

The Chinese poultry industry at a glance

While the Chinese poultry industry has been characterised by rapid growth and increasing modernisation in recent years, avian influenza is taking its toll on the world's leading producer of poultry meat and eggs.

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China has maintained steady and rapid economic growth over the past 20 years since it adopted a policy of reforms and opening-up to the outside world. In 2005, China's GDP reached US\$8.859 trillion, a 9.9% increase over the previous year (US\$1=8 RMB Yuan). In the first quarter of 2006, China's GDP was 0.3% higher than the growth rate for the same period of last year. It is estimated that China's GDP will achieve an 8% or higher increase over last year if no unexpected events take place. Agriculture maintained a good momentum with a total grain yield of 484 billion kg, a 3.1% increase over 2004. The total production value of animal husbandry accounted for 35% of the total value of the agricultural sector.

China is a major poultry producer and its total output of poultry meat accounts for 18.9% of the total meat output in the world. The total production value of the poultry sector is US\$50.083 billion in 2005, accounting for 30.8% of the total production value of animal husbandry sector. Average poultry meat consump-



Hongge Wang: "Intensification promises to be the right track for China to follow to develop its poultry industry"

tion in China for 2005 was 11.2 kg - an increase of 0.8kg per capita over previous year - and 22 kg of eggs, an increase of 1kg per capita over 2004.

Current status

Both the size of the national poultry flock and the number of birds sent to market has increased slightly in China over the past five years. China ended 2005 with a national flock of 5.35 billion birds, having marketed 9.67 billion birds throughout the year. This represents an increase of 3.7% and 6.6% over previous year respectively, making China the No. 1 producer of poultry meat in the world. In 2005 the amount of poultry for sale in China increased by 19.3% compared to 2000. Today 70% of the value of the Chinese poultry industry is accounted for by chickens and 30% by ducks and geese.

The amount of poultry meat produced is rising steadily. A total of 14.67 million tons poultry meat was produced in China in 2005, second only to the United States. This was an increase of 8.55% over 2004 and 15.2% over 2000, and accounts for 17.8% of world's total production.

The rate of increase in poultry egg production has slowed. China has held the No. 1 rank in world for egg production since 1985. In 2005, a total of 28.7 million tons eggs were produced, amounting to 43.7% of the world's total output and an increase of 5.6% over 2004. The growth rate of the Chinese egg industry slowed during the 10th five-year plan period (2001-2005) with an average yearly increase of 5.8%, meaning that the growth rate was 1.1% lower than during the Chinese 9th five-year plan period.

The proportion of large-scale poultry farming is increasing sharply. Chinese poultry production is shifting from traditional, scattered farming practices to



Per capita consumption of poultry meat continues to rise, reaching 11.2 kg per capita in 2005.

large-scale integrated systems. Broiler farming is the most integrated and intensive sector. In 2005, 74% broilers sold were from breeding farms with a yearly capacity of over 2,000 birds, an increase of over 15% over 2000. 59.5% of the egg production was supplied by farms with over 500 layers, an increase of 8.2% over 2000.

There is an abundance of domestic poultry breeds in China, although today foreign breeds make up the largest share used in industrialised poultry production. China boasts the most diverse range of poultry breeds in the world. Of the 3,831 livestock and poultry breeds in the world China has 579, accounting for 15.11% of the world's total. Among these are 164 poultry breeds (Figure 1).

So far 144 foreign types of poultry have

Figure 1 - Number of poultry breeds reared in China

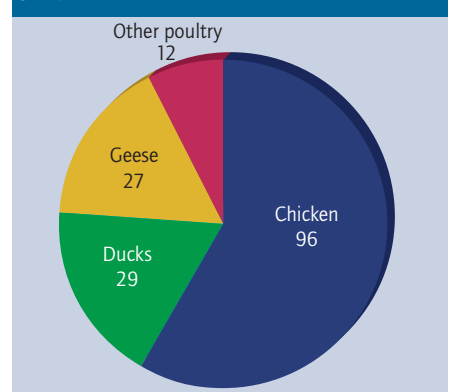
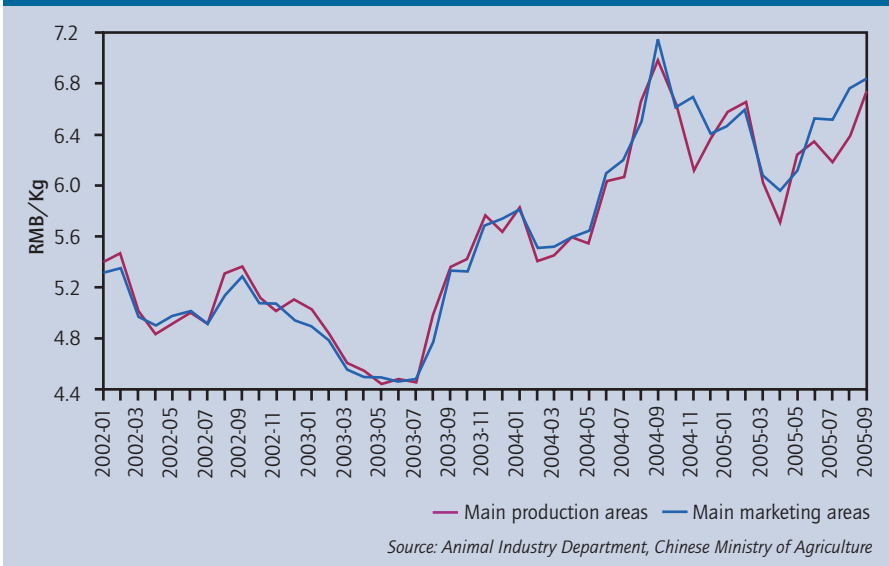


Figure 2 - Egg prices in China's main production and marketing areas, January 2000 - September 2005



been introduced into China. Of the breeds used in industrialized poultry production, some 60% are of foreign origin.

The impact of bird flu

Although China has experienced steady, smooth growth in poultry production, its poultry industry is now facing difficulties arising from the outbreak of avian influenza.

Poultry product imports increased dramatically, adversely impacting on the domestic market. For example, in 2004 183,000 thousand tons of frozen poultry offal were imported into China; in 2005, offal imports doubled to 377,000 thousand tons; in the first quarter of this year, the total amount of poultry products imported increased by 140.9% compared to the same period of 2005. There is no doubt that the volume of imports is having a huge adverse impact on China's market.

Poultry product prices have tumbled and the amount of poultry being produced is being reduced. Based on statistics for the first four months of 2006, 1 kg of egg cost US\$0.73, a decrease of over 30% (Figure 2). By mid-2006 1kg of live chicken was US\$1.20, 15.3% lower than last year. The market price of chicken fell by 30%; and the number of poultry in breeding farms has been reduced significantly. For example, one company in Shandong province was producing 50,000 chicks per day before the outbreak of bird flu, and today it is only supplying 20,000 chicks per day. On average, each broiler chicken in China today is produced at a loss of about US\$0.37.

The price of poultry breeders is low and production has been reduced, hence these enterprises are losing money. Broiler grandparent stock has been reduced by 17% compared to levels before the outbreak of bird flu. During the first 4 months of 2006, the average price for a commercial layer chick was US\$0.24,

12.6% lower than for the same period last year. The price of one set of parent broilers was US\$2.19 before the outbreak of bird flu; now it is just US\$0.84, a decrease of 82.4%. It has been reported that Shandong Yisheng Company lost US\$2.5 million in the first two months of 2006 alone.

The volume of poultry meat stocks held at processing enterprises has increased and these enterprises are experiencing a severe shortage of funds. Based on a recent survey of ten poultry processing enterprises, the average number of birds slaughtered has dropped from four million per month before the outbreak of bird flu to 3.45 million birds, a decrease of 14.1%. The amount of poultry stocks has risen from 3,939 tons to 9,670 tons, an increase of 145.5%. Many processors are facing a very difficult situation in terms of capital turnover.

Industry trends

Intensification promises to be the right track for China to follow to develop its poultry industry. The Chinese government has developed policies to promote and encourage poultry enterprises to develop through intensification, dealing with waste materials without harming the environment and the proper construction of supporting facilities. A unified approach for vaccination, disease prevention and management has been enforced across the whole country.

A future development will be the establishment of traceability systems to control the quality of poultry products entering the market. China's poultry industry is shifting from quantity-oriented production to quality-oriented. More efforts are needed to improve the quality of poultry products. Measures must be taken to deal with such problems as the control of pesticide residues and heavy metals to meet food quality standards.

The domestic market will require some

The 10th Five-Year Plan

China's livestock industry underwent rapid development during the 10th Five-Year Plan (2001-2005). The annual growth rate of meat production increased by 4.7%, while the annual growth rate of milk increased by 25.1%. China is now the largest meat and egg producer in the world, with the value of animal industry for 2005 estimated at US\$162 billion. During the 10th Five-Year Plan the value of the animal production industry increased by over 10% annually, accounting for nearly 35% of the total agricultural production value, and 5% higher than the 29.7% achieved in 2000.

The development of China's animal industry development during the 10th Five-Year Plan was characterised by a steady increase in volumes produced. It is estimated that the output of China's meat and eggs in 2005 was approximately 76.50 million ton (mt) and 28.7 mt respectively, increases of 24.9% and 27.5% compared to 2000.

The proportion of pork produced fell from 65.8% in 2000 to 64.9% in 2005, while the proportion of beef and mutton increased to 14.9%, and poultry meat accounted for nearly 20% of the total meat output.

During the 10th Five-Year Plan period, the quality of animal products and feed improved steadily due to the implementation of the "Pollution-Free Food Action Plan". To date 3,526 animal products have received pollution-free certificates of origin, and 1841 products were identified as pollution-free animal products. Increasing quantities of safe and high quality animal products are being presented to the market.

Broiler farms supplying over 2000 broilers for market per year accounted for 74% of broiler meat produced, an increase of over 15% over the Five Year Plan.

China's feed production achieved 7% growth per year during this period. It is estimated 100 million tons of feed were produced in 2005, with a production value of more than US\$32.45 billion. For many years China has been ranked No. 1 in the world for feed production.

Source: Feng Si Qing

effort to develop. Together with diversification of poultry products this will pave the way for further industry development.

Globalization, extension and proper use of veterinary medicines will be important factors in the future development of China's poultry industry.

Further processing

Further processing of poultry meat is a growing trend within China's poultry industry. At present, processed poultry meat only accounts for 5% of the total, while further processed poultry meat accounts for less than 1%. This is a strong contrast to European countries and the US where some 80% of poultry meat is processed and 30% is further processed.

In the near future, China's poultry industry will see the development of more industrialised farming practices and more processed and further processed poultry products available for the local and international markets. Moreover, it is expected that organic and contaminant free poultry products, and poultry products with medicinal functions will be also available on the poultry market. ■