

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **China - Peoples Republic of**

### **Poultry and Products Semi-annual**

#### **Poultry Demand Remains Flat**

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**Report Highlights:**

China is the world's second largest poultry market. However, poultry exports from the United States were banned in January, 2015, due to high pathogenic avian influenza (HPAI) outbreaks. Brazil is the top beneficiary from the absence of U.S. suppliers. Post revises the 2016 broiler meat import forecast upward to 400,000 tons, an increase of 140,000 tons compared to the USDA's 2016 official figure. Post revises China's 2016 broiler meat consumption forecast to 12.7 million tons, slightly lower than previous USDA estimates based on softening demand for white-feathered broiler meat.

Poultry, Meat, Broiler

**Production:  
Broiler PS&D Table**

	2014		2015		2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	9900	9900	10100	10100	10100	9800
Beginning Stocks	0	0	0	0	0	0
Production	13000	13000	13025	13400	13100	12700
Total Imports	260	260	250	270	260	400
Total Supply	13260	13260	13275	13670	13360	13100
Total Exports	430	430	395	400	375	380
Human Consumption	12830	12830	12880	13270	12985	12720
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	12830	12830	12880	13270	12985	12720
Total Use	13260	13260	13275	13670	13360	13100
Ending Stocks	0	0	0	0	0	0
Total Distribution	13260	13260	13275	13670	13360	13100

(MIL HEAD) ,(1000 MT)

Note: USDA trade statistics for broiler meat do not include feet/paws

Production

Post revised 2015 production upward to 13.4 million tons, due to higher production of white-feathered broiler meat, and adjusted the 2016 production forecast down to 12.7 million tons, a 3 percent decrease from previous USDA's official estimates. HPAI outbreaks around the world have made it difficult for Chinese procedures to replenish their white-feathered broiler stocks.

China relies on imports of the grandparent stocks for white broiler meat, and the United States once accounted for approximately 90 percent imports while France and New Zealand supplied the remaining imports. In January 2015, China banned U.S. poultry imports because of HPAI detections in the United States. China banned France for HPAI in the fall of 2015 leaving only New Zealand and other small suppliers eligible to export to China. However, these smaller players have limited supply to meet China's demand.

The table below illustrates China declining imports of white broiler meat grandparent stocks.

China white broiler breeder imports	
2014	1.17 million pairs of birds
2015	694,000 pairs of birds
2016	Under 500,000 breeding pairs (estimate)

To deal with reduced grandparent stocks, some Chinese operations have utilized forced-molting to extend the breeding span of both grandparent and parent stocks of white-feathered broilers. With the supply of grandparent stocks disrupted, Post forecasts white-feathered broiler meat production will drop 10 percent in 2016. Yellow-feathered broiler meat production will increase but overall broiler meat production will decline.

#### Comparison between White Feathered and Yellow Feathered Chickens

	White Feathered Chicken	Yellow Feathered Chicken
Species	90% grandparent stocks imported from the United States	Local species
Market share in 2015*	55%	30%
Feed to meat ratio	1.8:1	2.5:1
Sales channel	Fast food restaurants, canteens and food processing plants	Wet markets and supermarkets , targeting family consumption
Sales specification	Frozen cuts and chilled	Live, chilled as whole, some cuts

**\*Percentage of total poultry market share**

#### Consumption

Post adjusted 2015 consumption upward to 13.27 million tons, to reflect increased production and imports. Post revised the 2016 consumption forecast downward to 12.72 million tons, slightly below the previous USDA forecast.

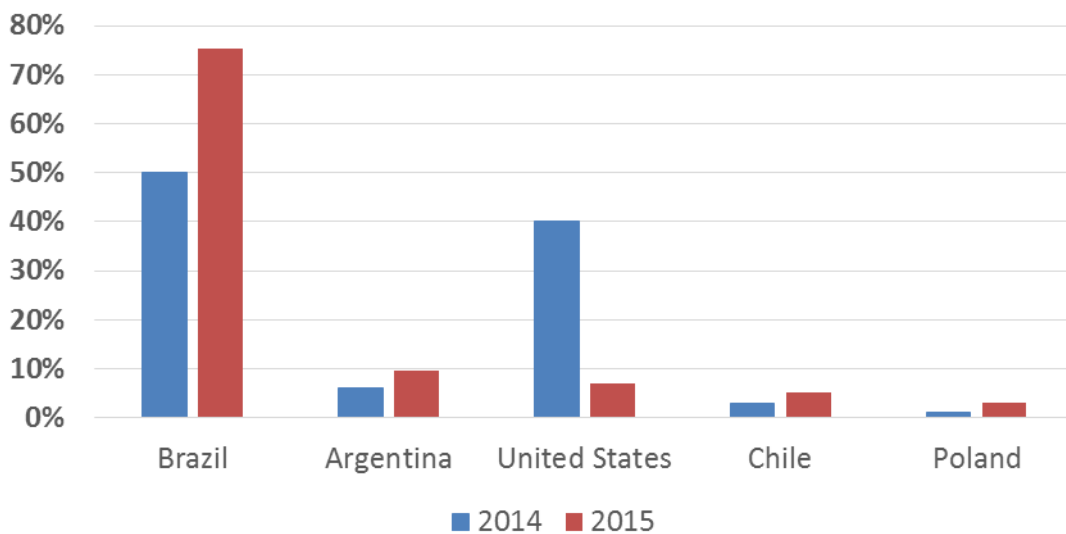
The changing manufacturing structure in China, with more factories closing as a result of production moving to lower cost countries, has reduced the number of factory canteens where white white-feathered broiler meat was once widely consumed by workers because of its low cost. According to industry sources, another factor hindering white-feathered broiler meat consumption are the high fees charged for slot space by some supermarkets because white-feathered broiler breast meat is perceived to be less popular than wings, legs, and paws.

The main outlet yellow-feathered broiler meat is wet markets. However, the government's desire to end live bird slaughtering in wet markets as part of its efforts to enhance food safety and prevent AI from spreading to humans hampers consumption.

### Imports

Post adjusted 2015 imports to 270,000 tons adjusted the 2016 import forecast upward to 400,000 tons, Imports from South American countries are increasing especially from Brazil as more poultry plants export to China.

Import Market Share



### Import Policy

China imposes avian influenza-related import restrictions that are inconsistent with World Organization for Animal Health (OIE) guidelines. In contrast, many countries have utilized regionalization policies rather than country bans to protect their consumers while allowing trade to flow following OIE guidelines.

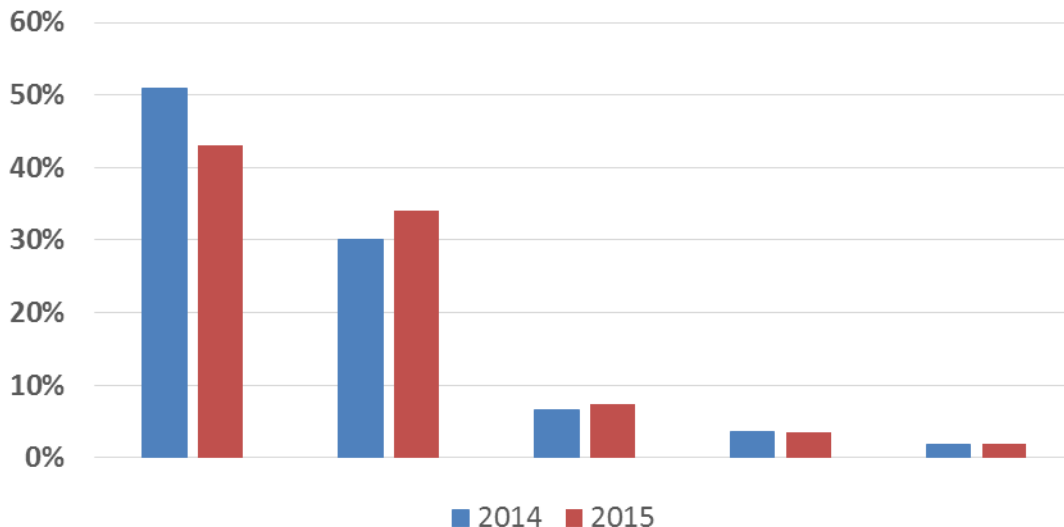
Other policies China has imposed that are inconsistent with OIE guidelines are suspensions of states due to low-pathogenic avian influenza. OIE guidelines do not recommend trade suspension on poultry meat due to low pathogenicity notifiable avian Influenza detections.

### Exports

Post adjusted 2015 exports down to 400,000 tons, and adjusted China's 2016 broiler meat exports down to 380,000 tons. Japan and Hong Kong are the leading export destinations for Chinese poultry, with a

market share of 42 percent and 34 percent respectively. Japan’s purchases of Chinese poultry have declined more than 20 percent since 2014 spurred by high profile food scares in China.

Export Market Share



Regarding poultry exports to Europe, China has filed a complaint with the World Trade Organization over the EU’s high poultry tariffs. The EU import quota established a low-tariff rate for a set amount of poultry imports. Much of the Quota was awarded to Brazil and Thailand while 4 percent was reserved for China. Poultry that falls outside the quota are subject to tariffs of approximately 40 percent.

**Price Table (based on RMB/KG, \$1=RMB6.4)**

<b>China Retail Broiler Meat Prices on Average, 2008-2015</b>						
<b>(RMB /KG)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>% Change 2014/2015</b>
<b>January</b>	16.32	17.65	17.92	17.55	19.09	8.8%
<b>February</b>	16.71	17.46	18.41	17.15	19.28	12.4%
<b>March</b>	16.33	17.04	17.90	16.83	19.08	13.4%
<b>April</b>	16.32	16.99	16.39	17.15	18.73	9.2%
<b>May</b>	16.45	16.73	15.32	17.93	18.56	3.5%
<b>June</b>	16.95	16.74	16.00	18.22	18.43	1.2%
<b>July</b>	17.49	16.71	16.40	18.32	18.65	1.8%
<b>August</b>	17.94	16.90	16.89	18.78	19.10	1.7%
<b>September</b>	18.05	17.28	17.33	19.16	19.25	0.5%
<b>October</b>	18.00	17.43	17.45	19.22	18.95	-1.4%
<b>November</b>	17.57	17.50	17.40	19.14	18.82	-1.7%
<b>December</b>	17.39	17.70	17.51	19.06	18.96	-0.5%
<i>Source: China’s Ministry of Agriculture collected from over 400 markets of farm</i>						

*produce.*

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