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POULTRY AND PRODUCTS ANNUAL

Annual Report

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Report Highlights:

Post forecasts China's broiler meat production will rise three percent in 2010 to 12.5 million metric tons. The modest gains will be fueled by an expanding Chinese economy into 2010 and higher pork prices compared to 2009. Higher Chinese production will hinder import demand, with total Chinese broiler meat imports in 2010 forecast to slide three percent to 360,000 metric tons. Chinese poultry meat exports are projected to increase slightly to 287,000 metric tons, supported by rising demand in Hong Kong.

Executive Summary:

FAS Beijing projects a modest increase in China's 2010 broiler meat production, rising three percent to 12.5 million metric tons (MMT), following an estimated two percent increase in 2009. Domestic demand continues to rise steadily

fueled by rising sales through fast food chains and other foodservice channels.

Post forecasts China's total broiler imports in 2010 to decrease three percent to 360,000 MT, following an estimated 7 percent decline in 2009. While overall imports continue to slide, demand for imports from the United States has risen, up 10 percent so far in 2009 on top of record sales in 2008. The recent opening of China to direct sales from Brazil may challenge continued steady gains in U.S. sales.

Post forecasts China's broiler meat exports in 2010 to increase three percent to 287,000 metric tons as the global economy begins to rebound. This follows an estimated two percent decline in 2009 as slow sales to Japan are partially offset by higher exports to Hong Kong.

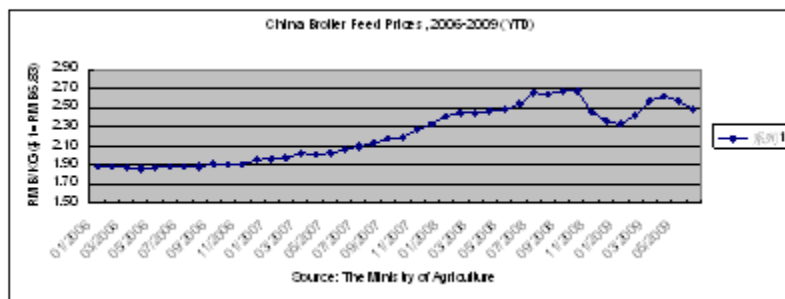
Commodities:

Poultry, Meat, Broiler

Production:

Modest Production Gains Expected in 2010

FAS Beijing forecasts China's broiler production in 2010 to increase three percent to 12.5 million metric tons (MMT) from an estimated 12.1 MMT in 2009. Sluggish sales in early 2009 are being offset by rising demand in the second half of this year fueled by the rising Chinese economy and a steady rise in pork prices (up 15 percent since June). Traders report the large volume of frozen stocks at the beginning of the year has been mostly depleted, further improving incentives for Chinese producers.



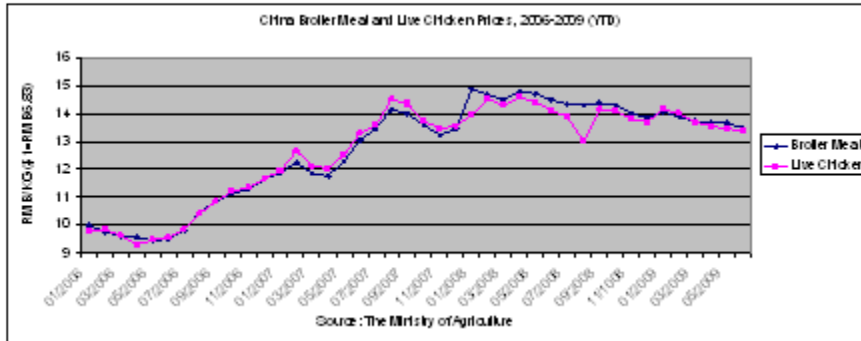
Producers are also benefiting from a general decline in feed prices, down nearly 10 percent from mid-2008. Ministry of Agriculture is projecting modest growth in corn production in 2009, which should create additional downward pressure on feed prices into 2010.

Rising foreign investment through joint ventures (JV) in raising, slaughter and processing is improving production efficiency at large-scale operations in China, which account for an increasing share of Chinese broiler production. In May 2009, U.S. Tyson Foods Co., Ltd. set up a fourth JV with Xinchang Group, Shandong Province. Meanwhile, Japanese investors recently agreed to a JV with Shuanghui Group with a total capacity to hatch, raise, slaughter, and process 50 million birds a year. Post expects the latter is being geared to meet the specific requirements of Japan, China's most important export market.

Consumption:

Strong Foodservice Demand Bolsters Consumption Growth

Post forecasts China's broiler consumption in 2010 to increase three percent to 12.6 MMT following a two percent increase in 2009. Modest demand growth is being fueled by lower prices and rising foodservice demand, especially at foreign fast food chains. Kentucky Fried Chicken (KFC), the largest foreign fast-food chain in China, is now operating over 2,400 outlets, up from 1,206 in 2004. ATO Guangzhou notes KFC mainly procures its broiler supplies locally through opening bidding based on price and KFC internal food standards, which require no higher than -12°C air conditioned container at the time of delivery, and



specified weight of pieces, i.e., believed to be 1.06-1.41 oz (30-40 grams) for drumsticks and 2.82 – 3.50 oz. (80-100 grams) for boneless chicken legs used as fillets. McDonalds is also relying on chicken items to pursue growth in the Chinese market. Recent promotions include chicken leg-quarter burger and three-piece chicken wings, value-priced at RMB9 (\$1.25). Foreign fast food chain restaurants in China will play an increasingly important role in Chinese broiler consumption.

Trade:

Imports from the United States Continue to Rise While Total Imports Decline in 2009

Post forecasts China's total broiler imports in 2010 to decrease three percent to 360,000 MT, following an estimated 7 percent decline in 2009 due to increased domestic production. While total broiler meat imports are lower, demand for imports from the United States continues to rise in 2009. In the first six months in 2009, total Chinese imports of U.S. broiler meat (including trans-shipments through Hong Kong and chicken claws) reached 391,723 metric tons, up almost 10 percent from the previous year. The strong performance in the first half of 2009 follows record sales in 2008 that totaled 641,000 metric tons, up 19 percent from the previous year. Traders report the strong demand is due mainly to competitive pricing and reliable supplies from the United States.

On March 31, 2009, China suspended poultry imports from the State of Kentucky due to an outbreak of low pathogenic avian influenza (LPAI). Up to now, four states in the United States (the other three: Virginia, Arkansas, and Idaho) are banned due to LPAI.

Direct imports from Brazil are expected to rise in the near term as the number of facilities approved by China for export expands. In May 2009, China announced it had resumed trade by provisionally lifting its suspension on 24 Brazilian plants. However, traders report that only five of these facilities are currently approved to ship. Historically, Brazilian broiler products mainly entered China via Hong Kong or Vietnam through gray channels. The first direct shipments from the recent plant approvals are reported to arrive in late summer. Traders predict Brazilian broiler meat may become a greater threat to U.S. sales gains as Brazilian chicken claws and whole wings are competitive based on quality, and prices will be lower compared to Brazilian chicken marketed through gray channels.

Turkey Meat Imports Down

Lower U.S. turkey production and a double-digit price increase in 2009 have dampened Chinese demand for U.S. turkey meat. Sales through June are down 55 percent to just over 16,000 metric tons compared to the same period in 2008. Since broiler meat is a close substitute for turkey meat, turkey meat demand will likely continue weak into 2010, unless prices fall vis-a-vis chicken. Imports account for the great majority of the Chinese turkey meat market. Total turkey meat sales were estimated at 50,000 – 60,000 MT in 2008, with local production accounting for just 5,000 MT of total volume.

Broiler Meat Exports to Rebound in 2010

Post forecasts China’s broiler meat exports in 2010 will increase two percent to 287,000 following an estimated two percent decrease in the previous year. Japan remains China’s largest export destination accounting for almost half of total shipments. Sales to Japan continue to be sluggish due to the weak Japanese economy and rising competition from Brazil. Overall, traders report stocks in Japan are high and do not see potential for growth until the Japanese economy improves in 2010. Meanwhile, exports to Hong Kong are expected to rise in the near term due to Hong Kong’s declining chicken production capacity.

Commodities:

Poultry, Eggs

Production:

Poultry Egg

Steady Growth in Poultry Egg Production

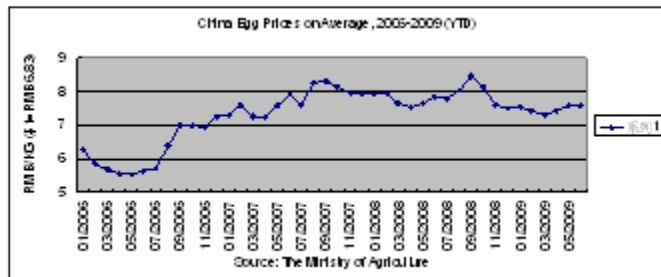
FAS Beijing (Post) forecasts China’s poultry egg production to increase three percent to 28.7 MMT following an estimated three percent increase (27.8 MMT) in the previous year.

							Estimate	Forecast	% Change
	2003	2004	2005	2006	2007	2008	2009	2010	2010/09
Poultry Egg	23,331	23,706	24,381	24,240	25,290	27,017	27,830	28,700	3.13

Source: National Statistics Bureau

In the first six months in 2009, egg prices decreased four percent on average compared with the same period in the previous year. Low prices have been fueled primarily by over supply.

According to the Chinese egg layer industry, in the first 21 weeks in 2009, the weekly



inventory of grand-parent (GP) generation

breeding stocks was 627,700 sets, a 27 percent increase from the same period in the previous year. The inventory of parent-generation breeding stocks from 31 commercialized farms across China increased 24 percent to nearly 4.7 million sets from the same period in 2009. From January to June 2009, although China's imports of GP-generation breeding stock decreased 40 percent to 73,900 sets, domestic developed new GP-generation breeding stocks – Jing Red 1, and Jing Pink 1 – produced by Yukou Poultry Company are expected to fill up the gap.

China's egg exports have fallen 8 percent so far this year, after rising 37 percent in 2008 to \$105 million. Hong Kong and Macau continue to account for over 80 percent of China's exports.

Author Defined:

Statistics Tables

Broiler PS&D Table

Broiler	Poultry, Meat, China	2008 2008		2009 2009		2010 2010	
		Market Year Begin: Jan 2008		Market Year Begin: Jan 2009		Market Year Begin: Jan 2010	
		USDA Official Data	New Post Data	USDA Official Data	New Post Data	USDA Official Data	Jan Data
Inventory (Reference)							(MIL HEAD)
Slaughter (Reference)		8,811	8,811	8,740	9,170	8,980	9,259(MIL HEAD)
Beginning Stocks		0	0	0	0	0	0(1000 MT)
Production		11,895	11,895	11,840	12,133	12,100	12,500(1000 MT)
Whole, Imports		0	0	0	0	0	0(1000 MT)
Parts, Imports		399	399	399	425	370	360(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		399	399	399	425	370	360(1000 MT)
Total Supply		12,294	12,294	12,239	12,558	12,470	12,860(1000 MT)
Whole, Exports		0	0	0	0	0	0(1000 MT)
Parts, Exports		285	285	285	215	280	287(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		285	285	285	215	280	287(1000 MT)
Human Consumption		12,009	12,009	11,954	12,343	12,190	12,573(1000 MT)
Other Use, Losses		0	0	0	0	0	0(1000 MT)
Total Dom. Consumption		12,009	12,009	11,954	12,343	12,190	12,573(1000 MT)
Total Use		12,294	12,294	12,239	12,558	12,470	12,860(1000 MT)
Ending Stocks		0	0	0	0	0	0(1000 MT)
Total Distribution		12,294	12,294	12,239	12,558	12,470	12,860(1000 MT)
CY Imp. from U.S.		321	321	342	328	365	330(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		5	5	5	2	2	3(PERCENT)
Import Change		-17	-17	-17	7	-7	-3(PERCENT)
Export Change		-20	-20	-20	-25	-2	3(PERCENT)
Trade Balance		-114	-114	-114	-210	-90	-73(1000 MT)
Consumption Change		5	5	5	3	2	3(PERCENT)

Broiler Trade Matrices

China Direct Broiler Meat Imports, 2007-2009 (Metric Tons)					
	Jan-Dec	Jan-Dec	Jan - Jun		Jan - Jun
Origin	Quantity	Quantity	Quantity Comparison		% Change
	2007	2008	2008	2009	2009/08
World	773,812	787,358	395,883	338,805	-14.42
United States	508,290	572,170	280,038	301,944	7.82
Argentina	102,090	192,252	112,571	29,065	-74.18
Chile	0	12,372	1,184	7,178	506.25
France	12	10,391	1,941	608	-68.68
Brazil	163,388	131	131	0	-100.00
Other	32	42	18	10	-44.44

HS Code: 020711, 020712, 020713, 020714 and 160232
Note: China chicken paw imports under HS Code 02071422 is included in this table, but excluded in the PS&D table.
Source: GTA China Customs Statistics

China Direct Chicken Claw Imports, 2007-2009 (Metric Tons)					
	Jan-Dec	Jan-Dec	Jan - Jun		Jan - Jun
Origin	Quantity	Quantity	Quantity Comparison		% Change
	2007	2008	2008	2009	2009/08
World	396,331	452,170	215,882	157,992	-26.82
United States	221,373	272,638	119,299	128,895	8.04
Argentina	80,972	163,722	94,919	23,962	-74.76
Chile	0	9,590	646	4,913	660.53
France	0	6,114	913	223	-75.58
Brazil	93,986	106	106	0	-100.00
Other	0	0	0	0	0

HS Code: 020714.22
Source: GTA China Customs Statistics

Hong Kong Re-Exports of Broiler Meat to Mainland China, 2007-2009 (Metric Tons)					
	Jan-Dec	Jan-Dec	Jan - Jun		Jan - Jun
Origin	Quantity	Quantity	Quantity Comparison		% Change
	2007	2008	2008	2009	2009/08
World	252,647	255,771	121,166	69,558	-42.59
Brazil	184,184	146,732	76,733	30,339	-60.46
United States	29,219	69,071	23,841	29,940	25.58
Argentina	13,996	12,703	6,430	2,509	-60.98
Canada	4,392	3,737	1,940	1,474	-24.02
Chile	2,385	4,015	1,858	1,229	-33.85
Denmark	880	2,045	431	1,219	182.83
France	3,734	3,544	2,079	714	-65.66
Australia	1,511	1,783	997	376	-62.29
Netherlands	3,386	4,858	3,076	244	-92.07
Germany	1,003	1,183	488	200	-59.02
Poland	2,515	945	332	192	-42.17
United Kingdom	1,175	389	190	148	-22.11
Iran	1,294	146	146	131	-10.27
Belgium	375	993	533	80	-84.99
Spain	340	1,304	659	75	-88.62

Other	2,258	2,323	1,433	688	-51.99
HS Code: 020711, 020712, 020713, 020714 & 160232					
Note: China chicken paw imports under HS Code 02071410 is included in this table, but excluded in the PS&D table.					
Source: WTA, Hong Kong Census and Statistics Department					

Hong Kong Chicken Paw Re-Exports to Mainland China, 2007-2009 (Metric Tons)					
	Jan-Dec	Jan-Dec	Jan - Jun		Jan - Jun
	Quantity	Quantity	Quantity Comparison		% Change
Origin	2007	2008	2008	2009	2009/08
World	147,859	191,988	93,103	47,413	-49.07
Brazil	107,173	121,164	63,623	21,531	-66.16
United States	19,067	47,566	17,861	20,254	13.40
Argentina	12,751	11,066	5,665	1,998	-64.73
Chile	1,717	2,771	1,472	1,082	-26.49
Denmark	419	1,605	376	988	162.77
Canada	270	1,563	604	279	-53.81
Australia	1,016	1,491	764	253	-66.88
France	1,281	1,463	766	155	-79.77
Germany	286	571	312	125	-59.94
Poland	1,228	291	141	96	-31.91
United Kingdom	223	158	47	73	55.32
Netherland	532	803	657	53	-91.93
Iran	972	146	146	0	-100.00
Other	924	1,330	669	526	-21.38
HS Code: 020714.10					
Source: WTA, Hong Kong Census and Statistics Department					

China Broiler Meat Exports, 2007-2009 (Metric Tons)					
	Jan-Dec	Jan-Dec	Jan - Jun		Jan - Jun
	Quantity	Quantity	Quantity Comparison		% Change
Destination	2007	2008	2008	2009	2009/08
World	358,053	285,316	136,104	125,111	-8.08
Japan	204,384	135,896	66,287	57,775	-12.84
Hong Kong	106,871	108,651	51,064	51,119	0.11
Malaysia	9,870	15,362	5,837	5,064	-13.24
Kyrgyzstan	1,650	3,904	778	2,078	167.10
Korea South	11,767	6,627	5,165	1,753	-66.06
Netherlands	0	0	0	1,631	0.00
Macau	2,848	2,959	1,363	1,452	6.53
Bahrain	4,078	4,194	2,423	1,370	-43.46
Azerbaijan	2,371	817	546	666	21.98
Iraq	3,716	1,751	990	504	-49.09
Philippines	898	205	125	172	37.60
Armenia	329	205	110	71	-35.45
Georgia	362	205	179	26	-85.47
United States	476	12	12	12	0.00
South Africa	1,643	851	196	0	-100.00
Netherlands Antilles	794	521	207	0	0.00
Aruba	986	211	106	0	-100.00
Somalia	778	0	0	0	0.00

Kenya	579	0	0	0	0.00
Other	3,653	2,945	716	1,418	98.04

HS Code: 020711, 020712, 020713, 020714 & 160232
Note: China has no exports of chicken claws
Source: GTA China Customs Statistics

Price Tables

China Retail Broiler Meat Prices On Average 2006-2009 (Year-To-Date)					
(RMB/KG, \$1=RMB6.83)					
MONTH	2006	2007	2008	2009	% Change 2009/08
January	9.99	11.89	14.90	14.06	-5.64
February	9.78	12.26	14.69	13.88	-5.51
March	9.62	11.87	14.51	13.74	-5.31
April	9.58	11.77	14.80	13.71	-7.36
May	9.45	12.32	14.72	13.66	-7.20
June	9.52	13.05	14.51	13.50	-6.96
July	9.82	13.47	14.33		
August	10.50	14.14	14.29		
September	10.87	14.01	14.40		
October	11.14	13.60	14.29		
November	11.28	13.23	14.00		
December	11.64	13.46	13.87		

Source: The Ministry of Agriculture

China Retail Live Chicken Prices On Average 2005-2008 (Year-To-Date)					
(RMB/KG, \$1=RMB6.83)					
MONTH	2006	2007	2008	2009	% Change 2009/08
January	9.76	11.95	13.97	14.16	1.36
February	9.86	12.65	14.53	13.99	-3.72
March	9.62	12.12	14.31	13.70	-4.26
April	9.31	12.03	14.59	13.57	-6.99
May	9.49	12.51	14.42	13.47	-6.59
June	9.57	13.30	14.13	13.37	-5.38
July	9.83	13.59	13.89		
August	10.42	14.51	13.91		
September	10.85	14.35	14.15		
October	11.24	13.73	14.08		
November	11.36	13.46	13.84		
December	11.68	13.57	13.72		

Source: The Ministry of Agriculture

China Broiler Chicklet Prices On Average 2006-2009 (Year-To-Date)					
(RMB/KG, \$1=RMB6.83)					
MONTH	2006	2007	2008	2009	% Change 2009/08
January	1.64	2.38	2.64	2.06	-21.97
February	1.69	2.42	2.83	2.31	-18.37
March	1.62	2.28	2.89	2.55	-11.76
April	1.48	2.37	3.49	2.47	-29.23
May	1.37	2.60	3.39	2.24	-33.92
June	1.42	2.82	2.87	2.48	-13.59
July	1.66	3.00	2.45		

August	2.10	3.75	2.55	
September	2.25	3.76	2.77	
October	2.27	3.35	2.77	
November	2.47	2.84	2.42	
December	2.68	2.90	2.13	
Source: The Ministry of Agriculture				

China Layer Chick-let Prices On Average 2006-2009 (Year-To-Date)					
(RMB/KG, \$1=RMB6.83)					
MONTH	2006	2007	2008	2009	% Change 2009/08
January	1.99	2.37	2.61	2.33	-10.73
February	1.96	2.45	2.74	2.42	-11.68
March	1.96	2.47	2.74	2.57	-6.20
April	1.89	2.54	2.95	2.62	-11.19
May	1.81	2.67	2.92	2.57	-11.99
June	1.87	2.88	2.84	2.48	-12.68
July	1.84	2.83	2.65		
August	2.08	3.12	2.64		
September	2.25	3.24	2.68		
October	2.24	3.11	2.68		
November	2.30	2.90	2.46		
December	2.36	2.79	2.36		
Source: The Ministry of Agriculture					

China Retail Chicken Egg Prices On Average 2005-2008 (Year-To-Date)					
(RMB/KG, \$1=RMB6.83)					
MONTH	2006	2007	2008	2009	% Change 2009/08
January	6.28	7.31	7.92	7.56	-4.55
February	5.83	7.59	7.98	7.43	-6.89
March	5.68	7.25	7.64	7.31	-4.32
April	5.54	7.25	7.52	7.44	-1.06
May	5.55	7.58	7.66	7.58	-1.04
June	5.65	7.91	7.84	7.57	-3.44
July	5.72	7.59	7.80		
August	6.41	8.26	8.04		
September	7.00	8.31	8.47		
October	6.99	8.14	8.15		
November	6.93	7.98	7.60		
December	7.26	7.94	7.50		
Source: The Ministry of Agriculture					

China Industry Feed Prices for Broilers On Average 2006-2009 (YTD)					
(RMB/KG, \$1=RMB6.83)					
	2006	2007	2008	2009	% Change 2009/08
January	2.12	2.18	2.66	2.69	1.13
February	2.09	2.21	2.69	2.67	-0.74
March	2.09	2.22	2.70	2.64	-2.22
April	2.06	2.21	2.75	2.65	-3.64

May	2.07	2.25	2.76	2.65	-3.99
June	2.09	2.28	2.82	2.67	-5.32
July	2.11	2.31	2.91		
August	2.09	2.36	2.91		
September	2.11	2.42	2.89		
October	2.10	2.44	2.84		
November	2.11	2.53	2.77		
December	2.16	2.58	2.70		
Source: The Ministry of Agriculture					

China Industry Feed Prices for Egg Layers On Average 2006-2009 (YTD)					
(RMB/KG, \$1=RMB6.83)					
					% Change
MONTH	2006	2007	2008	2009	2009/08
January	1.89	1.97	2.41	2.40	-0.41
February	1.88	1.98	2.44	2.39	-2.05
March	1.87	2.02	2.44	2.37	-2.87
April	1.86	2.01	2.47	2.37	-4.05
May	1.87	2.03	2.48	2.37	-4.44
June	1.88	2.06	2.54	2.40	-5.51
July	1.89	2.09	2.62		
August	1.89	2.13	2.62		
September	1.91	2.18	2.60		
October	1.91	2.19	2.55		
November	1.91	2.27	2.48		
December	1.95	2.33	2.42		
Source: The Ministry of Agriculture					