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Date: 3/7/2011
GAIN Report Number: CH11013

China - Peoples Republic of

Poultry and Products Semi-annual

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Report Highlights:
FAS Beijing forecasts China's broiler meat production in 2011 will continue modest growth, rising nearly four percent to 13 million metric tons (MMT). Meanwhile, China's broiler meat imports will decline 20 percent to 230,000 metric tons following a 28 percent decline in 2010 with sales limited by anti-dumping duties (AD) and countervailing duties (CVD) placed on U.S. broiler products in 2010. Higher Chinese pork and broiler meat prices will encourage higher imports of U.S. turkey meat

Executive Summary:

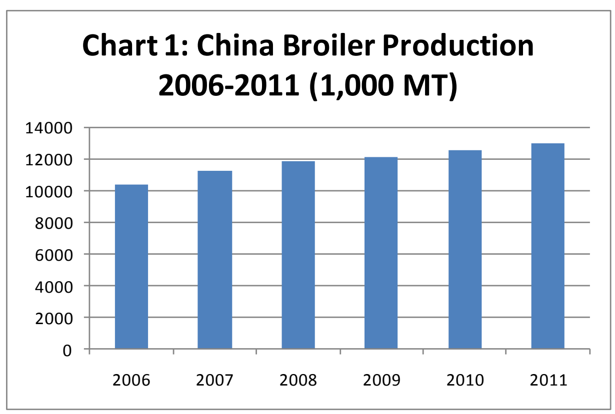
FAS Beijing (Post) forecasts China’s poultry meat production will continue higher, rising four percent to 13 million metric tons (MMT) from an estimated 12.6 MMT in the previous year. Rising broiler meat prices and are more than offsetting still high feed costs and encouraging higher production in 2011.

Broiler meat imports in 2011 (excluding chicken claws) are forecast to fall 20 percent to 230,000 metric tons (MT) following a 28 percent decline in 2010 due primarily to sharply lower imports from the United States resulted from China’s measures of anti-dumping duties (AD) beginning February 2010 and countervailing duties (CVD) in August 2010 on U.S. broiler products after the Chinese Ministry of Commerce (MOFCOM)’s final determinations in its AD and CVD investigations in 2010. As the measures will continue in 2011, broiler shipments to China are expected to continue to downward. Higher shipments from South America cannot completely offset reduced U.S. shipments to China.

China’s broiler meat exports in 2011 will increase nearly eight percent to 410,000 MT, following strong sales in 2010. Consumer demand in Japan and Hong Kong has been particularly brisk in 2010, and industry contacts are expecting continued strong sales in 2011.

Broiler

Broiler production in 2011 is forecast at 13 MMT



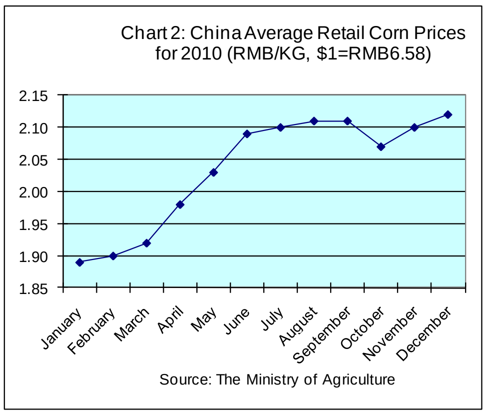
China‘s broiler meat output is forecast to increase nearly four percent to 13 million metric tons (MMT), following a four percent rise in 2010. Fueled by strong demand, Chinese broiler meat output growth is outpacing all other meats.

Strong pricing and demand for local chicken is offsetting continued high feed prices and encouraging producers to expand placements. Reduced imports from the United States following China’s implementation of anti-dumping duties in February and CDC measure in August 2010 are also helping to boost local prices. Additionally, China’s duck production in 2010 in South China suffered an unknown disease causing 3-5 percent production losses in Guangdong, one of China’s top duck producing provinces. Higher broiler demand to substitute for highly-priced red meats and reduced duck meat will likely maintain broiler prices strong at least in the first half of 2011.

A large and steadily rising inventory of grandparent-generation (GPG) breeding broilers is paving the way for higher commercial bird production in 2011. Chinese customs data shows that China’s total breeding bird imports in 2010 increased nearly six percent from the previous year. Chinese industry contacts estimate that China’s imports of GPG breeding broilers in 2010 hit a record 1 million sets (1 set

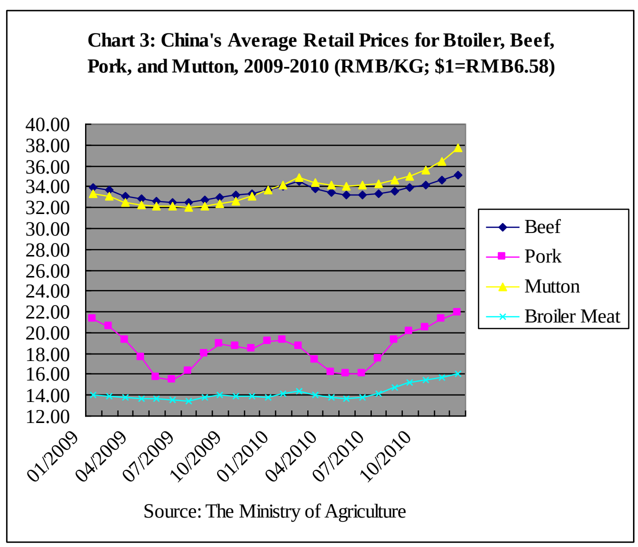
= 120 birds), with especially strong sales in the last quarter of 2010 to prepare for higher expected output in 2011. These imports in the previous two years were 800,000 and 960,000 sets respectively.

Higher Chinese broiler meat production is also being supported by lower rates of reported disease, as China's continued shift toward larger-sized and more standardized commercial production. While a "company plus contracted household farm" model for large-scale companies has predominated to date, there is a gradual shift toward a "company plus production base (company's own farms) plus contracted household farms" for broiler supplies. Meanwhile, minimum volumes for contracted household farms are also reportedly rising, in some cases to more than 5,000 birds per delivery. Previously, household farms could obtain contracts with only 2,000 birds per delivery. This has encouraged small operators to improve their production capacity and facilities.



While improving scale economies and integration is improving competitiveness, Chinese operators continue to be challenged by high feed costs. Corn normally accounts for 55-60 percent of broiler feed. According to the Ministry of Agriculture (MOA)'s price data collected from over 400 domestic markets of farm produce, Chinese retail corn prices in December 2010 topped 2.12 yuan ($0.32) per kilogram (Kg), compared to 1.87 yuan ($0.28) and 1.59 yuan ($0.24) per kilogram respectively in 2009 and 2008. The overall price for Chinese broiler feed (including soybean meal and other ingredients) topped 2.96 ($0.45) per kilogram, well above the prices in 2009 and 2008. Feed prices are expected to continue climb in 2011 because of expected tight feed grain supplies.

Both total and per capita broiler consumption is on the rise



China's total broiler meat consumption in 2011 is forecast to rise three percent to 12.8 MMT (not including chicken claws), following a two percent increase in the previous year. This will boost Chinese per capita broiler consumption to a record 10 kilograms.

Continued demand gains are bolstered by the lower cost of broiler meat compared to Chinese red meats (please see chart 3). The efficient feed-grain ratio for broilers reduces production costs and helps keep broiler meat prices low. Chicken claws, wings, and legs account for the vast majority of Chinese retail chicken sales. Chicken breast meat is mainly consumed at local foreign fast food chain restaurants, such as KFC and McDonalds, or local restaurants cooked with strong flavors, such as Sichuan spicy chicken dishes because breast meat is considered tasteless in China.

AQSIQ No. 136 Decree requests new labeling for meat imports as of June 1, 2011

AQSIQ (the Administration of Quality Supervision, Inspection and Quarantine) announced on its website on January 20, 2011 the AQSIQ Decree 136 for the Administrative Measure of Inspection, Quarantine, and Supervision on Entry-Exit Meat Products effective on June 1, 2011. It replaced the AQSIQ Decree 26 for the Administrative Measure of Inspection and quarantine on Entry-Exit Meat Products announced and implemented on August 22, 2002. AQSIQ confirmed that the effective date of Decree 136 is the arrival date, not production date. Please refer to FAS Beijing's FAIRS Measures on Inspection, Quarantine, and Supervision of Entry-Exit Meat Products (February 11, 2011) for a complete report. The following is a summary of key differences in Decree 136.

Article 14 (14.2) requires inner labeling for:
1. Product name
2. Establishment number
3. Country of origin (new)
4. Production lot number (new)

The definition of the "production lot number" is under discussion with AQSIQ.

Article 14 (14.3) requests outer box labeling for (must mark in Chinese):
1. Product name
2. Establishment number
3. Country of Origin (revised to specify the state/province/city)
4. Specifications
5. Production date
6. Expiring date
7. Production lot number (new)
8. Storage temperature
9. Destination (revised to specify: To the People's Republic of China)
10. Official inspection seal.

The "Country of Origin" is changed to specify a state or province, or a city if the city does not belong to any state or province. While outer box labeling is requested to be marked in Chinese, bilingual (Chinese and English) labeling is acceptable.

Article 22 adds that if imported meat products are destined to mainland China, but unloaded from original ships at Hong Kong or Macau ports and then transported to mainland China via road transportation, or unloaded at Hong Kong and Macau ports but loaded again onboard a ship at other ports to destine to mainland China, (local) consignees should apply with the local inspection and quarantine agency designated by AQSIQ for transshipment pre-inspection. Without pre-inspection or pre-inspection results show meat products are not qualified, meat products are not allowed to be transshipped to the mainland.

Article 15 stresses that exporting countries meat export health certificates accompanying exported meat products should comply with AQSIQ's requirements on the certificate.

Article 7 requires that imported meat products should comply with China's laws and regulations, national (GB) standard for food safety, and comply with the requirements in bilateral agreements, protocols, MOUs (memorandum of understanding), as well as requirements in bilateral trade contracts. When importing meat products that have no reference for GB standards, consignees must provide AQSIQ/CIQ (local inspection and quarantine bureaus) with a permit issued by the Chinese health administrative agency (the Ministry of Health).

Article 8 states that AQSIQ is eligible to formulate and announce inspection and quarantine requirements for imported meat products, based on China's laws, administrative regulations, national food safety standards, risk assessment for toxic and harmful products or materials in meat products due to domestic or foreign diseases, combined with an evaluation of exporting countries or areas' efficiency of safety management system; Or AQSIQ signs bilateral protocols with exporting countries or areas to identify inspection and quarantine requirements and health certificate.

Broiler meat imports are expected to fall 20 percent

China's total broiler imports in 2011, including chicken claws, are forecast to fall ten percent to about 750,000 MT following a nine percent decrease in 2010, due mainly to the previously mentioned AD and CVD measures on U.S. broiler product exports to China. Chicken claws will continue dominate imports accounting for over two-third of China's total broiler imports. Excluding chicken claws, Chinese broiler meat imports in 2011 are forecast to decline 20 percent to 230,000 MT from 287,000 MT in the previous year. South America will dominate Chinese broiler meat imports.

Higher South American shipments cannot completely offset sharply lower imports from the United States due to capacity limitations on South American product. Argentina cannot supply significant volumes of mid-wings, a key import item in China. In addition, traders are reporting that quality is sometimes uneven on South American product compared to other suppliers. With tighter import supplies due to the AD/CVD action against the United States, China's broiler import prices have risen markedly, reaching $2129.12/metric ton in January 2011, up almost 50 percent from the same month in 2010.

In 2010, overall Chinese broiler imports from the United States (including claws) fell 86 percent due to the AD and CVD measures on U.S. poultry products. These duties will continue in 2011, as a result of the Chinese Ministry of Commerce (MOFCOM)'s final determinations in their anti-dumping and counter-vailing duty investigations in 2010, which are intended to last for five years. Before China's implementation of AD and CVD duties, the United States was China's largest broiler meat supplier. Limited volumes of U.S. claw shipments will continue despite the AD and CVD duties due to strong market prices in China.

Turkey meat imports are expected to approach 40,000 MT

Given strong domestic demand and small local production, Chinese turkey meat imports in 2011 are forecast to approach 40,000 MT, up about one-third from shipments in 2010. The rising sales are due mostly to higher prices for pork and broiler meat, making turkey meat a price competitive alternative. The United States is the largest supplier to the Chinese import market accounting for almost 90 percent of China's total imports. Local consumers normally prefer turkey middle-part wings and legs. Turkey products are mostly consumed in larger cities with better economies and more consumers willing to try new products. Roast turkey meat is often served at high-end hotels and restaurants, especially Western food restaurants, while local supermarkets provide ready-to-eat turkey cuts to home consumers.

Broiler Exports in 2011 are forecast at 440,000 MT

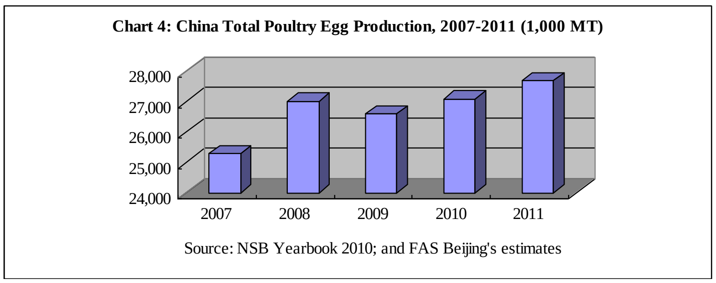
China's broiler exports in 2011 are expected to increase seven percent to 440,000 MT, following an estimated 31 percent increase in 2010. Exporters are reporting robust growth in nearly all of China's key markets, with Japan and Hong Kong continuing to lead sales accounting for nearly 70 percent of the total combined.

Sales to Japan are bolstered by an improving economy compared to the same period last year and shippers expect continued strong sales in 2011. In Hong Kong, mainland Chinese chicken cut imports are rising along with overall sales of fresh/chilled chicken. Environmental concerns are reducing sales of live broilers and encouraging a shift to fresh/chilled cuts, a trend that will continue to support sales to Hong Kong in 2011.

Poultry Egg

Poultry egg production in 2011 is forecast to at 27.7 MMT

China's Total Poutry Egg Production, 2007-2011 (1,000 MT)						
Year	2007	2008	2009	2010	2011	% Change 2011/10
Production	25,290	27,017	26,600	27,100	27,700	2.21
Source: NSB Yearbook; and FAS Beijing's estimates						



FAS Beijing (Post')s current forecast of Chinese egg production remains the same as its previous forecasts in the 2010 poultry annual report. China's steady growth in poultry egg production is partly due to abundant breeding and commercial layer supplies, and partly due to improved control of avian leucosis virus (J-ALV) among egg layers, which hindered production in 2009. Narrow possibility to substitute for eggs is another factor.

Although overall Chinese chicken egg prices in 2010 climbed eight percent to an average 8.32 yuan ($1.26) per kilogram from the previous year, the profit in the egg layer breeding sector was only marginal, partly due to higher feed prices and partly due to breeding bird oversupplies. China eliminated government's subsidy for imports of grand-parent-generation (GPG) breeding layers in 2010, which was implemented in 2008 to encourage genetic improvement. The policy fueled large GPG breeding stock imports for two years running and resulted in oversupplies of breeding birds. Some breeding layers had to be slaughtered for meat. Meanwhile, large volume of newly developed domestic breeding egg layers are put in the market to compete with imported breeding layers. As a result, profit grains are small in the breeding sector, while most gains are taken by commercial egg production sector and marketing sector.

Like broiler production, Chinese chicken egg operators will continue to be challenged by high feed costs. Corn normally accounts for 55-60 percent of chicken feed. In December 2011, Chinese retail corn prices hit a 4-year record at 2.12 yuan ($0.32) per kilogram. At the same time, Chinese egg layer feed prices topped 2.70 yuan ($0.41) per kilogram. High production costs will continue in 2011, narrowing egg production profit. This may force some small operators withdraw from production.

Statistic Tables

Poultry PS&D Table (Broiler)

Poultry, Meat, Broiler China	2009		2010		2011		
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	8,980	8,900	9,296	9,407	9,555	9,777	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	12,100	12,100	12,550	13,000	13,000	13,200	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	401	401	326	287	300	230	(1000 MT)
Intra-EU Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
Total Imports	401	401	326	287	300	230	(1000 MT)
Total Supply	12,501	12,501	12,876	13,287	13,300	13,430	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	291	319	380	412	410	440	(1000 MT)
Intra EU Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
Total Exports	291	319	380	412	410	440	(1000 MT)
Human Consumption	12,210	12,182	12,496	12,875	12,890	12,990	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	12,210	12,182	12,496	12,875	12,890	12,990	(1000 MT)
Total Use	12,501	12,501	12,876	13,287	13,300	13,430	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
Total Distribution	12,501	12,501	12,876	13,287	13,300	13,430	(1000 MT)
CY Imp. from U.S.	335	310	150	45	0	45	(1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0	(1000 MT)
Balance	0	0	0	0	0	0	(1000 MT)
Inventory Balance	0	0	0	0	0	0	(1000 MT)
Production Change	2	2	4	7	4	2	(PERCENT)
Import Change	1	1	(22)	(28)	(8)	(20)	(PERCENT)
Export Change	2	2	31	29	8	7	(PERCENT)
Trade Balance	(110)	(82)	54	125	110	210	(1000 MT)
Consumption	2	2	2	6	3	1	(PERCENT)

Change							
Population	1,338,612,968	1,338,612,968	1,347,563,498	1,345,306,033	1,356,818,737	1,352,032,563	(PEOPLE)
Per Capita Consumption	9	9	9	10	10	10	(KG)
TS=TD		0		0		0	

(Data included in this report is not official USDA data. Official USDA data is available at http://www.fas.usda.gov/psdonlineonline)

Poultry Trade Matrices

China Broiler Product Imports, 2008-2010 (Metric Tons)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Origin	Quantity	Quantity	Quantity	% Change
	2008	2009	2010	2010/09
World	1,043,249	918,048	833,256	-9.24
Hong Kong	255,891	195,282	316,083	61.86
Brazil	131	27,793	285,688	927.91
Argentina	192,252	68,435	129,927	89.85
United States	572,170	613,682	85,897	-86.00
Chile	12,372	12,217	12,217	12909.00
France	10,397	610	2,313	279.18
Other	36	29	1,131	3800.00

HS Code: 020711, 020712, 020713, 020714, and 160232
Note: Chicken claw imports under HS Code 02071422 (for China) and HS Code 20271410 (for Hong Kong) are included in this table, but excluded in the PS&D table.
Source: Global Trade Atlas

China Chicken Claw Imports, 2008-2010 (Metric Tons)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	Quantity	Quantity	Quantity	% Change
Origin	2008	2009	2010	2010/09
World	644,158	516,369	545,965	5.73
Hong Kong	191,988	133,203	224,889	68.83
Brazil	106	16,374	177,167	982.00
Argentina	163,722	55,395	92,987	67.86
United States	272,638	303,503	40,827	-86.55
Chile	9,590	7,672	8,163	6.40
France	6,114	223	1,883	744.39
Other	0	0	49	0.00

HS Code: 020714.22(for China), and 02071410 (for Hong Kong)
Source: Global Trade Atlas

China Broiler Meat Exports, 2008-2010 (Metric Tons)				
	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
	Quantity	Quantity	Quantity	% Change
Destination	2008	2009	2010	2010/09
World	310,969	318,815	411,718	29.14
Japan	156,413	154,040	203,889	32.36
Hong Kong	113,399	120,806	145,191	20.19
Malaysia	15,362	17,041	23,557	38.24
Bahrain	4,194	4,137	5,639	36.31
United Kingdom	0	1,295	4,483	246.18
Korea South	6,689	3,570	4,126	15.57
Kyrgyzstan	3,904	4,459	3,917	-12.16
Macau	3,055	3,225	3,000	-6.98

United Arab Emirates	280	995	2,875	188.94
Afghanistan	362	602	2,433	304.15
Iraq	1,751	1,403	2,152	53.39
Netherlands	100	2,447	1,999	-18.31
Armenia	392	421	1,300	208.79
Korea North	88	53	1,263	2283.02
Other	4,980	4,321	5,894	36.40
HS Code: 020711, 020712, 020713, 020714 & 160232 Source: Global Trade Atlas Note: China does no export chicken claws				

Poultry Price Tables

China Average Retail Broiler Meat Prices On Average 2007-2010 (RMB/KG, $1=RMB6.58)					
MONTH	2007	2008	2009	2010	% Change 2010/09
January	11.89	14.90	14.06	14.15	0.64
February	12.26	14.69	13.88	14.38	3.60
March	11.87	14.51	13.74	13.98	1.75
April	11.77	14.80	13.71	13.77	0.44
May	12.32	14.72	13.66	13.72	0.44
June	13.05	14.51	13.50	13.76	1.93
July	13.47	14.33	13.41	14.16	5.59
August	14.14	14.29	13.73	14.73	7.28
September	14.01	14.40	14.00	15.24	8.86
October	13.60	14.29	13.94	15.40	10.47
November	13.23	14.00	13.87	15.73	13.41
December	13.46	13.87	13.83	16.02	15.84
Source: The Ministry of Agriculture					

China Average Retail Live Chicken Prices On Average 2007-2010 (RMB/KG, $1=RMB6.58)					
MONTH	2007	2008	2009	2010	% Change 2010/09
January	11.95	13.97	14.16	13.98	-1.27
February	12.65	14.53	13.99	14.28	2.07
March	12.12	14.31	13.70	13.82	0.88
April	12.03	14.59	13.57	13.55	-0.15
May	12.51	14.42	13.47	13.50	0.22
June	13.30	14.13	13.37	13.58	1.57
July	13.59	13.89	13.28	13.93	4.89
August	14.51	13.91	13.66	14.45	5.78
September	14.35	14.15	14.00	15.03	7.36
October	13.73	14.08	13.82	15.40	11.43
November	13.46	13.84	13.71	15.60	13.79
December	13.57	13.72	13.83	15.95	15.33
Source: The Ministry of Agriculture					

China Average Retail Chicken Egg Prices On Average 2007-2010 (RMB/KG, $1=RMB6.58)					
MONTH	2007	2008	2009	2010	% Change 2010/09
January	7.31	7.92	7.56	7.97	5.42
February	7.59	7.98	7.43	8.09	8.88
March	7.25	7.64	7.31	7.77	6.29
April	7.25	7.52	7.44	7.57	1.75
May	7.58	7.66	7.58	7.54	-0.53
June	7.91	7.84	7.57	7.68	1.45
July	7.59	7.80	7.42	7.99	7.68
August	8.26	8.04	7.86	8.66	10.18
September	8.31	8.47	8.30	8.50	2.41
October	8.14	8.15	8.04	9.05	12.56
November	7.98	7.60	7.81	9.43	20.74
December	7.94	7.50	7.86	9.63	22.52
Source: The Ministry of Agriculture					

China Average Broiler Chick-let Prices On Average 2007-20010 (RMB/KG, $1=RMB6.58)					
MONTH	2007	2008	2009	2010	% Change 2010/09
January	2.38	2.64	2.06	2.06	0.00
February	2.42	2.83	2.31	2.23	-3.46
March	2.28	2.89	2.55	2.27	-10.98
April	2.37	3.49	2.47	2.13	-13.77
May	2.60	3.39	2.24	2.00	-10.71
June	2.82	2.87	2.48	1.89	-23.79
July	3.00	2.45	2.03	2.26	11.33
August	3.75	2.55	2.37	2.46	3.80
September	3.76	2.77	2.32	2.51	8.19
October	3.35	2.77	2.18	2.51	15.14
November	2.84	2.42	2.08	2.68	28.85
December	2.90	2.13	2.17	2.77	27.65
Source: The Ministry of Agriculture					

China Average Egg Layer Chick-let Prices On Average 2007-2010 (RMB/KG, $1=RMB6.58)					
MONTH	2007	2008	2009	2010	% Change 2010/09
January	2.37	2.61	2.33	2.35	0.86
February	2.45	2.74	2.42	2.40	-0.83
March	2.47	2.74	2.57	2.49	-3.11
April	2.54	2.95	2.62	2.47	-5.73
May	2.67	2.92	2.57	2.40	-6.61
June	2.88	2.84	2.48	2.35	-5.24
July	2.83	2.65	2.40	2.43	1.25
August	3.12	2.64	2.50	2.62	4.80
September	3.24	2.68	2.55	2.74	7.45
October	3.11	2.68	2.48	2.71	9.27
November	2.90	2.46	2.40	2.76	15.00
December	2.79	2.36	2.38	2.82	18.49
Source: The Ministry of Agriculture					

China Average Industry Feed Prices for Broilers 2007-2010 (RMB/KG, $1=RMB6.58)					
	2007	2008	2009	2010	% Change 2010/09
January	2.18	2.66	2.69	2.85	5.95
February	2.21	2.69	2.67	2.84	6.37
March	2.22	2.70	2.64	2.83	7.20
April	2.21	2.75	2.65	2.84	7.17
May	2.25	2.76	2.65	2.86	7.92
June	2.28	2.82	2.67	2.87	7.49
July	2.31	2.91	2.71	2.87	5.90
August	2.36	2.91	2.75	2.89	5.09
September	2.42	2.89	2.78	2.90	4.32
October	2.44	2.84	2.78	2.91	4.68
November	2.53	2.77	2.80	2.94	5.00
December	2.58	2.70	2.83	2.96	4.59
Source: The Ministry of Agriculture					

China Average Industry Feed Prices for Egg Layers On Average 2007-2010 (RMB/KG, $1=RMB6.58)					
MONTH	2007	2008	2009	2010	% Change 2010/09
January	1.97	2.41	2.40	2.58	7.50
February	1.98	2.44	2.39	2.57	7.53
March	2.02	2.44	2.37	2.58	8.86
April	2.01	2.47	2.37	2.58	8.86
May	2.03	2.48	2.37	2.61	10.13
June	2.06	2.54	2.40	2.62	9.17
July	2.09	2.62	2.44	2.62	7.38
August	2.13	2.62	2.48	2.63	6.05
September	2.18	2.60	2.51	2.64	5.18
October	2.19	2.55	2.52	2.65	5.16
November	2.27	2.48	2.53	2.68	5.93
December	2.33	2.42	2.57	2.70	5.06
Source: The Ministry of Agriculture					

(End of the report)