

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

China produced and consumed more than half of the world's pork supply in 2014. High internal corn prices are stressing profitability for many producers, leading post to reduce the 2015 hog forecast to 672 million head, down about 60 million head from 2014 levels. Post has increased the 2015 import forecast to 1,200,000 tons, 20% increase than USDA official forecast. The United States is expected to remain the second largest supplier to China behind the EU, but its market share is projected to decline.

Meanwhile the pork consumption forecast has been adjusted to just above 2014 levels. Beef production and consumption forecasts have been increased to 6.6 and 7.078 million tons, respectively, essentially equal to 2014 levels. While the Chinese market remains closed to U.S. beef as of early 2015, imports from other suppliers will contribute to a forecast 20% increase to 500,000 tons.

CATTLE

Production

Long term herd contraction continues in 2015

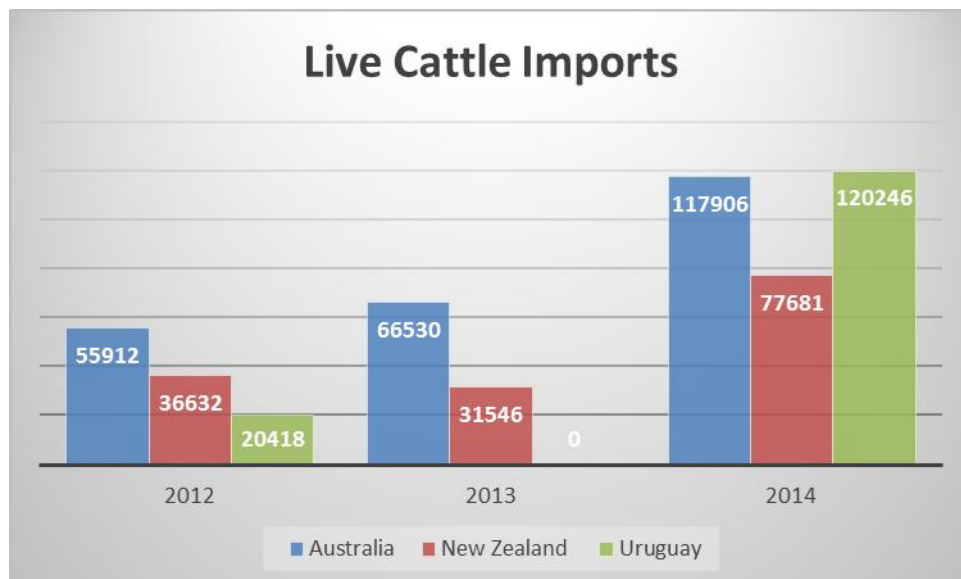
Post has further reduced the 2015 calf crop by another 2.0% to 47,000 head, 2% lower than post 2014 forecast, 3% higher than USDA's earlier forecast, continuing the downward trend in cattle production. According to industry sources, the decline is a reflection of higher breeding costs in China, and Chinese meat processors' preference to import live cattle or carcasses from abroad to meet their slaughtering and manufacturing needs.

Import

Live cattle imports continue to increase in 2015

Post forecasts live cattle imports in 2015 will reach 500,000 head, far above the previous estimate. The large increase is mainly due to fast-growing demand for high quality beef, the need to improve herd productivity, and the fact that importing live cattle is often cheaper than breeding domestically.

On November 17th 2014, China and Australia announced a free trade agreement (FTA), which includes a provision for 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, the agreement is already reportedly spurring expedited investments in Australian farms and slaughter houses. Despite the FTA (which had still not taken effect as of early March 2015), Uruguay is expected to retain its newly acquired position as the NO.1 supplier of live cattle to China.



Source:GTIS

BEEF

Production

Production continues to show slightly increase in 2015

Post forecasts 2015 beef production will be 6.6 million tons, 3% higher than USDA earlier forecast, but below 2013 and 2014 levels. Looking ahead, the current high beef price of approximately USD 10.00/kg are reportedly attracting more investors to the industry, likely leading to increased production as early as next year. Slaughter numbers in 2014 were supported by the reported culling of dairy cattle in response to milk prices falling below the cost of production for small scale producers. Competition from the international market is expected to accelerate this trend in 2015, and results in 4% higher slaughter forecast than USDA official estimate.

Consumption

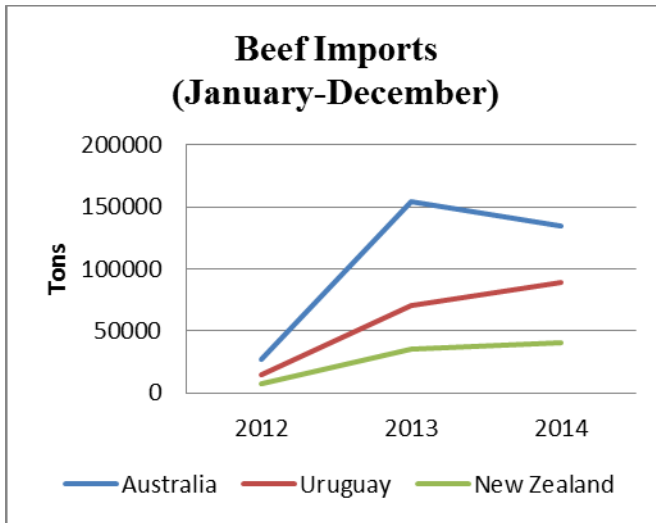
Demand to remain firm in 2015

Post has marginally increased the 2015 consumption forecast to 7.078 million tons, reflecting modest adjustments in production and imports. Demand remains firm due to a steadily growing middle-class, rising incomes, continued urbanization and increasing consumer awareness that beef can be a lower fat protein source compared with pork. However, beef's high price is expected to keep beef consumption roughly 15% that of pork.

Imports

Post forecasts 2015 beef imports at 500,000 tons, 20 percent higher than 2014 level but 3 percent lower than USDA's official estimate, as domestic production will be unable to fulfill demand. And the gap between domestic production and demand widens, China's largest suppliers, Australia, New Zealand, and Uruguay, stand to benefit. Uruguay in particular is realizing export growth as traders have stressed the country's "value for money" of its beef products.

Australia's recently signed free trade agreement with China will not yield immediate tariff reductions for its beef imports, but medium to long term prospects are bright as tariffs are scheduled to be phased out over the next four to nine years.



Note: China's ban on U.S. beef, beef products, and live cattle imposed in 2003 due to the detection of a BSE-positive animals remains in force.

The OIE (World Organization for Animal Health) has recognized that the United States' BSE - related surveillance and mitigation measures are effective and appropriate, for both food safety and animal health. In 2014 the OIE placed the U.S. in the same risk category as China.

Cattle PS&D Table

<i>Animal Numbers, Cattle</i>	<i>2013/2014</i>		<i>2014/2015</i>		<i>2015/2016</i>		
<i>Market Begin Year</i>	<i>Jan 2013</i>		<i>Jan 2014</i>		<i>Jan 2015</i>		
<i>China</i>	<i>USDA Official</i>	<i>New Post</i>	<i>USDA Official</i>	<i>New Post</i>	<i>USDA Official</i>	<i>New Post</i>	
Total Cattle Beg. Stks	103434	103434	103000	103000	102950	102300	(1000 HEAD)
Dairy Cows Beg. Stocks	14939	14939	15000	15000	15300	15300	(1000 HEAD)
Beef Cows Beg. Stocks	52500	52500	50500	50500	46000	48500	(1000 HEAD)
Production (Calf Crop)	48800	48800	48100	47900	45500	47000	(1000 HEAD)
Total Imports	98	98	130	326	135	500	(1000 HEAD)
Total Supply	152332	153103	151230	151226	148585	149800	(1000 HEAD)
Total Exports	19	19	20	20	20	20	(1000 HEAD)
Cow Slaughter	0	0	0	0	0	0	(1000 HEAD)
Calf Slaughter	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	48000	48000	46750	47500	45000	47000	(1000 HEAD)
Total Slaughter	48000	48000	46750	47500	45000	47000	(1000 HEAD)
Loss	1313	1313	1510	1406	1115	1280	(1000 HEAD)
Ending Inventories	103000	103000	102950	102300	102450	101500	(1000 HEAD)
Total Distribution	152332	152332	151230	151226	148585	149800	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
CY. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)
Balance	0	-771	0	0	0	0	(1000 HEAD)
Inventory Balance	-434	-1205	-50	-700	-500	-800	(1000 HEAD)
Inventory Change	0	0	0	-1	0	-1	(PERCENT)
Cow Change	3	1	-3	-3	-6	-3	(PERCENT)
Production Change	2	1	-1	-2	-5	-2	(PERCENT)
Production to Cows	72	72	73	73	74	74	(PERCENT)
Slaughter to Inventory	46	46	45	46	44	46	(PERCENT)
Slaughter to Total Supply	32	31	31	31	30	31	(PERCENT)
TS=TD	0	0	0	0	0	0	

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

Beef PS&D Table

<i>Meat, Beef and Veal Market Begin Year</i> <i>China</i>	<i>2013/2014</i>		<i>2014/2015</i>		<i>2015/2016</i>		
	<i>Jan 2013</i>		<i>Jan 2014</i>		<i>Jan 2015</i>		
	<i>USDA Official</i>	<i>New Post</i>	<i>USDA Official</i>	<i>New Post</i>	<i>USDA Official</i>	<i>New Post</i>	
Slaughter (Reference)	48000	48000	46750	47500	45000	47000	(1000 HEAD)
Beginning Stocks	0	0	60	60	40	40	(1000 MT CWE)
Production	6700	6700	6525	6650	6400	6600	(1000 MT CWE)
Total Imports	412	412	460	417	515	500	(1000 MT CWE)
Total Supply	7112	7112	7045	7127	6955	7140	(1000 MT CWE)
Total Exports	30	30	31	31	32	32	(1000 MT CWE)
Human Dom. Consumption	7022	7022	6974	7056	6893	7078	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	7022	7022	6974	7056	6893	7078	(1000 MT CWE)
Ending Stocks	60	60	40	40	30	30	(1000 MT CWE)
Total Distribution	7112	7112	7045	7127	6955	7140	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)
Balance	0	0	0	0	0	0	(1000 MT CWE)
Inventory Balance	60	60	-20	-20	-10	-10	(1000 MT CWE)
Weights	140	140	140	140	142	140	(1000 MT CWE)
Production Change	1	2	-3	-1	-2	-1	(PERCENT)
Import Change	316	316	12	1	12	20	(PERCENT)
Export Change	-29	-29	3	3	3	3	(PERCENT)
Consumption Change	5	6	-1	0	-1	0	(PERCENT)
Imports Percent Consumption	6	6	7	6	7	7	(PERCENT)
Exports Percent Production	0	0	0	0	1	0	(PERCENT)
Population	1349585838	1349585838	0	1355692576	1361512535	1361512535	(PEOPLE)
Per Capita Consumption	5.2	5.2	0	5.2	5.1	5.2	(KG)
TS=TD	0	0	0	0	0	0	
Comments							

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

SWINE

Production

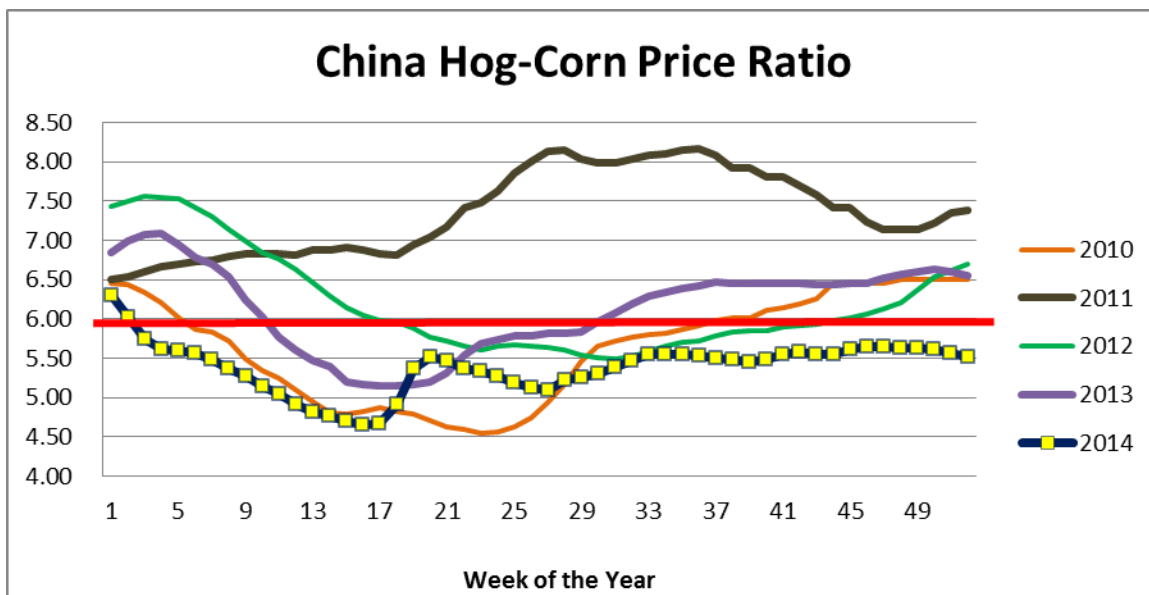
China's swine herd is forecast to decline to 420 million head, a 5 percent decrease from USDA's official forecast due to market oversupply, the exit of small operations and a lack of government financial incentives.

Current herd liquidation to negatively impact 2015 production

Hog producers have been hit hard by low pork prices and high feed prices. The hog to corn price ratio has remained below the profitability breakeven indicator of 6:1 for almost all of 2014. As a result, producers are significantly reducing their sow herds. The extended period of losses has drained farmers' cash reserves, forcing them to cull sows.

Disease outbreaks have put further pressure on pork production. In December 2014, China Central TV reported a large outbreak of foot and mouth disease (FMD) in Jiangxi province. FMD outbreaks were also reported in Hubei, Hunan, Tianjin and Liaoning in 2014.

Although the breeding herd is shrinking, its quality is improving due to imported genetics and industry consolidation. The central government is encouraging the development of large scale swine farms. These farms usually have better technology and management skills, resulting in higher sow body weight.



PORK

Production

Supplies is basically unchanged from 2014

2015 pork production is forecast at 56.1 million tons, 2.2 percent lower than USDA's official forecast and almost unchanged from 2014. Higher body weight helped offset a decline in slaughter. Continually improving 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

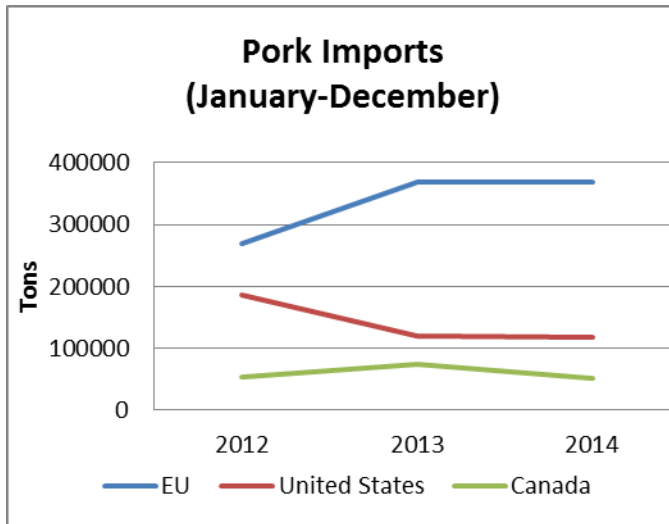
The government stock purchasing program has little impact on the market as the volumes are insignificant. The program generates more of a psychological effect than an actual market impact. The pork sector tends to view the government's purchase price as the lowest market price. The government is expected to intervene by purchasing pork for government reserves if the market price shifts lower.

Consumption

Consumption will increase slightly in 2015

2015 consumption is forecast at 57.2 million tons, 2.0 percent lower than USDA's official forecast. The economic slowdown and changing diets are the main causes behind the sluggish growth. Preserved pork products used to be very popular in southern China, but media campaigns have raised consumer health concerns over these products. Consumption in urban areas has been negatively impacted by increased consumer interest in low-fat diets. Urban consumers are also paying more attention to feed safety, resulting in growing popularity of branded pork. However, branded meat distributed through hypermarkets/supermarkets and specialty stores in the major cities of Beijing, Shanghai and Guangzhou remains a small niche market. Pork prices are expected to increase in 2015, which will also help dampen consumption growth.

Imports



2015 imports are forecast at 1,200,000 tons, 20 percent higher than USDA's official forecast.

Imports from European Union countries will continue to grow and China opens market to more European Union countries. Imports from United States will decrease though. Even the United States is still the second largest pork exporter to China; its market share is shrinking.

A strong dollar has made U.S. pork more costly than meat from competing European countries.

Many meat packers also curtailed their exports to China 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. European Union countries do not use beta agonists such as ractopamine, and now account for more than 60 percent of pork exports to China. Hungary recently became the 15th country granted access to China's pork market.

Exports

2015 exports are forecast at 300,000 tons, up nine percent from 2014 on stronger demand from Hong Kong and Russia. China hopes to increase the number of plants eligible to ship to Russia from the current two to ten in 2015.

<i>Animal Numbers, Swine</i>	<i>2013/2014</i>		<i>2014/2015</i>		<i>2015/2016</i>		
<i>Market Begin Year</i>	<i>Jan 2013</i>		<i>Jan 2014</i>		<i>Jan 2015</i>		
<i>China</i>	<i>USDA Official</i>	<i>New Post</i>	<i>USDA Official</i>	<i>New Post</i>	<i>USDA Official</i>	<i>New Post</i>	
Total Beginning Stocks	475922	475922	474113	474113	475000	465830	(1000 HEAD)
Sow Beginning Stocks	50500	50500	50000	50000	46500	45500	(1000 HEAD)
Production (Pig Crop)	720971	720971	727000	729927	689500	672000	(1000 HEAD)
Total Imports	24	24	3	7	5	7	(1000 HEAD)
Total Supply	1196917	1196917	1201116	1204047	1164505	1137837	(1000 HEAD)
Total Exports	1680	1680	1750	1750	1825	1825	(1000 HEAD)
Sow Slaughter	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	719605	719605	723000	735100	722000	715000	(1000 HEAD)
Total Slaughter	719605	719605	723000	735100	722000	715000	(1000 HEAD)
Loss	1519	1519	1366	1367	1180	1012	(1000 HEAD)
Ending Inventories	474113	474113	475000	465830	439500	420000	(1000 HEAD)
Total Distribution	1196917	1196917	1201116	1204047	1164505	1137837	(1000 HEAD)
CY Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
CY Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)
Balance	0	0	0	0	0	0	(1000 HEAD)
Inventory Balance	-1809	-1809	887	-8283	-35500	-45830	(1000 HEAD)
Inventory Change	2	2	0	0	0	-2	(PERCENT)
Sow Change	2	2	-1	-1	-7	-9	(PERCENT)
Production Change	2	2	1	1	-5	-8	(PERCENT)
Production to Sows	14.3	14.28	14.5	14.6	14.8	14.77	(PERCENT)
Slaughter to Inventory	151	151	152	155	152	153	(PERCENT)
Slaughter to Total Supply	60	60	60	61	62	63	(PERCENT)
TS=TD	0	0	0	0	0	0	
Comments							

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

Pork PS&D Table

<i>Meat, Swine Market Begin Year China</i>	<i>2013/2014</i>		<i>2014/2015</i>		<i>2015/2016</i>		
	<i>Jan 2013</i>		<i>Jan 2014</i>		<i>Jan 2015</i>		
	<i>USDA Official</i>	<i>New Post</i>	<i>USDA Official</i>	<i>New Post</i>	<i>USDA Official</i>	<i>New Post</i>	
Slaughter (Reference)	719605	719605	723000	735100	722000	715000	(1000 HEAD)
Beginning Stocks	300	300	350	350	375	375	(1000 MT CWE)
Production	54930	54930	56500	56710	57350	56100	(1000 MT CWE)
Total Imports	770	770	810	761	1000	1200	(1000 MT CWE)
Total Supply	56000	56000	57660	57821	58725	57675	(1000 MT CWE)
Total Exports	244	244	275	276	300	300	(1000 MT CWE)
Human Dom. Consumption	55406	55406	57010	57170	58250	57200	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	55406	55406	57010	57170	58250	57200	(1000 MT CWE)
Ending Stocks	350	350	375	375	175	175	(1000 MT CWE)
Total Distribution	56000	56000	57660	57821	58725	57675	(1000 MT CWE)
CY Imp. from U.S.	0	0	0	0	0	0	(1000 MT CWE)
CY. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)
Balance	0	0	0	0	0	0	(1000 MT CWE)
Inventory Balance	50	50	25	25	-200	-200	(1000 MT CWE)
Weights	76	76	78	77	79	78	(1000 MT CWE)
Production Change	3	4	3	3	2	-1	(PERCENT)
Import Change	5	5	5	-1	23	58	(PERCENT)
Export Change	4	4	13	13	9	9	(PERCENT)
Consumption Change	3	4	3	3	2	0	(PERCENT)
Imports Percent Consumption	1	1	1	1	2	2	(PERCENT)
Exports Percent Production	0	0	0	0	1	1	(PERCENT)
Population	1349585838	1349585838	1355692576	1355692576	1361512535	1361512535	(PEOPLE)
Per Capita Consumption	41.1	41.1	42.1	42.2	42.8	42	(KG)
TS=TD	0	0	0	0	0	0	

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

China National Retail Beef Prices on Average, 2008-2014

China National Retail Beef Prices on Average, 2008-2014								
(RMB /KG)	2008	2009	2010	2011	2012	2013	2014	% Change 2013/14
January	29.11	33.90	34.08	35.72	41.38	55.26	63.87	15.6%
February	31.40	33.72	34.54	36.41	42.03	57.89	64.39	11.2%
March	31.42	33.13	33.86	35.78	42.00	57.27	63.32	10.6%
April	31.55	32.81	33.45	35.59	42.26	56.99	62.59	9.8%
May	31.73	32.60	33.24	35.63	42.79	57.48	62.57	8.9%
June	31.82	32.53	33.16	36.19	43.68	58.09	62.56	7.7%
July	31.92	32.46	33.30	36.91	44.34	58.56	62.64	7.0%
August	32.02	32.70	33.55	37.55	45.34	59.17	62.94	6.4%
September	32.39	32.96	33.89	38.29	46.87	60.07	63.35	5.5%
October	32.74	33.15	34.17	38.78	48.50	60.78	63.56	4.6%
November	32.98	33.35	34.65	39.15	50.23	61.56	63.76	3.6%
December	33.25	33.73	35.07	39.78	53.29	62.63	63.97	2.1%
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>								

China Live Hog Prices on Average, 2008-2014

China Live Hog Prices on Average, 2008-2014								
(RMB /KG)	2008	2009	2010	2011	2012	2013	2014	% Change 2013/14
January	16.50	13.41	12.05	13.88	17.65	17.04	14.46	-15.1%
February	16.70	12.70	11.14	14.35	17.10	16.09	13.11	-18.5%
March	16.83	11.63	10.06	14.78	15.83	14.07	12.05	-14.4%
April	16.87	10.35	9.53	15.05	14.80	12.80	11.12	-13.1%
May	15.77	9.24	9.62	15.53	14.25	12.48	12.79	2.5%
June	15.35	9.33	9.64	17.54	14.05	14.10	13.06	-7.4%
July	14.82	10.13	11.14	18.98	14.00	14.61	13.34	-8.7%
August	14.47	11.38	12.19	19.33	14.28	15.70	14.56	-7.3%
September	13.86	11.85	12.55	19.68	14.89	16.04	14.88	-7.2%
October	12.50	11.47	12.78	18.93	14.85	15.86	14.42	-9.1%
November	11.90	11.40	13.55	17.35	14.83	15.77	14.09	-10.7%
December	12.91	12.09	13.79	17.15	15.83	15.92	13.81	-13.3%
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>								

China National Retail Pork Prices on Average, 2008-2014

China National Retail Pork Prices on Average, 2008-2014								
(RMB /KG)	2008	2009	2010	2011	2012	2013	2014	% Change 2013/14
January	25.53	21.25	19.31	22.17	27.83	26.43	24.37	-7.8%
February	26.08	20.62	18.67	22.97	27.36	26.32	22.98	-12.7%
March	25.56	19.30	17.32	23.09	25.79	23.96	21.49	-10.3%
April	25.68	17.60	16.21	23.39	24.36	22.03	19.70	-10.6%
May	24.71	15.68	16.09	23.97	23.31	21.48	20.86	-2.9%
June	24.10	15.46	16.04	26.71	22.78	22.81	21.69	-4.9%
July	23.58	16.27	17.54	29.31	22.61	23.43	21.91	-6.5%
August	23.18	17.94	19.30	29.88	22.94	24.72	23.23	-6.0%
September	22.59	18.97	20.11	30.35	23.80	25.39	23.90	-5.9%
October	20.86	18.71	20.42	29.78	23.92	25.24	23.60	-6.5%
November	19.46	18.47	21.33	27.94	23.76	25.07	23.17	-7.6%
December	20.34	19.11	21.94	27.17	24.82	25.22	22.88	-9.3%
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>								

China Piglet Prices on Average, 2008-2014

China Piglet Prices on Average, 2008-2014								
(RMB /KG)	2008	2009	2010	2011	2012	2013	2014	% Change 2013/14
January	29.66	20.06	17.41	18.65	30.21	27.41	24.36	-11.1%
February	30.62	20.11	16.60	19.46	31.50	27.79	23.22	-16.4%
March	35.29	19.75	15.61	22.81	32.66	26.90	22.76	-15.4%
April	38.23	18.27	14.74	24.99	32.24	25.26	21.84	-13.5%
May	36.11	15.41	14.77	26.71	31.56	24.89	22.99	-7.6%
June	34.55	15.08	14.39	31.11	30.55	27.09	23.79	-12.2%
July	33.01	15.88	15.77	35.26	29.69	28.44	23.55	-17.2%
August	30.94	17.74	17.61	36.28	28.74	29.71	24.29	-18.2%
September	28.55	18.78	18.24	37.15	28.82	29.87	24.53	-17.9%
October	23.44	18.14	18.21	35.84	27.72	28.30	23.20	-18.0%
November	20.02	17.39	18.55	31.40	25.86	26.43	21.38	-19.1%
December	19.42	17.55	18.64	29.43	26.06	25.72	20.14	-21.7%
<i>Source: The Ministry of Agriculture collected from over 400 markets of farm produce.</i>								