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China's Poultry Consumption to Remain Flat in 2016

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Report Highlights:

China banned imports of all poultry and poultry products from the United States in January 2015 due to high pathogenic avian influenza (HPAI) outbreaks in the United States. Imports from Brazil and other South American countries have benefited from the absence of U.S. suppliers. Post forecasts 2016 broiler meat imports at 200 thousand tons, a decrease of 7 percent compared to USDA’s 2015 official figure. Post forecasts China’s 2016 broiler meat consumption at 12.8 million tons largely unchanged from USDA’s 2015 official estimate.

Commodities:

Poultry, Meat, Broiler

Production, Supply and Demand Data Statistics:

Poultry, Meat, Broiler	2014		2015		2016	
Market Begin Year	Jan-14		Jan-15		Jan-16	
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	0	10100
Beginning Stocks	0	0	0	0	0	0
Production	13080	13000	13110	13025	0	13100
Total Imports	260	260	215	210	0	200
Total Supply	13340	13260	13325	13235	0	13300
Total Exports	430	430	430	450	0	430
Human Consumption	12910	12830	128 95	12785	0	12870
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	12910	12830	12895	12785	0	12870
Total Use	13340	13260	13325	13235	0	13300
Ending Stocks	0	0	0	0	0	0
Total Distribution	13340	13260	13325	13235	0	13300
(MIL HEAD) ,(1000 MT)						

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

Production

Meat from white-feathered western type birds and yellow-feathered local breeds dominate China's broiler meat production. Post forecasts China's 2016 broiler meat production at 13.1 million tons, mirroring USDA's 2015 official figure. A slight shift in consumption from pork to poultry meat underpins the production forecast. Poultry meat and pork are substitute meat options for Chinese consumers and pork prices are predicted to remain high in 2016 because of decreased sow stocks.

In January 2015, China banned U.S. poultry imports because of HPAI detections in the United States. The ban impacts China's white broiler meat production since it relies on the United States for grandparent breeding stock for its domestic production. China has long favored breeding stock from the United States as it tries to improve its own production efficiency. A continued ban could result in lower 2017 production levels. While some decline in white-feathered broiler meat is anticipated in 2016, an uptick in yellow broiler meat production will offset declines white broiler production to maintain overall production levels.

Importers have looked to other sources for breeding stock, particularly to Europe. However, the potential resumption of U.S. imports is a challenge to increasing breeding stock production in those countries.

Consumption

Post forecasts China's 2016 broiler meat consumption at 12.87 million tons, slightly below USDA's official 2015 estimates. The overall economic picture for China, slower economic growth, and constraints on banquet spending per government policy remain in place. Additionally domestic bird flu cases, food safety scandals, and media reports of smuggled meat sold to consumers conspire to restrain consumption.

Record high pork prices are encouraging consumers to move away from pork but both yellow and white broiler meat producers still need to overcome other challenges to satisfy consumers. Traditional yellow-feathered chicken producers must contend with the government's desire to end live bird slaughtering in wet markets as part of its efforts to prevent AI from spreading to humans. Additionally, they must contend with a combination of China's urbanization drive and the younger generation's preference for processed chicken sold at fast food outlets and fresh/frozen broiler meat products sold in supermarkets.

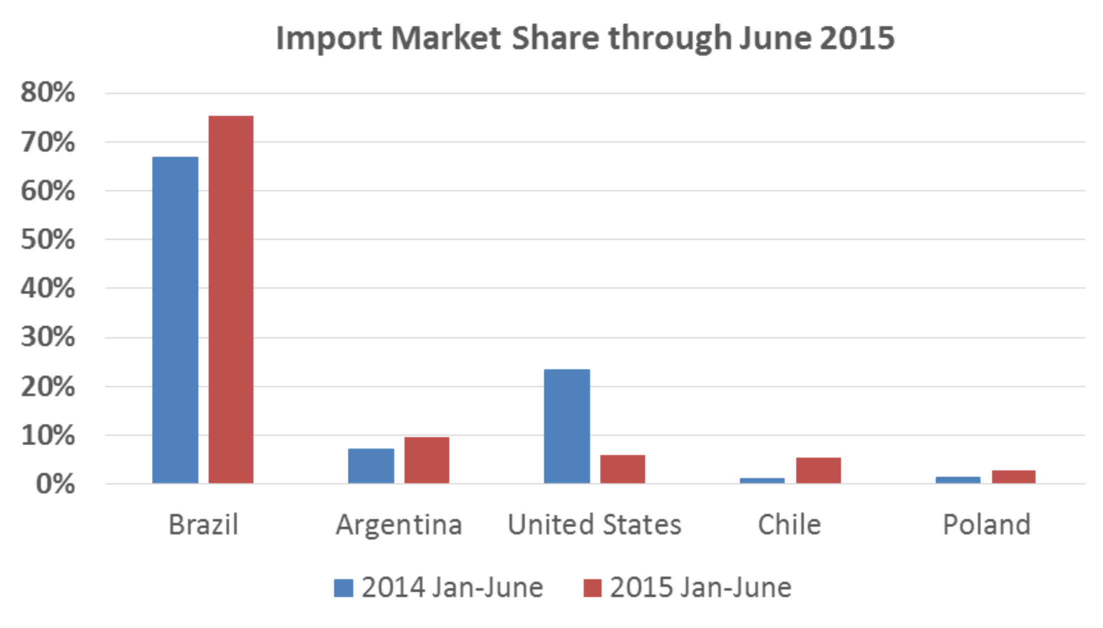
White broiler meat consumption is hampered by association with past fast food scandals and health concerns. Single store sales at fast food restaurants are going down and sales increases are driven by new store openings. Furthermore, the changing structure of the Chinese economy has closed many factories where white broiler meat was widely consumed in the workers canteens. In the long term, Post believes white broiler meat will enjoy a larger market share over the domestic yellow-feathered variety because of its cost advantage, the lower feed to meat ratio, customized cuts, more advanced technology investments by the white broiler meat industry, and new marketing efforts to try to reach families directly.

Comparison between White Feathered and Yellow Feathered Chickens

	White Feathered Chicken	Yellow Feathered Chicken
Species	95% grandparent birds import from U.S.	Local species
Market share in 2014	51.7 %	38.1 %
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

Imports
Post forecasts 2016 broiler meat imports at 200 thousand tons, 7 percent down from USDA's 2015 official figure. This reduction is largely attributed to the ban on U.S. imports over HPAI detections (see below).

Imports from South American countries will continue to benefit from the ban on U.S. poultry and poultry products.



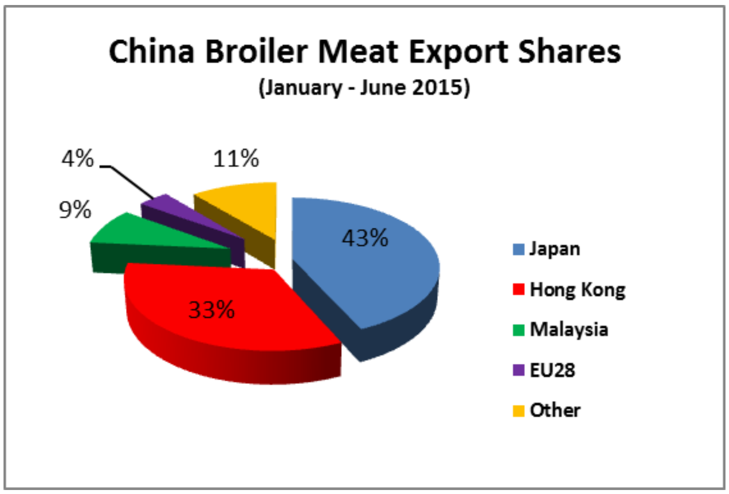
Imports: Policy

The U.S. exported approximately $300 million in poultry meat and poultry products to China in 2014. However on January 9, 2015, China banned imports of U.S. poultry and poultry related products because of high pathogenic avian influenza (HPAI) detections in the United States. In response, the USDA sought exemptions for heat treated poultry products, such as chicken paws and rendered meals. Discussions with the Chinese government resulted in the lifting of the ban on U.S. poultry meal and feather meal for use as feed ingredients in China's livestock production.

In accordance with accepted science and international standards, heat treatment of certain duration and temperature is sufficient to ensure destruction of any virus. Prior to the detection of HPAI in the United States, China maintained suspensions of U.S. poultry meat and poultry product imports from five states, due to low-pathogenic avian influenza. This policy is inconsistent with the World Organization for Animal Health (OIE) guidelines, which do not recommend trade suspensions due to low pathogenicity avian Influenza detections.

Note: Chicken paws under HS: 020714 (valued at over $170 million in direct U.S. exports to China in 2014) are not included in USDA's poultry PSD calculations and trade statistics. Also not included is poultry meal HS: 230110 and feather meal HS: 350400

Exports



Post forecasts China's 2016 broiler meat exports at 430,000 tons, no change from USDA's 2015 official estimates. Exports to Japan, China's main export destination, are expected to continue to decline as lingering food safety concerns have caused Japanese buyers to seek other sources for poultry, such as Thailand. Japan and Hong Kong are the main export destinations for China's poultry products.

China mainly exports cooked/preserved broiler meat products. Although exports are expected to remain flat in the near term, China's skilled workers and some state-of-the art facilities give it a competitive advantage in regional markets such as Japan and Hong Kong.

Price Table (based on RMB/KG, $1=RMB6.2)

China Retail Broiler Meat Prices on Average, 2008-2014 (Year to Date)							
(RMB /KG)	2010	2011	2012	2013	2014	2015	% Change

							2014/2015
January	14.15	16.32	17.65	17.92	17.55	19.09	8.8%
February	14.38	16.71	17.46	18.41	17.15	19.28	12.4%
March	13.98	16.33	17.04	17.90	16.83	19.08	13.4%
April	13.77	16.32	16.99	16.39	17.15	18.73	9.2%
May	13.72	16.45	16.73	15.32	17.93	18.56	3.5%
June	13.76	16.95	16.74	16.00	18.22	18.44	1.2%
July	14.16	17.49	16.71	16.40	18.32		
August	14.73	17.94	16.90	16.89	18.78		
September	15.24	18.05	17.28	17.33	19.16		
October	15.40	18.00	17.43	17.45	19.22		
November	15.73	17.57	17.50	17.40	19.14		
December	16.02	17.39	17.70	17.51	19.06		
Source: The Ministry of Agriculture collected from over 400 markets of farm produce.							