

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **China - Peoples Republic of**

## **Poultry and Products Annual**

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**Report Highlights:**

FAS Beijing forecasts China's broiler meat production in 2011 will continue modest growth, rising nearly four percent to 13 million metric tons (MMT). Meanwhile, China's broiler meat imports will decline 18 percent following a 22 percent decline in 2010 due to anti-dumping duties placed on U.S. chicken. China's broiler meat exports will continue to rise in 2011 fueled by strong demand in Japan and Hong Kong.

## **Executive Summary**

FAS Beijing (Post) forecasts China's poultry meat production will continue modest gains in 2011, up four percent to 13 million metric tons (MMT). Rising broiler meat prices in the second half of 2010 are more than offsetting still high feed costs and will encourage continued strong production into 2011. China's broiler meat imports in 2011 will decline 14 percent to 280,000 metric tons (MT), following a 22 percent decline in 2010. Higher imports from Brazil and Argentina have not completely replaced sharply lower imports from the United States. 2010 Chinese broiler meat imports from the United States (including claws) have fallen more than 80 percent (through July), due to anti-dumping and counter-vailing duties imposed on U.S. poultry in mid-February. These duties will continue into 2011 as a result of MOFCOM's recent final determinations in their anti-dumping and counter-vailing duty investigations.

Post forecasts China's broiler meat exports in 2011 will increase nearly eight percent to 410,000 MT, following strong sales in 2010. Consumer demand in Japan and Hong Kong has been particularly brisk in 2010, and industry contacts are expecting continued strong sales in 2011.

### **Broiler Production Forecast to Rise Four Percent in 2011**

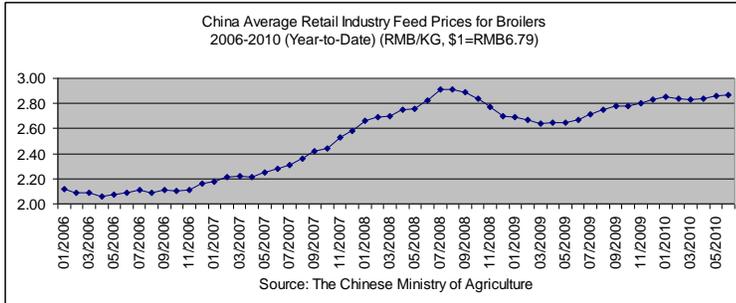
Chinese broiler output is expected to reach 13 million metric tons, following a four percent increase in 2010. Strong demand for local chicken is offsetting continued high feed costs and encouraging producers to expand placements. Reduced imports from the United States following the implementation of anti-dumping duties in February 2010 are also helping to boost local prices. Wholesale broiler prices in September 2010 topped 13 yuan (\$1.93) per kilogram, well above prices at the same time in 2009 and 2008.

An expected large inventory of grandparent generation (GPG) breeding broilers will pave the way for steady growth in commercial bird production in 2011. Chinese industry contacts expect China's imports of GPG breeding broilers in 2010 will hit a record 1 million sets (1 set = 120 birds), with especially strong sales expected in the last quarter of 2010 to prepare for higher expected output in 2011. These imports in the previous two years were 800,000 and 960,000 sets respectively.

Reduced outbreaks of highly pathogenic avian influenza (HPAI) in 2010 are another factor helping the Chinese broiler industry maintain steady production growth. Lower rates of reported disease are partly due to China's continued shift toward larger-sized and more standardized commercial production.

While a "company plus contracted household farm" model for large-scale companies has predominated to date, there is a gradual shift toward a "company plus production base (company's own farms) plus contracted household farms" for broiler supplies. Meanwhile, minimum volumes for contracted household farms are also reportedly rising, in some cases to more than 5,000 birds per delivery. Previously, household farms could obtain contracts with only 2,000 birds per delivery. This has

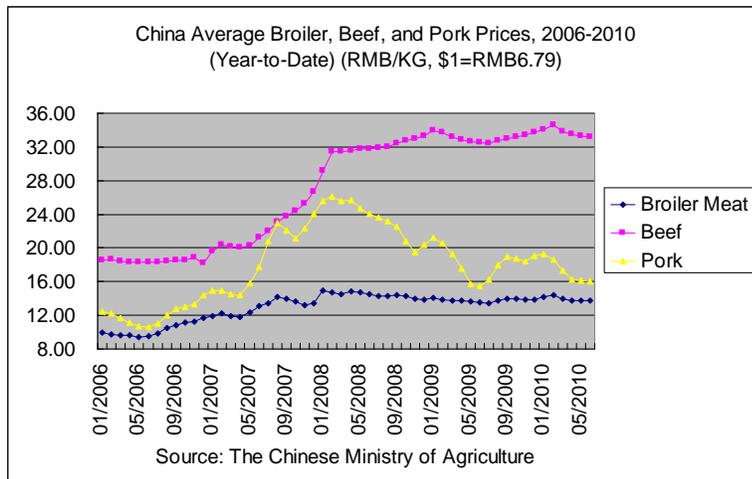
encouraged small operators to improve their production capacity and facilities. Zhucheng Foreign Trade Company, one of China's top ten broiler companies in Shandong province, has reduced its contracts with household farms from one-third of total volume to 17 percent over the last couple of years.



While improving scale economies and integration is improving competitiveness, Chinese operators continue to be challenged by high feed costs, which continued to climb in 2010. Prices for corn, which accounts for 55-60 percent of broiler feed, from January through June jumped 25 percent from the same period the year before to RMB1,970 (\$291) per

metric ton (MT). Overall, broiler feed prices in 2010 have risen to RMB 2,887 (\$423) per metric ton through June, up 7 percent from the same six-month period last year.

### Broiler Consumption Forecast to Rise 3 Percent in 2010



Post forecasts China's total broiler meat consumption in 2011 will rise three percent to nearly 13.3 MMT (not including claws), following a two percent increase in the previous year. This will boost Chinese per capita broiler consumption to a record 10 kilograms.

Continued demand gains are bolstered by the low cost of broiler meat compared to pork and beef. The efficient feed-gain ratio for broilers reduces production costs and helps keep

chicken prices low. Chicken claws, wings, and legs account for the vast majority of Chinese retail chicken sales.

### Broiler Product Imports in 2011 Forecast to Decline 14 Percent

Post forecasts China's broiler meat imports in 2011 will decrease 14 percent to 280,000 MT following an estimated 22 percent decrease in the previous year, excluding chicken claws.

2010 Chinese broiler meat imports from the United States (including claws) have fallen more than 80 percent (through July) due to anti-dumping and counter-vailing duties imposed on U.S. poultry in mid-

February. These duties will continue into 2011 as a result of MOFCOM's recent final determinations in their anti-dumping and counter-vailing duty investigations.

Higher imports from Brazil and Argentina have not completely replaced the sharply lower imports from the United States due to capacity limitations on South American product. Argentina cannot supply significant volumes of mid-wings, a key import item in China. In addition, traders are reporting that quality is sometimes uneven compared to other suppliers. The Automated Registration Form (import license) is another limitation since maximum volumes per license are based partly on previous year's imports.

China's chicken claw imports account for 50-60 percent of China's total poultry imports. Before implementation of anti-dumping and countervailing duties, the United States was the largest supplier by far. Limited volumes of U.S. claw shipments will continue despite the AD and CV duties as some exporters will cut export prices since there are no alternative markets for this cut.

### **China Issues Final AD and CVD Determination against U.S. Broiler Products**

On September 26, the Ministry of Commerce (MOFCOM) published the final determination in its antidumping (AD) investigation against U.S. chicken products. The determination goes into effect September 27. These duties are in addition to final counter-vailing duties announced in August.

The table below shows the final AD margins, along with the preliminary margins introduced in February.

<b>Respondent</b>	<b>Prelim AD Margins</b>	<b>Final AD Margins</b>
Pilgrim's	80.5	53.4
Tyson	43.1	50.3
Keystone	44	50.3
Other Registered Companies	64.5	51.8
All Others	105.4	105.4

On August 29, MOFCOM announced its counter-veiling duty (CVD) final determination. The final CVD margins vary from four to 30.3 percent and became effective on August 30.

<b>Respondent</b>	<b>Prelim CV Margins</b>	<b>Final CV Margins</b>
Pilgrim's	4.9	5.1
Tyson	11.2	12.5
Keystone	3.8	4
Weighted Average	6.1	7.4
All Others	31.4	30.3

### **Broiler Exports in 2011 Forecast to Increase Eight Percent**

Post forecasts China's broiler exports in 2011 will increase nearly eight percent to 410,000 MT, following an estimated 31 percent increase in 2010. Exporters are reporting robust growth in nearly all of China's key markets, with Japan and Hong Kong continuing to lead sales accounting for nearly 70 percent of the total combined.

Sales to Japan are bolstered by an improving economy compared to the same period last year and shippers expect continued strong sales in 2011. In Hong Kong, mainland China chicken cut imports are rising along with overall sales of fresh/chilled chicken. Environmental concerns are reducing sales of live broilers and encouraging a shift to fresh/chilled cuts, a trend that will continue to support sales to Hong Kong in 2011.

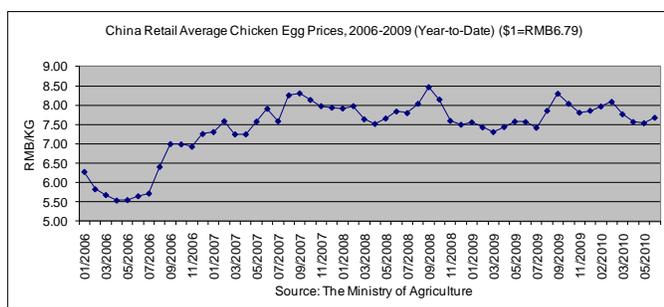
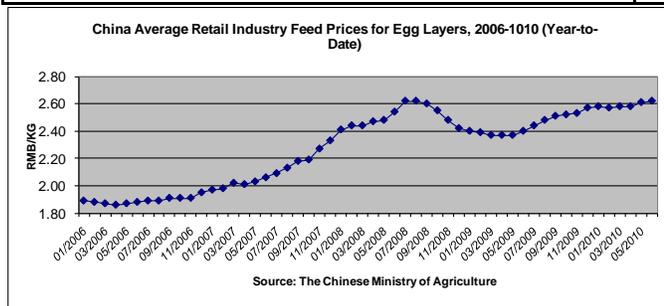
## Poultry Egg

### Poultry Egg Production to Rise Two Percent in 2011

Post forecasts China's total poultry egg production in 2011 will increase over two percent to 27.7 MMT following a two percent increase in 2010. Higher production is partly due to improved control of avian leukosis virus (J-ALV), which hindered production in 2009.

					Estimate	Forecast	% Change
2005	2006	2007	2008	2009	2010	2011	2011/10
24,381	24,240	25,290	27,017	26,600	27,100	27,700	2.21

Source: China National Statistics Bureau



China's monthly poultry egg price in June 2010 declined five percent to RMB7.68 (\$1.13) per kilogram from February due to oversupply. China Animal Husbandry Association monitoring shows that China's total grand-parent-generation (GPG) breeding layer inventory is 569,000 sets with imported GPG breeding layers accounting for 57 percent at 321,600 birds. The remaining 247,700 sets are domestic GPG breeders. Industry contacts consider that continued development of the domestic GPG breeding industry is a key factor behind the current oversupply of parent-generation (PG) breeding layers and commercial egg layers. Yukou, the largest domestic GPG breeding layer company, alone could have 200,000 sets of GPG breeding layers ready for reproduction.

## Statistic Tables

## Poultry PS&D Table (Broiler)

Poultry, Meat, Broiler China	2009			2010			2011			
	Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			Market Year Begin: Jan 2011			
	USDA Official	Old Pos t	New Post	USDA Official	Old Pos t	New Post	USDA Official	Old Pos t	New Post	
Inventory (Reference)	0	0	N/A	0		N/A			N/A	(MIL)
Slaughter (Reference)	8,980	0	8,980	9,295		9,296			9,629	HEAD) (MIL)
Beginning Stocks	0	0	0	0		0			0	HEAD)
Production	12,100	0	12,100	12,550		12,550			13,000	(1000 MT)
Whole, Imports	0	0	0	0		0			0	(1000 MT)
Parts, Imports	401	0	417	425		326			280	(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	401	0	417	425		326			280	(1000 MT)
Total Supply	12,501	0	12,517	12,975		12,876			13,280	(1000 MT)
Whole, Exports	0	0	0	0		0			0	(1000 MT)
Parts, Exports	291	0	291	300		380			410	(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	291	0	291	300		380			410	(1000 MT)
Human Consumption	12,210	0	12,226	12,675		12,496			12,870	(1000 MT)
Other Use, Losses	0	0	0	0		0			0	(1000 MT)
Total Dom. Consumption	12,210	0	12,226	12,675		12,496			12,870	(1000 MT)
Total Use	12,501	0	12,517	12,975		12,876			13,280	(1000 MT)
Ending Stocks	0	0	0	0		0			0	(1000 MT)
Total Distribution	12,501	0	12,517	12,975		12,876			13,280	(1000 MT)
CY Imp. from U.S.	335	0	335	150		200			200	(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	2	0	2	4		4			4	(PERCENT)
Import Change	1	0	7	2		-22			-14	(PERCENT)
Export Change	2	0	2	3		31			8	(PERCENT)
Trade Balance	-110	0	-126	-125		54			130	(1000 MT)
Consumption Change	2	0	2	4		2			3	(PERCENT)
Population	1,338,612,96		1,338,612,96	1,347,563,49		1,338,612,96			1,338,612,96	(PEOPLE)
Per Capita Consumption	8		8	8		8			8	(KG)
TS=TD	9		9	9		9			10	(KG)
			0			0			0	

## Poultry Trade Matrices

China Direct Broiler Meat Imports, 2008-2010 (Year-to-Date) (Metric Tons)					
	Jan-Dec	Jan-Dec	Jan-Jul		Jan-Jul
Origin	Quantity	Quantity	Quantity Comparison		% Change
	2008	2009	2009	2010	2010/09
World	787,251	722,766	406,685	325,366	-20.00
Brazil	131	27,793	0	157,344	0.00
Argentina	192,252	68,435	36,210	102,149	182.10
United States	572,094	613,682	361,783	58,236	-83.90
Chile	12,372	12,217	8,065	6,480	-19.65
France	10,397	610	610	78	-87.21
Other	5	29	17	1,079	6247.06

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

China Direct Chicken Claw Imports, 2008-2010 (Year-to-Date) (Metric Tons)					
	Jan-Dec	Jan-Dec	Jan-Jul		Jan-Jul
	Quantity	Quantity	Quantity Comparison		% Change
Origin	2008	2009	2009	2010	2010/09
World	452,170	383,166	201,778	201,977	0.10
Brazil	106	16,374	0	100,814	0.00
Argentina	163,722	55,395	30,145	71,594	137.50
United States	272,638	303,503	166,162	25,349	-84.74
Chile	9,590	7,672	5,249	4,220	-19.60
France	6,114	223	223	0	-100.00
Other	0	0	0	0	0.00
HS Code: 020714.22					
Source: GTA China Customs Statistics					

Hong Kong Broiler Meat Re-Exports to Mainland China, 2008-2010 (Year-to-Date) (Metric Tons)					
	Jan-Dec	Jan-Dec	Jan-Jul		Jan-Jul
	Quantity	Quantity	Quantity Comparison		% Change
Origin	2008	2009	2009	2010	2010/09
World	255,771	194,856	96,429	216,492	124.51
Brazil	146,732	86,203	41,816	105,152	151.46
United States	69,071	76,229	40,498	62,421	54.13
Argentina	12,703	6,156	2,979	29,325	884.39
Poland	944	1,889	600	2,660	343.33
Canada	3,737	4,655	2,239	1,645	-26.53
Netherlands	4,878	1,778	489	1,336	173.21
Chile	4,039	7,980	1,518	1,189	-21.67
United Kingdom	389	1,006	393	1,171	197.96
Denmark	2,045	2,184	1,507	1,104	-26.74
Syrian Arab Rep	0	195	163	1,101	575.46
Turkey	386	1,867	821	1,085	32.16
Spain	1,304	202	101	866	757.43
Germany	1,183	1,048	529	833	57.47
Australia	1,768	634	468	650	38.89
France	3,544	1,487	827	629	-23.94
Belgium	993	371	211	418	98.10
Iran	146	522	156	54	-65.38
Other	1,909	450	1,114	4,853	335.64
HS Code: 020711, 020712, 020713, 020714 & 160232					
Source: WTA, Hong Kong Census and Statistics Department					
Note: Chicken claw re-exports to China under HS Code 02071410 are included in this table, but excluded in the broiler PS&D table.					

Hong Kong Chicken Claw Re-Exports to Mainland China, 2008-2010 (Year-to-Date) (Metric Tons)					
	Jan-Dec	Jan-Dec	Jan-Jul		Jan-Jul
	Quantity	Quantity	Quantity Comparison		% Change
Origin	2008	2009	2009	2010	2010/09
World	191,988	116,973	66,466	149,733	125.28
Brazil	121,164	52,481	30,365	74,815	146.39
United States	47,566	50,440	27,719	48,543	75.13
Argentina	11,066	482	2,364	16,968	617.77
Poland	291	833	361	1,585	339.06
Canada	1,563	858	606	228	-62.38
Netherlands	803	163	53	421	694.34
Chile	2,771	1,556	1,324	687	-48.11
Turkey	673	84	84	536	0.00
United Kingdom	158	366	219	628	186.76
Denmark	1,605	1,722	1,212	903	-25.50
Spain	340	51	51	538	954.90
Germany	571	687	404	393	-2.72
Australia	1,491	482	340	574	68.82
France	1,463	411	207	153	-26.09
Belgium	27	25	0	183	#DIV/0!
Iran	146	50	25	0	-100.00
Other	290	6,282	1,132	2,578	127.74

HS Code: 02071410  
Source: WTA, Hong Kong Census and Statistics Department

China Broiler Meat Exports, 2008-2010 (Year-to-Date) (Metric Tons)					
	Jan-Dec	Jan-Dec	Jan-Jul		Jan-Jul
	Quantity	Quantity	Quantity Comparison		% Change
Destination	2008	2009	2009	2010	2010/09
World	285,316	291,272	167,612	221,947	32.42
Japan	135,896	134,377	82,722	111,682	35.01
Hong Kong	108,651	113,279	63,659	77,157	21.20
Malaysia	15,362	17,041	7,165	13,002	81.47
Bahrain	4,194	4,137	1,938	3,091	59.49
Korea South	6,627	3,570	1,984	2,341	17.99
Kyrgyzstan	3,904	4,459	2,800	1,848	-34.00
Macau	2,959	3,095	1,764	1,706	-3.29
Iraq	1,751	1,403	701	1,635	133.24
United Kingdom	0	1,295	401	1,522	279.55
Netherlands	100	2,447	1,706	869	-49.06
Philippines	407	405	193	492	154.92
Armenia	392	421	146	403	176.03
Georgia	205	258	26	130	400.00
Azerbaijan	817	1,274	916	119	-87.01
South Africa	851	0	0	0	0.00
Other	3,200	3,811	1,491	5,950	299.06

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

## Poultry Price Tables

China Retail Broiler Meat Prices On Average 2006-2010 (RMB/KG, \$1=RMB6.79)						
						% Change
MONTH	2006	2007	2008	2009	2010	2010/09
January	9.99	11.89	14.90	14.06	14.15	0.64
February	9.78	12.26	14.69	13.88	14.38	3.60
March	9.62	11.87	14.51	13.74	13.98	1.75
April	9.58	11.77	14.80	13.71	13.77	0.44
May	9.45	12.32	14.72	13.66	13.72	0.44
June	9.52	13.05	14.51	13.50	13.76	1.93
July	9.82	13.47	14.33	13.41		
August	10.50	14.14	14.29	13.73		
September	10.87	14.01	14.40	14.00		
October	11.14	13.60	14.29	13.94		
November	11.28	13.23	14.00	13.87		
December	11.64	13.46	13.87	13.83		

Source: The Ministry of Agriculture

China Retail Live Chicken Prices On Average 2006-2010 (RMB/KG, \$1=RMB6.79)						
						% Change
MONTH	2006	2007	2008	2009	2010	2010/09
January	9.76	11.95	13.97	14.16	13.98	-1.27
February	9.86	12.65	14.53	13.99	14.28	2.07
March	9.62	12.12	14.31	13.70	13.82	0.88
April	9.31	12.03	14.59	13.57	13.55	-0.15
May	9.49	12.51	14.42	13.47	13.50	0.22
June	9.57	13.30	14.13	13.37	13.58	1.57
July	9.83	13.59	13.89	13.28		
August	10.42	14.51	13.91	13.66		
September	10.85	14.35	14.15	14.00		
October	11.24	13.73	14.08	13.82		
November	11.36	13.46	13.84	13.71		
December	11.68	13.57	13.72	13.83		

Source: The Ministry of Agriculture

China Broiler Chicklet Prices On Average 2006-2010 (RMB/KG, \$1=RMB6.79)						
						% Change
MONTH	2006	2007	2008	2009	2010	2010/09
January	1.64	2.38	2.64	2.06	2.06	0.00
February	1.69	2.42	2.83	2.31	2.23	-3.46
March	1.62	2.28	2.89	2.55	2.27	-10.98
April	1.48	2.37	3.49	2.47	2.13	-13.77
May	1.37	2.60	3.39	2.24	2.00	-10.71
June	1.42	2.82	2.87	2.48	1.89	-23.79
July	1.66	3.00	2.45	2.03		
August	2.10	3.75	2.55	2.37		
September	2.25	3.76	2.77	2.32		
October	2.27	3.35	2.77	2.18		
November	2.47	2.84	2.42	2.08		
December	2.68	2.90	2.13	2.17		

Source: The Ministry of Agriculture

China Egg Layer Chick-let Prices On Average 2006-2009 (RMB/KG, \$1=RMB6.79)						
						% Change
MONTH	2006	2007	2008	2009	2010	2010/09
January	1.99	2.37	2.61	2.33	2.35	0.86
February	1.96	2.45	2.74	2.42	2.40	-0.83
March	1.96	2.47	2.74	2.57	2.49	-3.11
April	1.89	2.54	2.95	2.62	2.47	-5.73
May	1.81	2.67	2.92	2.57	2.40	-6.61
June	1.87	2.88	2.84	2.48	2.35	-5.24
July	1.84	2.83	2.65	2.40		
August	2.08	3.12	2.64	2.50		
September	2.25	3.24	2.68	2.55		
October	2.24	3.11	2.68	2.48		
November	2.30	2.90	2.46	2.40		
December	2.36	2.79	2.36	2.38		

Source: The Ministry of Agriculture

China Retail Chicken Egg Prices On Average 2006-2010 (RMB/KG, \$1=RMB6.79)						
						% Change
MONTH	2006	2007	2008	2009	2010	2010/09
January	6.28	7.31	7.92	7.56	7.97	5.42
February	5.83	7.59	7.98	7.43	8.09	8.88
March	5.68	7.25	7.64	7.31	7.77	6.29
April	5.54	7.25	7.52	7.44	7.57	1.75
May	5.55	7.58	7.66	7.58	7.54	-0.53
June	5.65	7.91	7.84	7.57	7.68	1.45
July	5.72	7.59	7.80	7.42		
August	6.41	8.26	8.04	7.86		
September	7.00	8.31	8.47	8.30		
October	6.99	8.14	8.15	8.04		

November	6.93	7.98	7.60	7.81		
December	7.26	7.94	7.50	7.86		

Source: The Ministry of Agriculture

China Industry Feed Prices for Broilers On Average 2006-2010 (RMB/KG, \$1=RMB6.79)						
						% Change
	2006	2007	2008	2009	2010	2010/09
January	2.12	2.18	2.66	2.69	2.85	5.95
February	2.09	2.21	2.69	2.67	2.84	6.37
March	2.09	2.22	2.70	2.64	2.83	7.20
April	2.06	2.21	2.75	2.65	2.84	7.17
May	2.07	2.25	2.76	2.65	2.86	7.92
June	2.09	2.28	2.82	2.67	2.87	7.49
July	2.11	2.31	2.91	2.71		
August	2.09	2.36	2.91	2.75		
September	2.11	2.42	2.89	2.78		
October	2.10	2.44	2.84	2.78		
November	2.11	2.53	2.77	2.80		
December	2.16	2.58	2.70	2.83		

Source: The Ministry of Agriculture

China Industry Feed Prices for Egg Layers On Average 2006-2010 (RMB/KG, \$1=RMB6.79)						
						% Change
MONTH	2006	2007	2008	2009	2010	2010/09
January	1.89	1.97	2.41	2.40	2.58	7.50
February	1.88	1.98	2.44	2.39	2.84	18.83
March	1.87	2.02	2.44	2.37	2.68	13.08
April	1.86	2.01	2.47	2.37	2.58	8.86
May	1.87	2.03	2.48	2.37	2.61	10.13
June	1.88	2.06	2.54	2.40	2.62	9.17
July	1.89	2.09	2.62	2.44		
August	1.89	2.13	2.62	2.48		
September	1.91	2.18	2.60	2.51		
October	1.91	2.19	2.55	2.52		
November	1.91	2.27	2.48	2.53		
December	1.95	2.33	2.42	2.57		

Source: The Ministry of Agriculture