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China - Peoples Republic of

Livestock and Products Annual

China's Increasing Appetite for Imported Beef

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Report Highlights:

Post forecasts China's 2016 pork consumption at 57 million tons, a slight decrease from USDA's 2015 official forecast. However, imports in 2016 are expected to play a larger role in meeting domestic demand. Imports are forecast at 830,000 tons, an increase of 4 percent over USDA's official estimate. Domestic producers remain hampered by high production costs and also must cope with more stringent environmental regulations introduced at the beginning of 2015. Post forecasts beef consumption at 7.4 million tons, slightly above 2015 levels. The Chinese market remains closed to U.S. beef but imports from other suppliers are forecast to reach 600,000 tons.

Commodities:

Animal Numbers, Cattle

Animal Numbers, Swine

Meat, Beef and Veal

Meat, Swine

CATTLE

Production

Calf numbers up slightly in 2016.

Post forecasts 2016 calf crop at slightly above 49 million. Unlike the pork and poultry industries in China, which have seen small-scale operators replaced by larger scaled farms, cattle breeding remains dominated by small backyard operations. Despite high beef prices, high breeding costs are a constraint on herd expansion. A free trade agreement expanding access for live cattle from Australia will put additional competitive pressure on the Chinese beef breeding sector.

Import

Live cattle imports down sharply in 2015 but will increase in 2016

Post has adjusted 2015 live cattle imports to 100,000 head based tight global supplies, particularly from China's main suppliers, Australia, New Zealand and Uruguay. Imports are forecast to recover to 200,000 head in 2016. The rise is aided by the inclusion of Chile as a new supply source for China in 2015. Overall, growing demand for high quality beef, the need to improve herd productivity, and the fact that live cattle imports are cheaper than breeding domestically, will drive imports in 2016.

On November 17th 2014, China and Australia announced a free trade agreement (FTA), which includes a provision for an annual quota for live cattle imports of 1 million head. Despite doubts expressed by some analysts that Australia will be able to meet the quota in the near future.

BEEF

Production

Production up slightly in 2016

2016 beef production is forecast at 6.785 million tons. Stable beef prices are attracting more investment in production and some backyard farmers are expanding. However, slaughter increases are still constrained by tight supply of beef animals. Culling of dairy cattle will help support overall slaughter numbers in 2016.

Consumption

Demand to remain firm in 2016

2016 consumption is forecast at 7.4 million tons, higher than USDA's 2015 official forecast. Beef consumption will remain firm in 2016, supported by increasing incomes, continued urbanization and increasing consumer preference over pork. However, high relative prices are expected to keep beef consumption roughly 15% that of pork in the Chinese diet.

Imports

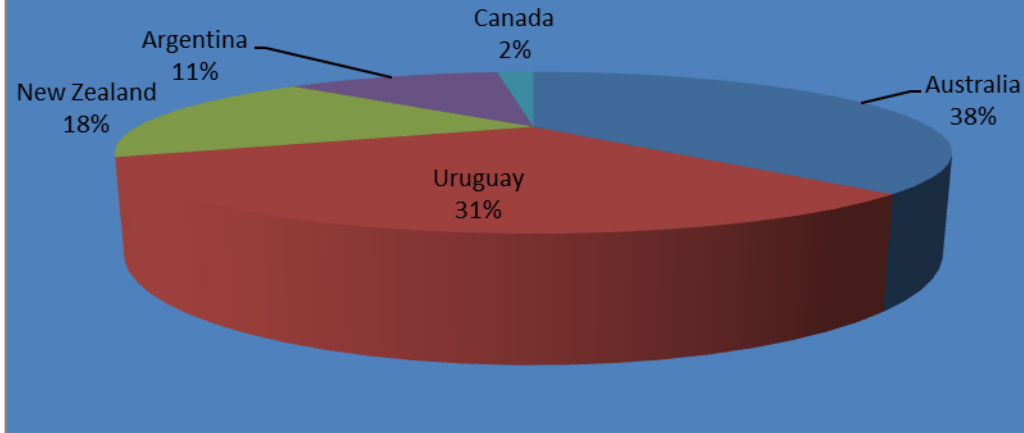
2016 beef imports are forecast at 600,000 tons, 20 percent higher than USDA's 2015 official estimate. Despite increasing prices for its beef, Australia will remain the supplier, a position bolstered by the free trade agreement.

Imports from South American countries are forecast to increase, in part because China has lifted its 2012 BSE-related ban on Brazilian beef. Since 2003, China has banned U.S. beef, beef products, and live cattle, ostensibly due to BSE concerns. However, the OIE (World Organization for Animal Health) has recognized the United States as having 'negligible' BSE risk.

Key Players Comparison Summary

Export Country	Current situation
Australia	Exports mainly grass fed with small quantities of grain fed. Although prices are rising, generally cheaper than North American beef. .
Uruguay	Value for money choice in the market
New Zealand	Mainly grass fed, generally cheaper than Australian beef.
Argentina	Mid-priced compared to other imports. Exports mainly grass fed beef.
Canada	Price is relatively expensive and export quantity is limited.

Import Beef Market Share in China January-June 2015



Cattle Production Supply and Demand Table

Animal Numbers, Cattle	2014		2015		2016	
	Market Begin Year		Market Begin Year		Market Begin Year	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	103000	103000	100550	100450	0	100250
Dairy Cows Beg. Stocks	15000	15000	15300	15500	0	15600
Beef Cows Beg. Stocks	50500	50500	50500	50700	0	50800
Production (Calf Crop)	47900	47900	49000	49000	0	49050
Total Imports	326	230	500	100	0	200
Total Supply	151226	151130	150050	149550	0	149500
Total Exports	20	20	20	20	0	20
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	49215	49100	48500	48000	0	48200
Total Slaughter	49215	49100	48500	48000	0	48200
Loss	1441	1560	1280	1280	0	1280
Ending Inventories	100550	100450	100250	100250	0	100000
Total Distribution	151226	151130	150050	149550	0	149500

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Note: Estimates included in this report are not USDA's official figures, which can be found at <http://www.fas.usda.gov/psdonlineonline>

Beef Production Supply and Demand Table

Meat, Beef and Veal Market Begin Year	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	49215	49215	48500	48000	0	48200
Beginning Stocks	60	60	40	40	0	20
Production	6890	6890	6825	6750	0	6785
Total Imports	417	417	500	550	0	600
Total Supply	7367	7367	7365	7340	0	7405
Total Exports	30	30	30	20	0	25
Human Dom. Consumption	7297	7297	7305	7300	0	7350
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	7297	7297	7305	7300	0	7350
Ending Stocks	40	40	30	20	0	30
Total Distribution	7367	7367	7365	7340	0	7405

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SWINE

Production

Post forecasts China's 2016 swine herd at 421.7 million head, a slight decrease from 2015 USDA's official estimate due to decreasing numbers of sows. Small farm operators continue to leave and stricter environmental laws are factor in reducing swine numbers. China's local governments are using tough new environmental rules to shut down or relocate pig farms, especially those located near densely populated areas. For example, more than half of the small farms in Guangdong were closed while the remaining farms reduced their herd. Also, in Fujian province, the government closed more than 13,000 backyard farms over pollution concerns. China's Environment Protection Act went into effect on January 1, 2015, and contains provisions for increased financial penalties for livestock breeders that mishandle waste.

Hog producers were hit hard by low pork prices. The hog to corn price ratio has remained below the profitability breakeven indicator of 6:1 for 18 months up to June 2015. The extended period of losses has drained farmers' cash reserves, forcing them to cull more 38 million sows. However, industry sources believe the swine herd will recover by the end of 2016 driven by high sow, piglet and hog prices.

Although the breeding herd is shrinking, its quality is improving due to imported genetics, industry consolidation and new investment. The central government is also encouraging the development of large scale swine farms. These farms usually have better technology and management skills, resulting in higher sow production ratio. Investors from other industries such as IT, steel, finance, and chemical have invested in the swine industry bringing the needed capital to buy new technology and equipment to make the sector more efficient.

PORK

Production

Production will be back to normal levels in 2016.

Post forecasts 2016 pork production at 56.2 million tons, a small decrease from USDA's 2015 official forecast. Higher body weight helped offset a decline in slaughter numbers. Better genetics, combined with expected lower feed prices and higher pork prices, will promote slaughter at heavier weights to maximize profitability. As a result, the estimated slaughtering weight is increased from 100kg to 120kg.

Pork prices started to rise upward from March 2015, encouraging farmers to increase sow herds. Reduced supply rather than demand spurred the price increases. Despite recent losses in the industry, industry sources are cautiously optimistic that production increases and prices will allow for the return to profitability.

Consumption

Post forecasts 2016 consumption at 57 million tons, a slight decrease from USDA's official forecast. China's economic slowdown, coupled with the fight against corruption reducing the number of official banquets, has weakened pork demand, particularly at high end hotels and restaurants. Pork prices are anticipated to remain high in 2016 and sustained high prices will drive consumers towards poultry and fish consumption. However, a population that is still growing and becoming more urbanized will support overall pork consumption. Pork is still the main protein sources for many Chinese consumers and consumption will continue to increase as the population continues to grow albeit a slower pace. Urban consumers are also paying more attention to feed safety, resulting in growing popularity of branded pork.

Imports

Imports are forecast at 830,000 tons, a 4 percent increase from 2015 USDA official forecast. Imports from European countries will continue to grow as more countries become eligible to export. In 2015, China added Romania and Austria to the list of countries eligible to export.

U.S. exports are hampered due to China's zero tolerance for ractopamine, a feed additive that promotes lean muscle growth in swine. China maintains this ban despite the establishment of a Codex standard, and scientific evidence indicating that ractopamine can be used safely. China inspects every shipment for ractopamine residue, which adds importers cost at the port and lengthens the customs clearance time.

Declining U.S. imports have allowed European Union countries to capture more than 70 percent import market (as of July, 2017). The price gap between domestically produced pork and imports can be as much as 50 percent reflecting the high cost of production as result of limited land and increasing labor costs. Although a depreciation of the Chinese currency will make imports more expensive, the high cost of local production will remain favorable for imports.

Exports

Post forecasts 2016 exports of pork at 150,000 tons, 25 percent lower than USDA 2015 official forecast. Aforementioned high cost of local production make Chinese pork uncompetitive in most export markets. Most of what is exported goes to Hong Kong and Macau with some exports to Russia.

Swine Production Supply and Demand Table

Animal Numbers, Swine Market Begin Year China	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Beginning Stocks	474113	474113	465830	465830	0	420200
Sow Beginning Stocks	50000	50000	45750	44750	0	45500
Production (Pig Crop)	729927	729927	682300	667000	0	698000
Total Imports	7	7	7	2	0	2
Total Supply	1204047	1204047	1148137	1132832	0	1118202
Total Exports	1750	1750	1600	1600	0	1600
Sow Slaughter	0	0	0	0	0	0
Other Slaughter	735100	735100	721500	710000	0	694000
Total Slaughter	735100	735100	721500	710000	0	694000
Loss	1367	1367	1037	1032	0	902
Ending Inventories	465830	465830	424000	420200	0	421700
Total Distribution	1204047	1204047	1148137	1132832	0	1118202
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Note: Estimates included in this report are not USDA's official figures, which can be found at <http://www.fas.usda.gov/psdonlineonline>

Meat, Swine Market Begin Year China	2014		2015		2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Slaughter (Reference)	735100	735100	721500	710000	0	698000
Beginning Stocks	350	350	375	375	0	145
Production	56710	56710	56600	56400	0	56225
Total Imports	761	761	800	800	0	830
Total Supply	57821	57821	57775	57575	0	57200
Total Exports	277	276	200	180	0	150
Human Dom. Consumption	57169	57170	57425	57250	0	57000
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	57169	57170	57425	57250	0	57000
Ending Stocks	375	375	150	145	0	50
Total Distribution	57821	57821	57775	57575	0	57200
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Price Indexes

China National Retail Beef Prices on Average, 2008-2015 (Year to Date)						
(RMB /KG)	2011	2012	2013	2014	2015	% Change 2014/15
January	35.72	41.38	55.26	63.87	63.99	0.2%
February	36.41	42.03	57.89	64.39	64.75	0.6%
March	35.78	42.00	57.27	63.32	63.97	1.0%
April	35.59	42.26	56.99	62.59	63.02	0.7%
May	35.63	42.79	57.48	62.57	62.61	0.1%
June	36.19	43.68	58.09	62.56	62.46	-0.2%
July	36.91	44.34	58.56	62.64		
August	37.55	45.34	59.17	62.94		
September	38.29	46.87	60.07	63.35		
October	38.78	48.50	60.78	63.56		
November	39.15	50.23	61.56	63.76		
December	39.78	53.29	62.63	63.97		
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>						

China Live Hog Prices on Average, 2008-2015 (Year to Date)						
(RMB /KG)	2011	2012	2013	2014	2015	% Change 2014/15
January	13.88	17.65	17.04	14.46	13.38	-7.5%
February	14.35	17.10	16.09	13.11	12.71	-3.1%
March	14.78	15.83	14.07	12.05	12.27	1.8%
April	15.05	14.80	12.80	11.12	12.91	16.1%
May	15.53	14.25	12.48	12.79	13.92	8.8%
June	17.54	14.05	14.10	13.06	14.72	12.7%
July	18.98	14.00	14.61	13.34		
August	19.33	14.28	15.70	14.56		
September	19.68	14.89	16.04	14.88		
October	18.93	14.85	15.86	14.42		
November	17.35	14.83	15.77	14.09		
December	17.15	15.83	15.92	13.81		
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>						

China National Retail Pork Prices on Average, 2008-2015 (Year to Date)						
(RMB /KG)	2011	2012	2013	2014	2015	% Change 2014/15
January	22.17	27.83	26.43	24.37	22.37	-8.2%
February	22.97	27.36	26.32	22.98	22.02	-4.2%
March	23.09	25.79	23.96	21.49	21.44	-0.2%
April	23.39	24.36	22.03	19.70	21.54	9.3%
May	23.97	23.31	21.48	20.86	22.33	7.0%
June	26.71	22.78	22.81	21.69	23.13	6.6%
July	29.31	22.61	23.43	21.91		
August	29.88	22.94	24.72	23.23		
September	30.35	23.80	25.39	23.90		
October	29.78	23.92	25.24	23.60		
November	27.94	23.76	25.07	23.17		
December	27.17	24.82	25.22	22.88		
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>						

China Piglet Prices on Average, 2008-2015 (Year to Date)						
(RMB /KG)	2011	2012	2013	2014	2015	% Change 2014/15
January	18.65	30.21	27.41	24.36	19.29	-20.8%
February	19.46	31.50	27.79	23.22	19.21	-17.3%
March	22.81	32.66	26.90	22.76	20.09	-11.7%
April	24.99	32.24	25.26	21.84	23.07	5.6%
May	26.71	31.56	24.89	22.99	25.75	12.0%
June	31.11	30.55	27.09	23.79	27.54	15.8%
July	35.	29.	28.	23.		

	26	69	44	55		
August	36. 28	28. 74	29. 71	24. 29		
September	37. 15	28. 82	29. 87	24. 53		
October	35. 84	27. 72	28. 30	23. 20		
November	31. 40	25. 86	26. 43	21. 38		
December	29. 43	26. 06	25. 72	20. 14		
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>						