

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Alfalfa Hay Snapshot

Report Categories:

Market Development Reports

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Report Highlights:

Given a lack of domestic supply and growing demand from the dairy farming industry, China has an increasing demand for imported U.S. alfalfa products.

General Information:

Alfalfa (Baled Hay)

Highlight

Given a lack of domestic supply and growing demand from the dairy farming industry, China has an increasing demand for imported U.S. alfalfa products.

Overview

In 2009, China bought over 74,000 tons of alfalfa valued at \$20 million, a sharp increase from nil in 2006. China imports of U.S. alfalfa could more than double in 2010: between January and May, China imported more than 82,000 tons of alfalfa from the U.S. implying that total imports for the year may reach as much as 200,000 tons. After Japan and the Middle East, China has become the third largest export market for U.S. alfalfa hay. China now has over 9 million dairy cattle, and dairy farming is among the fastest growing livestock sectors. According to industry sources, it is estimated that China needs to import 300,000 tons of alfalfa hay annually.

H.S. code: 1214.9000

Tariff: 9 percent

Value added tax (VAT): 13 percent on CIF prices with tariff, but could be exempted

Who are the buyers?

The largest buyers of U.S. alfalfa hay are large dairy corporations who will purchase for their network of dairy farms, and feed brokers and distributors who will sell it to dairy farms along with other feed ingredients. Selling to farms directly is more difficult since they typically do not have the logistics experience and resources of large corporations and feed distributors.

Potential end users from other sectors include:

- Horse: racing, leisure and equestrian teams
- Cattle: feed for producing beef
- Swine: grinded to meal and mixed in feed for sows
- Sheep: for fur and meat
- Rabbit: for fur and meat
- Pets: for the pet food industry

What is the market like?

About 80 percent of U.S. alfalfa hay imports go to North and East China through Tianjin and Shanghai ports. Most of the remaining 20 percent goes to South China: Guangdong, Fujian, and Guangxi Provinces, which import hay through Huangpu, Nansha, Shekou, Yantian, Zhuhai, Fuzhou, and Fangcheng ports. The South China market offers some distinct advantages for U.S. alfalfa exporters:

- South China does not grow alfalfa hay and needs to import hay from either North/West China or abroad
- Costs are actually higher for South China farmers to transport hay domestically by truck than from the U.S. by container vessel
- South China dairy farms receive higher prices for milk than in the North which means that they are more able to invest in production
- The climate in South China requires more high-quality forage hay to maintain milk production and quality than in the North

Although the demand for U.S. alfalfa remains highly sensitive to price, the market is far more mature than only a few years ago. Many dairy farmers in Southern China see U.S. alfalfa as a necessity for their operations. Dairies in the North are also beginning to depend on high-quality forage hay to guarantee production.

Competition

The main competition to U.S. alfalfa is domestically grown alfalfa in China. Xinjiang, Ningxia, Gansu and Shandong are key producers. Estimates of Chinese workshop processing volume range from 150,000 - 200,000 tons of alfalfa. By contrast, demand for alfalfa from the dairy industry is estimated at 500,000 tons. Should prices remain competitive, demand for U.S. alfalfa can potentially exceed 300,000 tons in coming years. The U.S. currently has no international competition for alfalfa hay; however, Australian oat hay is currently imported in small quantities but with inferior protein levels and at similar prices to U.S. alfalfa.

While domestic alfalfa production has been declining due to low profit margins and government incentives to plant grain, if a subsidy is provided domestic hay growing and processing capacity may be increased.

However quality and sustainable supply would remain key challenges. According to multiple sources, it will take more than five or ten years for Chinese alfalfa to reach U.S. quality standards at comparable costs.

How to market

In general, Chinese buyers are very price sensitive. They usually use protein level to gauge and determine hay prices. Experienced dairy farm managers also rely on visual appraisal and check ADF and RFV indicated on lab reports. The reliability of U.S. alfalfa is its main selling point in North China, where Chinese alfalfa is available at lower prices, but quality can't be guaranteed.

To visit your Chinese end users and understand their needs is crucial to long-term success in this market. According to several U.S. exporters and experts on the Chinese dairy industry, seminars on how to use alfalfa to gain higher milk yield have been very effective in the past. Farm visits by U.S. exporters and their distributors in China are another way to better understand your customers while conveying dairy management and feeding advice. Such exchanges will greatly enhance connections with clients in a business culture in which face-to-face interaction is highly valued. To attend dairy and livestock exhibitions in China is also an effective way to reach your clients, explore new business opportunities and learn about market trends.

Extended helpful information

Previous written alfalfa marketing reports:

China's livestock report

Briefing on South China

Emerging South China cities

How to do business in China

AQSIQ import protocol

Tax exemption on imported feed

Labeling requirements

Major dairy and livestock exhibitions

The list of U.S. registered alfalfa hay processors for the exports for China on the AQSIQ web site:

<http://dzwjyjs.aqsiq.gov.cn/fwdh/qymd/zwqymd/gwqymd/>

Contact information: OAA and ATOs, NHA, APHIS and importers