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The China Horse Fair -- A Market Snapshot

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Report Highlights:

The China Horse Fair, one of the most important horse industry events in China, was held for the third time on October 23-25, 2009 in Beijing with U.S. horse industry participation. Major marketing channels for riding horses include riding clubs, breeding farms, training institutions and the horse racing sector. Increasing interest in equestrian sports is driving strong growth in the demand for imported horses -- making China an important potential market for U.S. breeders.

General Information:

Background

For most of its history, China has had the largest horse population in the world. The country relied heavily on horses for transportation and field work until the 1970s when China still boasted a total equine population of 13 million. With rapid development over the past 30 years, China moved from

animals to agricultural machinery and motorized vehicles. By 2004, China's horse population had fallen to 7 million – less than the United States. As the population fell, horses were increasingly used for other purposes, particularly equestrian sports. This change started from early 1990s, led by the wealthy who saw riding as a new way to exercise and relax.

The China Horse Fair

One of the most important horse industry events is the China International Equestrian & Horse Industry Exhibition, the China Horse Fair, which was held for the third time on October 23-25, 2009 in Beijing. Supported by the Chinese Horse Industry Association and the Chinese Equestrian Association, the China Horse Fair attracted more than 2,000 visitors along with exhibitors from Australia, Canada, Germany, Ireland, Netherlands, Portugal, Russia, Spain and the United States.



This was the first time U.S. breed associations participated in the event – which is probably the single best trade show for horse exporters interested in the China market. U.S. horse breed associations, including the American Miniature Horse Association, Appaloosa Horse Club, Arabian Horse Association, Pinto Horse Association, Tennessee Walking Horse Breeder's Association, Quarter Horse Association and the Paint Horse Association participated in the Fair. The reaction to the U.S. breeds highlighted the lack of awareness of the U.S. horse breeds by the Chinese buyers. Visitors were impressed by the colors of the paint horses and muscles of the quarter horses -- and expressed strong interest in buying some animals. Provided a sound marketing strategy supported by effective promotions, demand for U.S. riding horses could increase strongly in China. Demand for imported horses for equestrian sports is expected to increase from 1,000 annually by five-fold over the next several years.

Major marketing channels for riding horses include riding clubs, breeding farms, training institutions and the horse racing sector.

Riding Clubs

There are more than 300 equestrian clubs in China, mainly clustered in Beijing, Shanghai, Guangdong and Jiangsu -- and the number keeps growing. Despite this growth, U.S. exports of non-racing horses to China, including quarter and paint horses, were less than 100 head.

Breeding Farms

In addition to the horse riding clubs, horse breeding farms are another potential buyer of U.S. horses. During the Horse Fair, horse farms inquired U.S. exhibitors about the characteristics and prices of different horses. In the past, many horse breeding farms in China were dedicated to military use and were not particularly interested in breeding. However, the ongoing economic changes are making

these farms more interested in diversifying their breed stock to meet the growing need for riding horses.

Training Institutions

Apart from the above, the emerging horse riding or equestrian educational institutions could potentially buy U.S. horses as well. In early 2009, China opened its first equestrian college in Wuhan with the aim of training equestrian professionals, including judges, stable managers and operators. Another other college in Dalian, which visited the U.S. booths at the Horse Fair, was recently tasked by the Dalian Police Department to train mounted policemen. It was searching for appropriate horses for this purpose. This is another potential channel for U.S. equine exports, if marketing and promotion done properly.

Horse Racing

Finally, there is the horse racing industry. Although the sector is largely quiet now, it could be by far the largest if the Chinese government were to loosen roles on gaming.

Prior to 1949, horse racing was very popular in China until being banned after the revolution because of the government's strong opposition to gambling. With the rapid development of economy in the 1980's, some began to reconsider permitting gaming. Encouraged by the huge potential profits of the industry, a few horse racing courses were built starting in the early 1990s. However, gaming was still underground. This illegal gambling was blamed for social problems and faced harsh crackdowns by the central government. The most recent ban was imposed in 2002 by the Ministry of Public Security, the Ministry of Supervision, the State Industrial and Commercial Administration, the State Sports Administration and the State Tourism Bureau. These past and present associations with vice has made it difficult for the horse racing industry to develop.

In the future, there may be pressure to allow legal gaming associated with horse racing, especially given the success of this industry in Hong Kong and Macau. According to Qin Zunwen, Director of the China Horse Racing Lottery Research Institute, if promoted to nation wide, the industry would create 3 million jobs and generate an income of RMB 100 billion (\$14.6 billion) a year with potential tax revenues of more than RMB 40 billion (\$5.9 billion). These prospects have encouraged some development of the sector despite a difficult recent history.

Most recently, the central government selected Guangzhou as a pilot race track designed to copy Hong Kong. Unfortunately it turned out to be a failure and was closed soon after. In October 2006, the government openly considered testing a horse lottery in 2008. Despite an enthusiastic response from potential punters, the expected test never happened. In November 2008, the National Speed Horse Racing Open was held in Wuhan, again creating hopes of liberalization in the near future.

These experiments have encouraged the development of around ten horse racing courses across China. Since building a race course needs considerable lead time, investors moved before the policy change came into effect. This could ensure that they would be ready before the lottery reopened, giving them a head start over competitors. Wuhan, Nanjing and Jinan even have built international-standard race tracks. Sichuan and Hunan are expected to launch their horse racing courses projects soon. Given a per race track cost of RMB 0.8 to 1.5 billion, total spending on tracks in China is estimated at over RMB 7 billion – or more than \$1 billion.

Although the official policy on horse racing remains “we have no timetable for reopening the horse racing lottery”, many believe the reopening will come in the near future. If this were to occur, the U.S. could be a very competitive supplier to the China market because of its large population of race horses and famous bloodlines. In the meantime, the China market for riding horse is expected to grow rapidly, creating potential opportunities for U.S. exporters who are committed to the market.

Post Contacts & Other Resources

For further information about the China market, as well as updates on our upcoming events and activities, please visit our website at www.usdachina.org or contact the Agricultural Trade Office in Beijing:

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