rising, the individual farmers will sell more eggs to fill the gap on the market.

We expect China's egg market to recover in the second half of 1998 with stable or perhaps slightly higher prices.

# Appendix

## Appendix A: 1997 China Total Poultry Meat and Egg Production By Provinces

**Unit: 1,000 Metric Tons**

| Province | Poultry Meat | Egg |
|---|---|---|
| Beijing | 105 | 145 |
| Tianjin | 50 | 250 |
| Hebei | 620 | 3000 |
| Shanxi | 50 | 525 |
| Liaoning | 75 | 1300 |
| Jilin | 635 | 666 |
| Helongjiang | 375 | 1080 |
| Shanghai | 265 | 160 |
| Jiangsu | 960 | 2200 |
| Zhejiang | 205 | 345 |
| Anhui | 565 | 885 |
| Fujian | 225 | 290 |
| Jiangxi | 290 | 375 |
| Shandong | 2070 | 3888 |
| Henan | 495 | 2015 |
| Hubei | 420 | 1180 |
| Hunan | 460 | 625 |
| Guangdong | 1340 | 365 |
| Guangxi | 620 | 168 |
| Hainan | 130 | 20 |
| Sichuan | 756 | 750 |
| Guizhou | 65 | 88 |
| Yunnan | 90 | 85 |
| Tibet | 0 | 2 |
| Shaanxi | 70 | 460 |
| Gansu | 40 | 155 |
| Qinghai | 0 | 12 |
| Ningxia | 25 | 55 |
| Xinjiang | 55 | 120 |
| Chongqing | 170 | 235 |
| **Total:** | **11226** | **21389** |

*Source: China's SSB Forecasting*

**Appendix B: Price Information on China's Livestock Products at Wet Markets in June 1998**

| Province | A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|---|
| Beijing | 15.00 | 8.90 | 1.93 | 2.78 | 5.40 | 6.27 | 10.67 | 13.67 |
| Tanjing | 15.10 | 9.33 | 2.43 | 2.50 | 5.73 | 7.07 | 11.65 | 12.87 |
| Hebei | 4.86 | 9.35 | 2.15 | 2.05 | 5.61 | 6.29 | 8.81 | 12.84 |
| Shanxi | 14.85 | 9.00 | 2.49 | 3.00 | 5.68 | 6.98 | 10.40 | 15.42 |
| Inner Mongolia | 13.12 | 10.24 | 2.80 | 3.00 | 5.68 | 8.40 | 11.48 | 12.15 |
| Liaoning | 16.00 | 9.30 | 1.93 | 1.37 | 5.15 | 7.55 | 8.54 | 13.41 |
| Jilin | 15.00 | 9.75 | 2.40 | 2.75 | 5.65 | 6.50 | 8.00 | 12.00 |
| Heilong jiang | 14.40 | 10.16 | 3.15 | 2.15 | 5.00 | 6.80 | 8.85 | 13.60 |
| Shanghai | ----- | 14.80 | ----- | 1.20 | 6.10 | 11.00 | 13.00 | ----- |
| Jiangsu | 13.15 | 10.10 | 1.61 | 1.35 | 5.77 | 7.02 | 8.21 | 14.38 |
| Zhejiang | 13.37 | 10.97 | 1.60 | 1.31 | 6.22 | 10.00 | 9.88 | 16.25 |
| Anhui | 14.50 | 10.24 | 1.91 | 1.44 | 6.23 | 8.91 | 8.91 | 11.71 |
| Fijian | 20.00 | 13.00 | ---- | 2.50 | 6.30 | 10.00 | 9.00 | 12.00 |
| Jiangxi | 13.60 | 10.82 | 1.90 | 1.35 | 7.41 | 13.05 | 8.75 | 12.00 |
| Shandong | 14.33 | 9.22 | 1.97 | 0.85 | 5.42 | 6.28 | 9.53 | 11.90 |
| Henan | 14.85 | 8.49 | 1.93 | 1.37 | 5.92 | 7.59 | 9.96 | 12.62 |
| Hubei | 12.50 | 10.21 | 2.68 | 1.83 | 7.14 | 9.25 | 11.04 | 11.93 |
| Hunan | 13.47 | 9.97 | 1.83 | 1.93 | 7.32 | 12.74 | 11.30 | 12.17 |
| Guangdong | 21.50 | 13.46 | 1.63 | 1.54 | 6.69 | 14.55 | 14.25 | 18.93 |
| Guangxi | 18.50 | 11.71 | 2.65 | 2.17 | 7.01 | 9.85 | 11.94 | 13.20 |
| Hainan | 25.51 | 12.78 | ---- | 2.00 | 8.01 | 13.30 | 12.96 | 14.70 |
| Sichuan | 10.94 | 9.56 | 2.82 | 2.83 | 8.24 | 13.70 | 13.40 | 11.49 |
| Guizhou | ----- | 14.00 | 3.50 | 3.00 | 8.60 | 17.70 | 17.00 | 14.00 |
| Yunnan | 15.45 | 11.94 | 5.38 | 5.16 | 8.53 | 14.84 | 15.51 | 15.81 |
| Tibet | | | | | | | | |
| Shaanxi | 14.57 | 9.78 | 3.60 | 4.00 | 6.06 | 8.17 | 9.76 | 13.38 |
| Gansu | 12.83 | 11.02 | 2.26 | 2.53 | 6.26 | 10.22 | 10.55 | 13.49 |
| Qinghai | 14.28 | 13.75 | ---- | ---- | 6.95 | 16.20 | 11.33 | 14.03 |
| Ningxia | 12.53 | 8.33 | 2.97 | 3.50 | 7.75 | 8.93 | ---- | 13.00 |
| Xinjiang | 18.00 | 15.00 | 3.35 | 2.65 | 7.63 | 9.50 | 12.75 | 16.50 |
| Chongqing | 9.50 | 9.80 | 1.85 | 2.00 | 7.67 | 12.43 | 14.50 | 11.07 |
| **Average** | **14.75** | **10.42** | **2.47** | **2.07** | **6.39** | **10.25** | **10.87** | **13.31** |

A = Mutton Meat
B = Pork Meat
C = Day-old-chick Layer
D = Day-old-chick Broiler
E = Table Egg

F = Live Chicken
G = Chicken Meat
H = Beef Meat

Unit: RMB/kg, RMB/piece; US$1= RMB8.27

*Source: MOA Statistics published on Shanghai Shangqing Magazine (N0.28, July 18, 1998)*

**Appendix C: The Latest Retail Price information on Poultry Meat in Shanghai**

1. Mid-Wings
   RMB17,200 to RMB18,500 per metric ton
2. End-Wings
   RMB12,000 to RMB13,800 per metric ton
3. Whole Wings
   RMB11,000 to RMB15,000 per metric ton
4. Legs
   RMB9,800 to RMB13,500 per metric ton
5. Gizzards
   RMB17,000 to RMB21,000 per metric ton

*Source: Shanghai Shangqing (Commercial Information), June 27, 1998*

**Appendix D: Live poultry and table egg on the wholesale market in Shanghai (wholesale prices)**

| | |
|---|---|
| Local hen | RMB14.00--15.00/kg |
| Broiler | RMB11.00--14.00/kg |
| Good quality chicken | RMB6.50--10.00/kg |
| Ross chicken | RMB7.00--8.00/kg |
| Silky chicken | RMB14.50--16.50/kg |
| Two-yellow chicken | RMB9.00--15.00/kg |
| Duck | RMB7.00--12.00/kg |
| Duck with red head | RMB13.00--13.50/kg |
| Wild chicken | RMB25.00/kg |
| Egg | /RMB5.70/kg |

*Source: Shanghai Evening Newspaper, June 30, 1998*
*US$1=RMB8.27*