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Report Highlights:

The Office of Agricultural Affairs in Beijing (OAA/Beijing) revised the 2012 forecast for China's beef production upward by 24,000 metric tons (MT), carcass weight equivalent (CWE), to 5.5 million metric tons (MMT). The increase reflects fewer than expected outbreaks of foot and mouth disease (FMD), as well as higher slaughter weights, which were driven by improved feed quality. Cattle exports are expected to increase 13 percent to 33,000 head, largely due to growing demand from slaughter facilities in Hong Kong and Macau. The revised forecast for pork production is 51.6 MMT, a nominal increase from the initial 2012 estimate of 51.2 MMT. The pork import estimate remains unchanged and imports are still expected to fall 26 percent to 560,000 MT. China's rising pork production and lower domestic prices in 2012 are expected to limit imports. The swine import estimate remains unchanged because China's new import policy could hinder trade.

Cattle/Beef:

Animal Numbers, Cattle Market Year: Jan	2010		2011		2012		
	USDA	New Post	USDA	New Post	USDA	New Post	
Total Cattle Beg. Stks	105,430	105,430	104,814	104,814	103,944	104,322	(1000 HEAD)
Dairy Cows Beg. Stocks	12,603	12,603	12,960	12,960	13,290	13,350	(1000 HEAD)
Beef Cows Beg. Stocks	47,000	47,000	46,480	46,480	46,200	46,250	(1000 HEAD)
Production (Calf Crop)	41,500	41,500	40,900	40,900	40,700	40,950	(1000 HEAD)
Total Imports	85	85	95	90	100	97	(1000 HEAD)
Total Supply	147,015	147,015	145,809	145,804	144,644	145,369	(1000 HEAD)
Total Exports	36	36	30	32	29	33	(1000 HEAD)
Cow Slaughter	0	0	0	0	0	0	(1000 HEAD)
Calf Slaughter	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	41,170	41,170	40,850	40,850	40,556	40,603	(1000 HEAD)
Total Slaughter	41,170	41,170	40,850	40,850	40,556	40,603	(1000 HEAD)
Loss	995	995	985	600	800	550	(1000 HEAD)
Ending Inventories	104,814	104,814	103,944	104,322	103,259	104,183	(1000 HEAD)
Total Distribution	147,015	147,015	145,809	145,804	144,644	145,369	(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	-616	-616	-870	-492	-685	-139	(1000 HEAD)
Inventory Change	0	0	-1	-1	-1	0	(PERCENT)
Cow Change	-1	-1	0	0	0	0	(PERCENT)
Production Change	-3	-3	-1	-1	-1	0	(PERCENT)
Production to Cows	70	70	69	69	68	69	(PERCENT)
Slaughter to Inventory	39	39	39	39	39	39	(PERCENT)
Slaughter to Total Supply	28	28	28	28	28	28	(PERCENT)
TS=TD		0		0		0	

Meat, Beef and Veal China	2010		2011		2012		
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Slaughter (Reference)	41,170	41,170	40,850	40,850	40,556	40,603	(1000 HEAD)
Beginning Stocks	0	0	0	0	0	0	(1000 MT CWE)
Production	5,600	5,600	5,550	5,550	5,520	5,544	(1000 MT CWE)
Intra-EU Imports	0		0		0		(1000 MT CWE)
Other Imports	40	40	42	28	45	28	(1000 MT CWE)
Total Imports	40	40	42	28	45	28	(1000 MT CWE)
Total Supply	5,640	5,640	5,592	5,578	5,565	5,572	(1000 MT CWE)
Intra EU Exports	0		0		0		(1000 MT CWE)
Other Exports	51	51	60	55	65	59	(1000 MT CWE)
Total Exports	51	51	60	55	65	59	(1000 MT CWE)
Human Dom. Consumption	5,589	5,589	5,532	5,523	5,500	5,513	(1000 MT CWE)
Other Use, Losses	0		0		0		(1000 MT CWE)
Total Dom. Consumption	5,589	5,589	5,532	5,523	5,500	5,513	(1000 MT CWE)
Ending Stocks	0		0		0		(1000 MT CWE)
Total Distribution	5,640	5,640	5,592	5,578	5,565	5,572	(1000 MT CWE)
CY Imp. from U.S.	0		0		0		(1000 MT CWE)
CY. Exp. to U.S.	0		0		0		(1000 MT CWE)
Balance	0	0	0	0	0	0	(1000 MT CWE)
Inventory Balance	0	0	0	0	0	0	(1000 MT CWE)
Weights	136	136	136	136	136	137	(1000 MT CWE)
Production Change	-3	-3	-1	-1	-1	0	(PERCENT)
Import Change	74	74	5	-30	7	0	(PERCENT)
Export Change	34	34	18	8	8	7	(PERCENT)
Consumption Change	-3	-3	-1	-1	-1	0	(PERCENT)
Imports Percent Consumption	1	1	1	1	1	1	(PERCENT)
Exports Percent Production	1	1	1	1	1	1	(PERCENT)
Population	1,330,141,295	1,330,141,295	1,336,718,015	1,336,718,015	1,343,239,923	1,343,239,923	(PEOPLE)
Per Capita Consumption	4		4		4		(KG)
TS=TD		0		0		0	

Cattle/Beef Production:

The revised 2012 forecast for China's beef production is 5.5 million metric tons (MMT), carcass weight equivalent (CWE), an increase of 24,000 MT from the initial estimate. The increase is largely attributable to the following factors:

1) Fewer outbreaks of foot and mouth disease and warmer-than-usual winter weather are preventing sickness and early deaths in key producing provinces; and

2) Adequate domestic supplies (in grains and natural grass) and favorable pasture conditions in West and Southwest China are improving animal feeding and increasing cattle weights. Fresh grass production reached a record high of one billion metric tons in 2011.

Consumption:

Although OAA/Beijing's revised forecast is 13,000 MT higher than the initial estimate, China's production continues to trend downward over the past few years. A major factor constraining China's beef consumption is high domestic prices. For instance, from October-December 2011, the average price for beef soared 21 percent compared to the same time in 2010. Inadequate beef supplies will continue to keep domestic prices at record high levels and drive consumers to cheaper broiler meat and/or pork products.

Imports:

OAA/Beijing revised the import forecast for breeding beef cattle down by 3,000 head to 97,000 head, largely because of higher than expected domestic production and rising import prices. China announced a new policy on November 25, 2011 that all imports of breeding animals and frozen semen and embryos must show three generations of pedigree (great grandparent, grandparent, and parent generations). China is also requiring a minimum Estimated Breeding Value (EBV) or Estimated Progeny Difference (EPD) of at least 120 for boars. According to industry contacts, China's new policies may hinder trade. Post will continue to monitor and report on these new policies.

Beef imports are forecast at 28,000MT, which is 17,000 MT lower than the initial estimate. The downward revision is mainly due to higher import prices, which is discouraging demand. During October – December 2011, the average import price increased nearly 33 percent, which is well beyond the reach of many Chinese consumers. Lower-priced pork products are substituting beef imports.

Exports:

The revised forecast for live cattle is 33,000 head, a six percent increase from the initial estimate. The upturn is mainly driven by higher demand for live cattle from slaughter operations in Hong Kong and Macau. Exports of live cattle are expected to replace some beef exports, which are revised downward by 6,000MT to 59,000. Sales will continue to Hong Kong, the largest market for frozen cuts and prepared beef, as well as to Japan, the second largest market for cooked beef.

Swine/ Pork

Animal Numbers, Swine Market Year: Jan	2010		2011		2012		
	USDA	New Post	USDA	New Post	USDA	New Post	
Total Beginning Stocks	469,960	469,960	477,115	477,115	459,146	473,338	(1000 HEAD)
Sow Beginning Stocks	49,100	49,100	47,500	47,500	47,300	49,280	(1000 HEAD)
Production (Pig Crop)	677,800	677,800	641,250	660,622	657,470	680,000	(1000 HEAD)
Total Imports	6	6	10	13	12	12	(1000 HEAD)
Total Supply	1,147,766	1,147,766	1,118,375	1,137,750	1,116,628	1,153,350	(1000 HEAD)
Total Exports	1,636	1,636	1,560	1,712	1,600	1,750	(1000 HEAD)
Sow Slaughter	0	0	0	0	0	0	(1000 HEAD)
Other Slaughter	667,000	667,000	656,572	661,700	676,314	676,340	(1000 HEAD)
Total Slaughter	667,000	667,000	656,572	661,700	676,314	676,340	(1000 HEAD)
Loss	2,015	2,015	1,097	1,000	855	855	(1000 HEAD)
Ending Inventories	477,115	477,115	459,146	473,338	437,859	474,405	(1000 HEAD)
Total Distribution	1,147,766	1,147,766	1,118,375	1,137,750	1,116,628	1,153,350	(1000 HEAD)
CY Imp. from U.S.	3	3	3	8	0	9	(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	7155	7155	-17969	-3777	-21287	1067	(1000 HEAD)
Inventory Change	2	2	2	2	-4	-1	(PERCENT)
Sow Change	1	1	-3	-3	0	4	(PERCENT)
Production Change	3	3	-5	-3	3	3	(PERCENT)
Production to Sows	14	13.8	14	13.9	14	13.8	(PERCENT)
Slaughter to Inventory	142	142	138	139	147	143	(PERCENT)
Slaughter to Total Supply	58	58	59	58		59	(PERCENT)
TS=TD		0		0		0	

Meat, Swine Market Year: Jan	2010		2011		2012		
	USDA	New Post	USDA Official	New Post	USDA Official	New Post	
Slaughter (Reference)	667,000	667,000	656,572	661,700	676,314	676,342	
Beginning Stocks	120	120	170	170	150	180	(1000 HEAD)
Production	51,070	51,070	49,500	49,500	51,280	51,600	(1000 MT CWE)
Intra-EU Imports	0	0	0	0	0	0	(1000 MT CWE)
Other Imports	415	415	550	758	560	560	(1000 MT CWE)
Total Imports	415	415	550	758	560	560	(1000 MT CWE)
Total Supply	51,605	51,605	50,220	50,428	51,990	52,340	(1000 MT CWE)
Intra EU Exports	0	0	0	0	0	0	(1000 MT CWE)
Other Exports	278	278	260	244	280	255	(1000 MT CWE)
Total Exports	278	278	260	244	280	255	(1000 MT CWE)
Human Dom. Consumption	51,157	51,157	49,810	50,004	51,560	51,905	(1000 MT

							CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	51,157	51,157	49,810	50,004	51,560	51,905	(1000 MT CWE)
Ending Stocks	170	170	150	180	150	180	(1000 MT CWE)
Total Distribution	51,605	51,605	50,220	50,428	51,990	52,340	(1000 MT CWE)
CY Imp. from U.S.	0	66	0	478	0	315	(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	-20	10	0	0	(1000 MT CWE)
Weights	77	77	75	75	76	76	(1000 MT CWE)
Production Change	4	4	-3	-3	4	4	(1000 MT CWE)
Import Change	54	54	33	83	2	-26	(PERCENT)
Export Change	20	20	-6	-12	8	5	(PERCENT)
Consumption Change	5	5	-3	-2	4	4	(PERCENT)
Imports Percent Consumption	1	1	1	2	1	1	(PERCENT)
Exports Percent Production	1	1	1	0	1	0	(PERCENT)
Population	1,330,141,295	1,330,141,295	1,336,718,015	1,336,718,015	1,343,239,923	1,343,239,923	(PERCENT)
Per Capita Consumption	38		37		38		(PEOPLE)
TS=TD		0		0		0	

Swine/Pork Production:

Post's revised forecast for 2012 pork production is 51.6 MMT, a nominal increase from the initial estimate and four percent higher than the revised 2011 estimate. The slight upward revision is primarily due to the following factors:

1) China's policies for breeding animals and productive sows are encouraging farmers to increase their inventories, in order to help prevent another year of tight supplies and record high prices.

    - Domestic and foreign-owned farms are building new facilities for breeding animals. Reportedly, these new facilities have larger storage space than government-owned facilities. Local quarantine offices have agreed to conduct their 45-day review process at these new locations. This new policy is expected to help expedite the import process for large operations.

    - China resumed its production sow subsidy, which provides $16 (100 Yuan) per sow to small backyard and large scale farms. As of January 1, 2012, China's insurance subsidy now covers fattening swine (swine used for slaughter) in all provinces. The Chinese government insures 20 percent of a hog's value if the cause of death is related to a disease outbreak.

2) China experienced warmer-than-average winter weather and fewer outbreaks of foot and mouth disease (FMD), blue ear disease (PRRS), and swine diarrhea in major producing provinces in late 2011. Sources reported that no major FMD or PRRS outbreaks have occurred to date for 2012 and that China's improved veterinary service and new FMD vaccination have helped the death rate remain at a relatively low level compared to previous years. (Please refer to the Swine Disease Section below for additional information.)

3) At the end of 2011, the average profit for swine was $63.50 per head for 100 kilograms of slaughter weight, which was well above feed costs. Favorable market returns in 2012 have already allowed farmers to afford better animal feed. Furthermore, China's adequate domestic supplies (in grains and natural grass) and favorable pasture conditions have improved the quality of animal feed, thereby increasing swine weights. Reportedly, for total swine feed production in 2011, nutritious feed (grain, natural grass, and silage) accounted for 82 percent (up six percent from 2010), while concentrated feed (feed mixed with other feedstuffs) accounted for 15 percent (down six percent).

4) Reportedly, China's domestic ban on the use of clenbuterol and ractopamine has caused producers to purchase new breeding swine for better genetics and higher-quality feed to produce leaner meat. Sources also noted that China's ban has restored consumers' confidence in purchasing pork products.

With all that said, tight land resources, stricter environmental requirements, diseases, and short labor supplies all hinder China's animal farming, which is gradually moving west where land is available for large modern farms.

Consumption:

Post's new forecast for pork consumption is 51.8 MMT, which is 335,000 MT higher than the previous estimate, mainly due to larger domestic supplies and lower prices. Although China's economy is expected to slowdown in 2012, it is unlikely that demand for China's traditional meat preference will be impacted. Additionally, pork is cheaper than other red meats, and the central government requested that all provinces and municipalities establish price-subsidy systems by the end of 2011, which includes subsidies for low-income consumers if prices return to record levels.

Imports:

The pork import estimate for 2012 remains unchanged. In 2011, China made larger-than-normal purchases due to the following events:

- Foot and mouth disease outbreaks shortened normal timelines for slaughter, which calculated lower-than-normal slaughter weights;

- Despite of adequate, productive sow inventories and favorable grain/swine price ratios (at $7.64 in December 2011), farmers feared a repeat of 2010 when purchasing piglet replacements (used for slaughter) at the end of the year led to oversupply and significant declines in market prices. With this fear, large operations made fewer purchases of new piglet replacements and some backyard farms stopped pork farming; and

- To help dampen China's record-high food price inflation, the Chinese government purchased large amounts of pork supplies from foreign sources to release on the domestic market and replenish its central reserves. Pork prices account for 33 percent of China's food price index.

The forecast for breeding swine remains unchanged at 12,000 head. As noted under beef/cattle production, China issued a new policy that all imports of breeding animals and frozen semen and embryos must show three generations of pedigree (great grandparent, grandparent, and parent generations). China's new import policies may hinder trade. Post will continue to monitor and report.

Exports:
The revised forecast for live swine (all for slaughter) is 1.75 million head, largely due to high demand in Hong Kong and Macau. The revised pork forecast is 255,000 MT (CWE), which is nine percent lower than the initial forecast. This downward shift reflects replenishments of China's central reserves and fewer pork purchases from Hong Kong.

Looking Forward: Swine disease in China:
Sixty percent of China's meat protein comes from pork consumption, so addressing swine disease is a high priority for China. Swine diarrhea is a fatal disease for new piglets. Once affected, the death rate on small backyard farms is 50 percent and about one-third on commercial farms. Most cases occur in the winter, particularly south of the Yangtze River, where temperatures are cold and wet and no heating is available in pig pens. To date, there is no effective vaccine for this disease. In mid December 2011, there were cases found in Sichuan, Shanghai, Zhejiang, Jiangxi, Hubei, Henan, and Shanxi.

Blue ear disease (PRRS) does not currently seem to be a major threat, but the industry reported that the PRRS vaccination only lasts between six and nine months and that outbreaks are still possible. China's Ministry of Agriculture's laboratory in Lanzhou successfully developed a new FMD vaccine against the Burma-98 strain, which is the main source of FMD outbreaks in China. In October 2011, there were low death rates from the FMD outbreaks in Heilongjiang, Liaoning, Shanxi, Hebei, Henan, Shandong, Fujian, Sichuan, Guangxi, and Guangdong provinces. Reliable sources have noted that the FMD vaccine is 80 percent effective and has reduced outbreaks in several key producing provinces, but current supplies are inadequate for the rising demand.

As swine disease is a very sensitive topic in China, no incident or data reports are publicly available. According to various sources, China's disease outbreaks decreased about 60 percent from October to December 2011, compared to the same period in 2010.

Price Tables:

Beef

China's Average National Retail Beef Prices, 2007-2011 (RMB/KG, $1=RMB6.39)						
	2007	2008	2009	2010	2011	% Change 2011/10
January	19.64	29.11	33.90	34.08	35.72	4.81
February	20.35	31.40	33.72	34.54	36.41	5.41
March	20.14	31.42	33.13	33.86	35.78	5.67
April	20.07	31.55	32.81	33.45	35.59	6.40
May	20.28	31.73	32.60	33.24	35.63	7.19
June	21.21	31.82	32.53	33.16	36.19	9.14
July	22.02	31.92	32.46	33.30	36.91	10.84
August	23.13	32.02	32.70	33.55	37.55	11.92
September	23.69	32.39	32.96	33.89	38.29	12.98
October	24.36	32.74	33.15	34.17	38.78	13.49
November	25.27	32.98	33.35	34.65	39.15	12.99
December	26.65	33.25	33.73	35.07	47.37	35.07
Source: The Ministry of Agriculture; data collected from 470 farm produce markets.						

Pork

China Monthly Swine and Productive Sow Inventories, 2010-2011 (1,000 Head)								
	Total Swine	Productive Sows	% Sow Ratio	Total Swine	Productive Sows	% Sow Ratio	% Change Swine	% Change Sow
Month	2010	2010	2010	2011	2011	2011	2011/2010	2011/2010
January	455,000	48,700	10.70	445,100	47,400	10.65	-2.18	-2.67
February	443,300	48,900	11.03	444,100	47,300	10.65	0.18	-3.27
March	441,300	48,400	10.97	447,500	47,100	10.53	1.40	-2.69
April	436,000	47,600	10.92	449,200	46,950	10.45	3.03	-1.37
May	433,700	47,000	10.84	452,800	47,100	10.40	4.40	0.21
June	436,700	46,800	10.72	456,400	47,200	10.34	4.51	0.85
July	440,000	46,300	10.52	450,060	48,060	10.68	2.29	3.80
August	441,800	45,800	10.37	465,570	48,150	10.34	5.38	5.13
September	454,500	47,000	10.34	471,580	48,450	10.27	3.76	3.09
October	454,400	46,900	10.32	475,160	48,800	10.27	4.57	4.05
November	454,700	46,600	10.25	476,250	49,050	10.30	4.74	5.26
December	453,800	47,500	10.47	473,340	49,280	10.41	4.31	3.75
Source: The Ministry of Agriculture								

China's Average Retail Pork Prices, 2007-2011 (RMB/KG, $1=RMB6.37)						
MONTH	2007	2008	2009	2010	2011	% Change 2011/10
January	14.91	25.53	21.25	19.31	22.17	14.81
February	14.97	26.08	20.62	18.67	22.97	23.03
March	14.50	25.56	19.30	17.32	23.09	33.31
April	14.39	25.68	17.60	16.21	23.39	44.29
May	15.86	24.71	15.68	16.09	23.97	48.97

June	17.74	24.10	15.46	16.04	26.71	66.52
July	20.77	23.58	16.27	17.54	29.31	67.10
August	22.95	23.18	17.94	19.30	29.88	54.83
September	22.10	22.59	18.97	20.11	30.35	50.92
October	21.15	20.86	18.71	20.42	29.78	45.84
November	22.35	19.46	18.47	21.33	27.94	30.99
December	24.05	20.34	19.11	21.94	27.17	23.84
Source: The Ministry of Agriculture; data collected from 470 farm produce markets.						

China's Average Retail Hog Prices, 2007-2011 (Year-To-Date) (RMB/KG, $1=RMB6.37)						
MONTH	2007	2008	2009	2010	2011	% Change 2011/10
January	9.55	16.50	13.41	12.05	13.88	15.19
February	9.20	16.70	12.70	11.14	14.35	28.82
March	8.91	16.83	11.63	10.06	14.78	46.92
April	9.02	16.87	10.35	9.53	15.05	57.92
May	10.20	15.77	9.24	9.62	15.53	61.43
June	11.37	15.35	9.33	9.64	17.54	81.95
July	13.12	14.82	10.13	11.14	18.98	70.38
August	14.27	14.47	11.38	12.19	19.33	58.57
September	13.60	13.86	11.85	12.55	19.68	56.81
October	13.21	12.50	11.47	12.78	18.93	48.12
November	14.13	11.90	11.40	13.55	17.35	28.04
December	15.46	12.91	12.09	13.79	17.15	24.37
Source: The Ministry of Agriculture; data collected from 470 farm produce markets.						

China's Average Retail Piglet Prices, 2007-2011 (RMB/KG, $1=RMB6.37)						
MONTH	2007	2008	2009	2010	2011	% Change 2011/10
January	12.12	29.66	20.06	17.41	18.65	7.12
February	12.26	30.62	20.11	16.60	19.46	17.23
March	12.68	35.29	19.75	15.61	22.81	46.12
April	13.31	38.23	18.27	14.74	24.99	69.54
May	15.09	36.11	15.41	14.77	26.71	80.84
June	17.17	34.55	15.08	14.39	31.11	116.19
July	20.11	33.01	15.88	15.77	35.26	123.59
August	24.09	30.94	17.74	17.61	36.28	106.02
September	23.70	28.55	18.78	18.24	37.15	103.67
October	22.62	23.44	18.14	18.21	35.84	96.81
November	23.84	20.02	17.39	18.55	31.40	69.27
December	26.21	19.42	17.55	18.64	29.43	57.89
Source: The Ministry of Agriculture; data collected from 470 farm produce markets.						

Feed

China's Average Retail Industry Feed Prices for Fattening Swine, 2007-2011 (RMB/KG, $1=RMB6.37)						
MONTH	2007	2008	2009	2010	2011	% Change 2011/10
January	1.98	2.51	2.50	2.69	2.82	4.83
February	1.98	2.55	2.48	2.68	2.83	5.60
March	2.03	2.55	2.46	2.68	2.86	6.72

April	2.01	2.60	2.46	2.69	2.88	7.06
May	2.05	2.60	2.45	2.72	2.88	5.88
June	2.07	2.65	2.48	2.73	2.91	6.59
July	2.11	2.73	2.53	2.73	2.96	8.42
August	2.17	2.73	2.57	2.75	3.00	9.09
September	2.24	2.71	2.62	2.76	3.04	10.14
October	2.23	2.71	2.62	2.77	3.05	10.11
November	2.33	2.57	2.64	2.80	3.03	8.21
December	2.42	2.50	2.68	2.81	3.02	7.47
Source: The Ministry of Agriculture; data collected from 470 farm produce markets.						

(End of Report)