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China's Poultry Demand Remains Sluggish

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Report Highlights:

China is the world's second largest poultry producer, and a major destination for U.S. poultry. It is by far the largest market for exports of U.S. chicken paws. However, imports of all poultry and poultry products from the United States were banned in January 2015 as a result of high pathogenic avian influenza (HPAI) detections. USDA has requested that Chinese authorities restrict the ban to raw poultry from the areas where there have been detections. While Brazil and other exporters are expected to fill some of the demand, Post expects total imports will drop by over 10 percent in 2015. The United States exported approximately $300 million in poultry products to China in 2014, down almost 30 percent from 2013. Post forecasts China's 2015 broiler meat consumption to remain flat at nearly 12.8 million tons, in-line with previous USDA official estimates.

Commodities:

Poultry, Meat, Broiler

Broiler PS&D Table

Poultry, Meat, Broiler at China	2013		2014		2015		
	Jan 2013		Jan 2014		Jan 2015		
China	*USDA Official*	*New Post*	*USDA Official*	*New Post*	*USDA Official*	*New Post*	
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD)
Slaughter (Reference)	10,100	10,100	9,900	9,900	0	10,100	(MIL HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	13,350	13,350	13,000	13,000	13,000	13,025	(1000 MT)
Total Imports*	244	244	240	260	235	210	(1000 MT)
Total Supply	13,594	13,594	13,240	13,260	13,235	13,235	(1000 MT)
Total Exports	420	420	440	440	460	460	(1000 MT)
Human Consumption	13,174	13,174	12,800	12,820	12,775	12,775	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	13,174	13,174	12,800	12,820	12,775	12,775	(1000 MT)
Total Use	13,594	13,594	13,240	13,260	13,235	13,235	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
Total Distribution	13,594	13,594	13,240	13,260	13,235	13,235	(1000 MT)
CY Imp. from U.S.	70	91	0	81	0	0	(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	-3	-3	-3	-3	0	0	(PERCENT)
Import Change	-4	-4	-2	7	-2	-19	(PERCENT)
Export Change	2	2	5	5	5	5	(PERCENT)
Consumption Change	-3	-3	-3	-3	0	0	(PERCENT)
Imports Percent Consumption	2	2	2	2	2	2	(PERCENT)
Exports Percent Production	3	3	3	3	4	4	(PERCENT)
Population	1,349,585,838	1,349,585,838	1,355,692,576	1,355,692,576	1,361,512,535	1,361,512,535	(PEOPLE)
Per Capita Consumption	10	10	9	10	9	9	(KG)
TS=TD	0	0	0	0	0	0	

Production:

Post forecasts that China's 2015 broiler meat production will increase slightly above USDA's 2015 official figure of 13 million tons. The slight increase is based on domestic producers capitalizing on the ban on U.S. imports duo to HPAI concerns. However, China's own poultry industry suffers from periodic outbreaks of avian influenza that disrupts production. Below is a snapshot of a recent H5N6 HPAI detection.

Source: OIE

On February 2nd, 2015, chickens on a breeding farm in the Heshan District, Yiyang City, of Hunan province had suspected symptoms of avian influenza. 3,400 birds showed systems while 2,600 birds died while the remaining 4,876 birds were culled.

On February 6th, China's national avian influenza reference lab diagnosed the case as H5N6 Subtype HPAI. Local authorities announced the outbreak has been effectively controlled based on procedures of China's AI emergency response plan.

Additionally, domestic producers must contend with high feed prices that will constrain production.

Policy:

To minimize chances of AI spreading to humans, the Chinese government is attempting to end live bird slaughtering at wet markets by encouraging farmers to send their chickens to slaughterhouses. This effort has generated complaints from farmers as they can command higher prices from live bird sales to wet markets than they can from slaughterhouses. However, some analysts believe that consumer demand for live birds will decline over time due to a combination of China's urbanization drive and the younger generation's preference for processed chicken sold at fast food outlets and fresh/frozen broiler meat products sold in supermarkets.

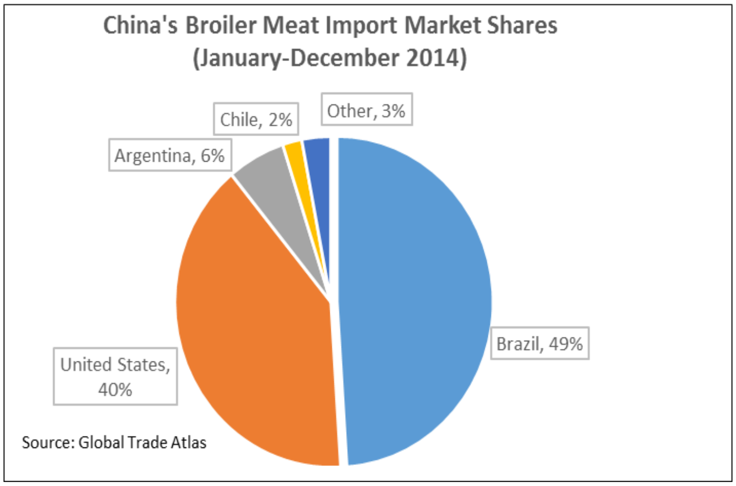
Consumption:

Post forecasts China's 2015 broiler meat consumption to remain flat at nearly 12.8 million tons, in-line with previous USDA official estimates. China's 2015 per capita broiler meat consumption is estimated at slightly above 9 kilograms, down from 10 kilograms in 2014. The availability of lower cost pork as a substitute meat also restrains consumption of poultry.

Despite annual GDP growth of 6 to 7 percent in China, broiler meat consumption has been sluggish over that last several years, hampered by continuing outbreaks of AI and the resulting publicity that surrounds each new reported outbreak. This is especially true in the heavy poultry consumption areas of southern China. Also, this region has also reported more than 40 human infections of H7N9 since the beginning of the year adding to consumer's negative perceptions about poultry consumption.
That said, fast food restaurants featuring chicken continue to expand, as do sales of processed chicken feet and paws (not included in production or trade statistics) which are consumed in soup and as a popular snack.

Trade:

Imports



Post revises China's 2015 broiler meat import forecast downward approximately 11 percent to 210 thousand tons from USDA's official figure. This reduction largely attributed to the ban on U.S. imports over HPAI detections (see below).

Brazil, China's largest broiler meat supplier, was granted market access for additional broiler meat plants in 2013 and currently commands nearly half of the import market.

The United States, China's second largest supplier, saw its import market share increase to 40 percent from 37 percent in 2014. However, Brazil stands to benefit greatly with removal of U.S. competition, and is expected to fill most of the gap left by the ban on U.S. product.

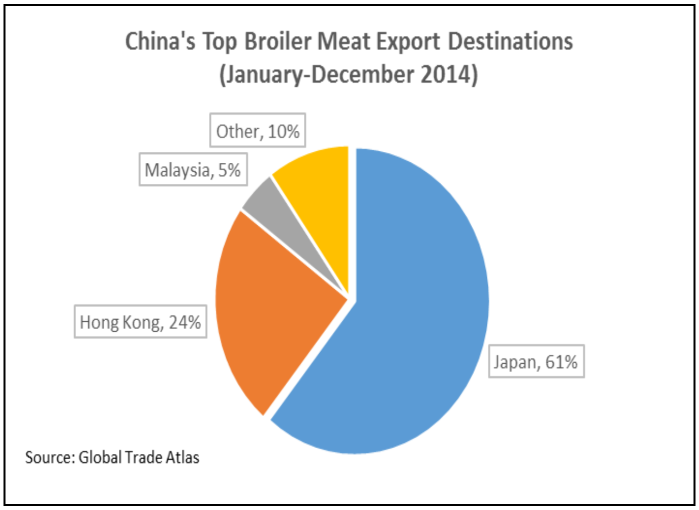
Imports: Policy

On January 9, 2015, China issued a ban on imports of U.S. poultry and poultry related products as a result of high pathogenic avian influenza (HPAI) detection in the United Sates. In response the USDA is seeking exemption for heat treated poultry products such as chicken paws and rendered meals. In accordance with accepted science and international standards, heat treatment of certain duration and temperature is sufficient to ensure destruction of any virus should it be present. The U.S. exported approximately $300 million in poultry meat and poultry products to China in 2014.

Prior to the detection of HPAI in the United States, China maintained suspensions of U.S. poultry meat and poultry product imports from five states, due to low-pathogenic avian influenza, imposing policies that are inconsistent with World Organization for Animal Health (OIE) guidelines. The OIE guidelines do not recommend trade suspension on poultry meat due to low pathogenicity notifiable avian Influenza detections.

Note: Chicken paws under HS: 020714 (valued at over $170 million in direct U.S. exports to China in 2014) are not included in USDA's poultry PSD calculations and trade statistics.

Exports



Post forecasts that China's 2015 broiler meat exports will increase 5 percent above previous official USDA estimates to 460,000 tons.

China mainly exports cooked/preserved broiler meat products. China's labor cost advantage, abundant skilled workers, and some state-of-the art facilities give it a competitive advantage in regional markets such as Japan and Hong Kong.

Price Table (based on RMB/KG, $1=RMB6.18)

China Retail Broiler Meat Prices on Average, 2008-2014 (Year to Date)								
Month	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**% Change 2013/2014**
January	14.90	14.06	14.15	16.32	17.65	17.92	17.55	-2.1%
February	14.69	13.88	14.38	16.71	17.46	18.41	17.15	-6.8%
March	14.51	13.74	13.98	16.33	17.04	17.90	16.83	-6.0%
April	14.80	13.71	13.77	16.32	16.99	16.39	17.15	4.6%
May	14.72	13.66	13.72	16.45	16.73	15.32	17.93	17.0%
June	14.51	13.50	13.76	16.95	16.74	16.00	18.22	13.9%
July	14.33	13.41	14.16	17.49	16.71	16.40	18.32	11.7%
August	14.29	13.73	14.73	17.94	16.90	16.89	18.78	11.2%
September	14.40	14.00	15.24	18.05	17.28	17.33	19.16	10.6%
October	14.29	13.94	15.40	18.00	17.43	17.45	19.22	10.1%
November	14.00	13.87	15.73	17.57	17.50	17.40	19.14	10.0%
December	13.87	13.83	16.02	17.39	17.70	17.51	19.06	8.9%
Source: The Ministry of Agriculture collected from over 400 markets of farm produce.								