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Inside China's beef and sheep market

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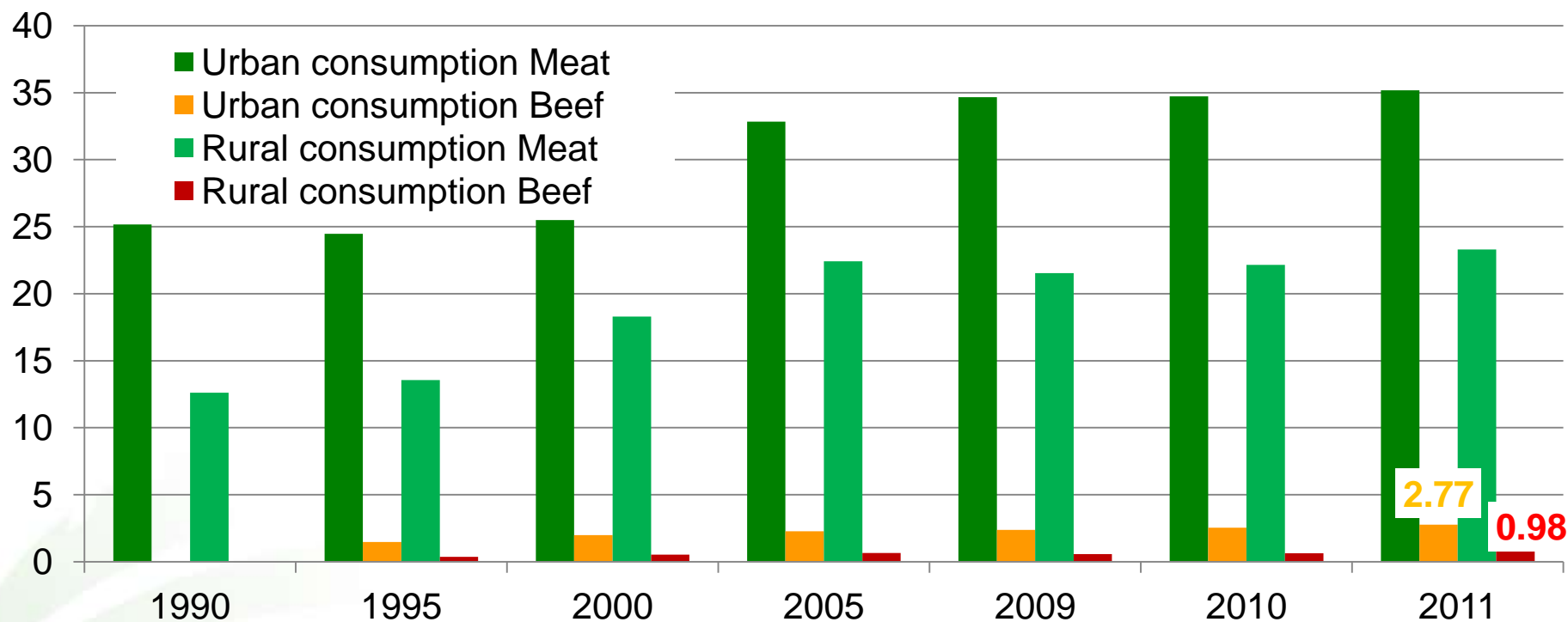
Part 1: Cattle

1. The global picture of beef production in China
2. The regional situation in Chinese beef production
3. Conclusions and outlook



1.The global picture

Beef has a low proportion in total meat consumption
rural vs. urban (kg per capita and year)



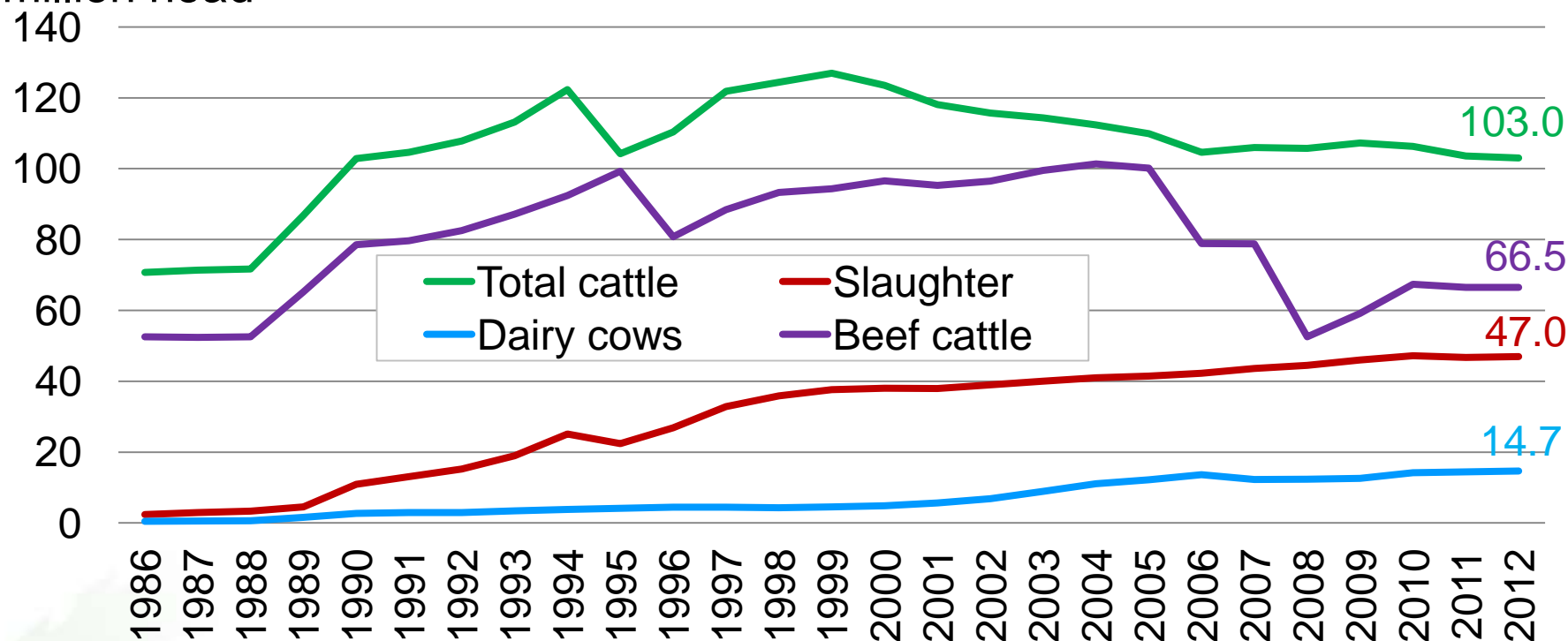
Source: China Statistic Yearbook 2012

This is household consumption, There are no statistical data for outdoor consumption. Total urban consumption is estimated to 5kg.

1.The global picture

Slaughter increase outgrows total cattle inventories

million head



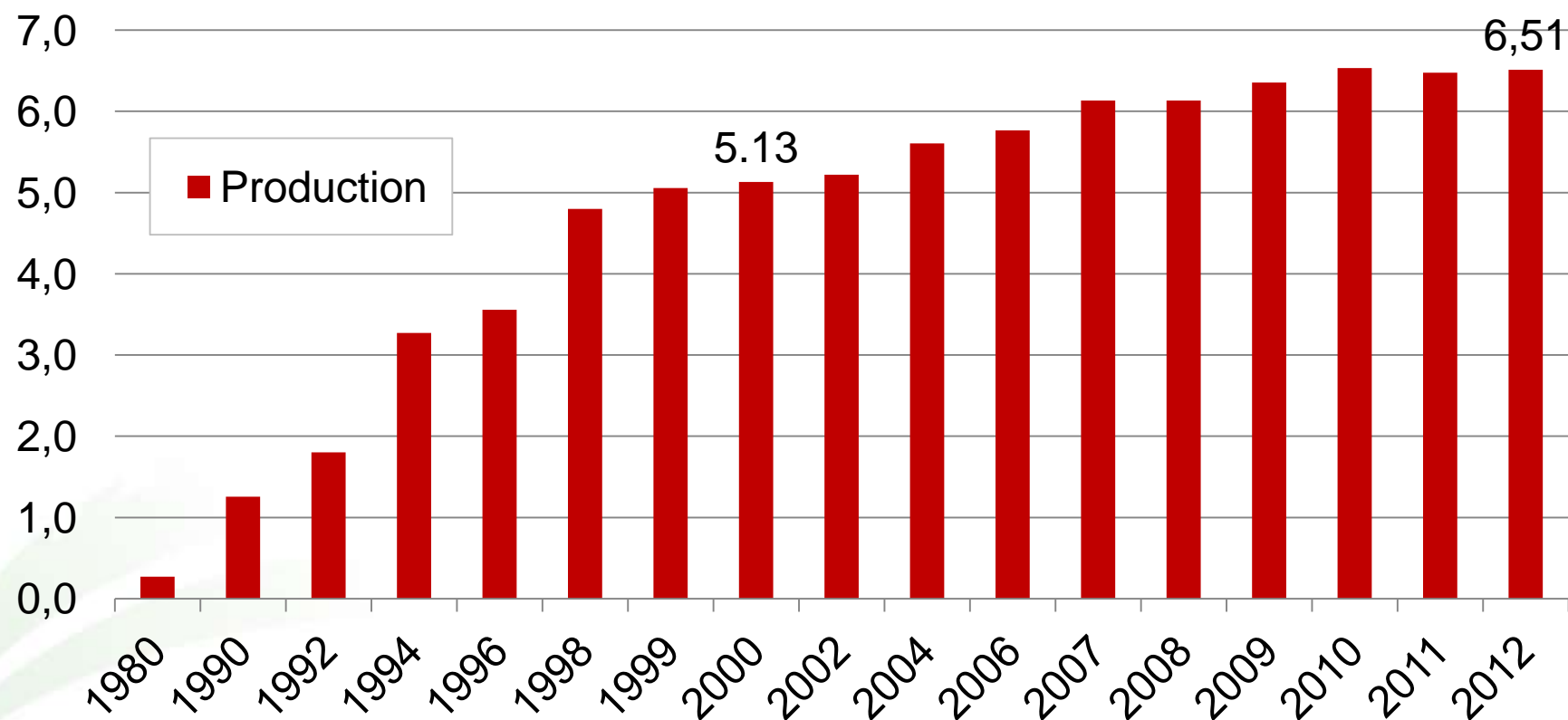
Source: China Statistic Yearbook 2012 and China Livestock Yearbook 2000 to 2010, the data of 2012 is estimated.

1. In 1996 and 2006, Bureau of Statistics corrected the data via the general investigation.
2. Draft cattle were also included in the total cattle numbers
3. China did not import live cattle but beef to close the gap.

1.The global picture

Beef production came from almost zero and grew by 27% since the year of 2000

million tons



Source: China Statistic Yearbook 2012

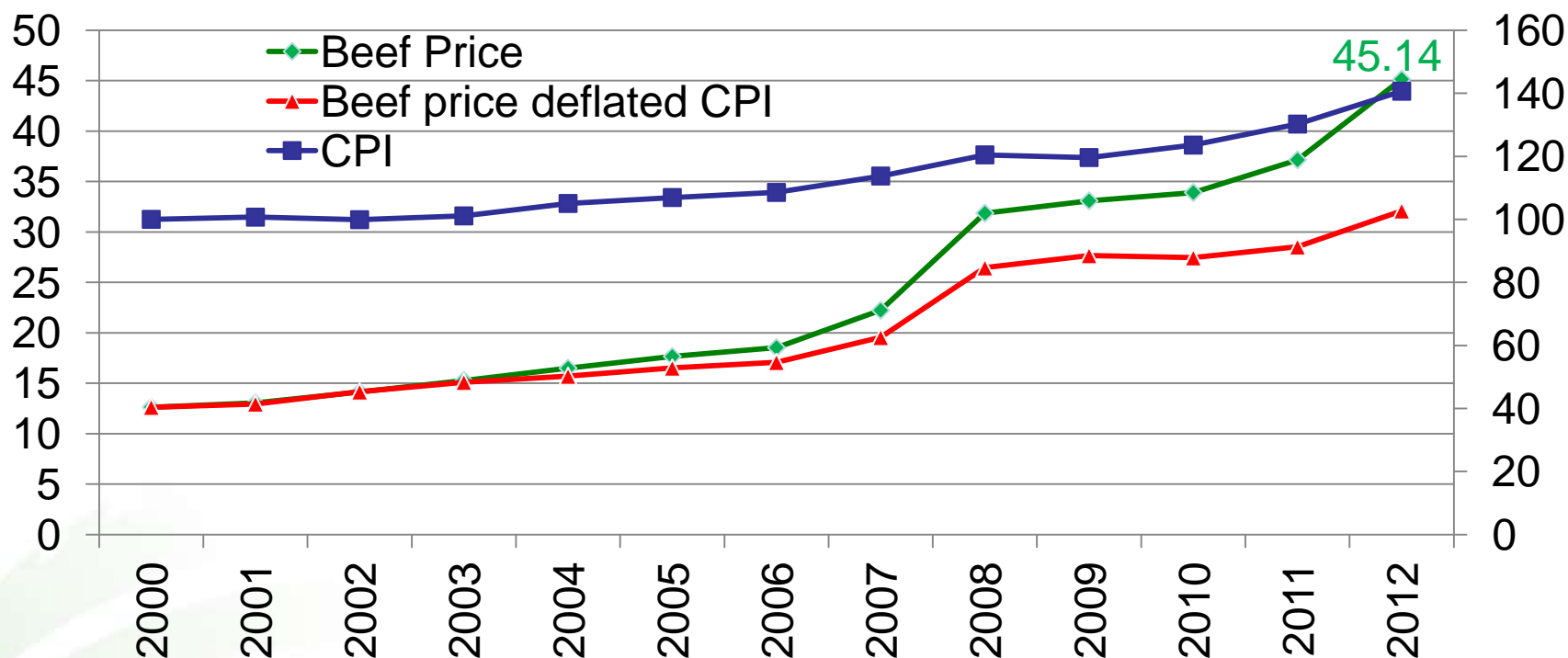


1.The global picture

Beef price more than tripled since 2000, well above inflation

CNY per kg

CPI Index



Source: China Statistic Yearbook 2012

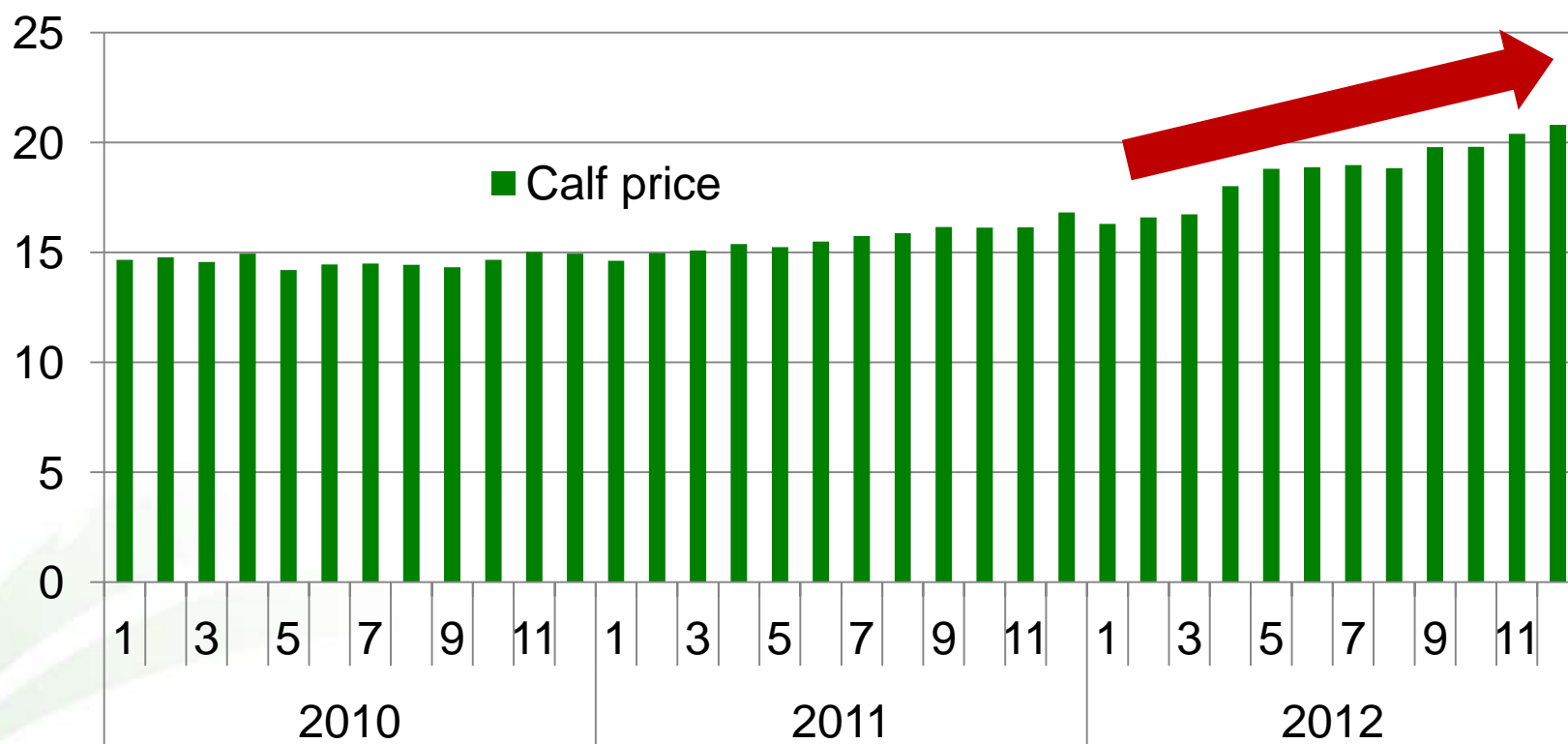
Now the beef price has reached to 57 CNY/kg, i.e. 9 USD/kg



1.The global picture

**Calf prices remained relatively stable from 2010 to 2011;
In 2012, the calf price increased significantly > shortage of calves.**

(CNY/kg)



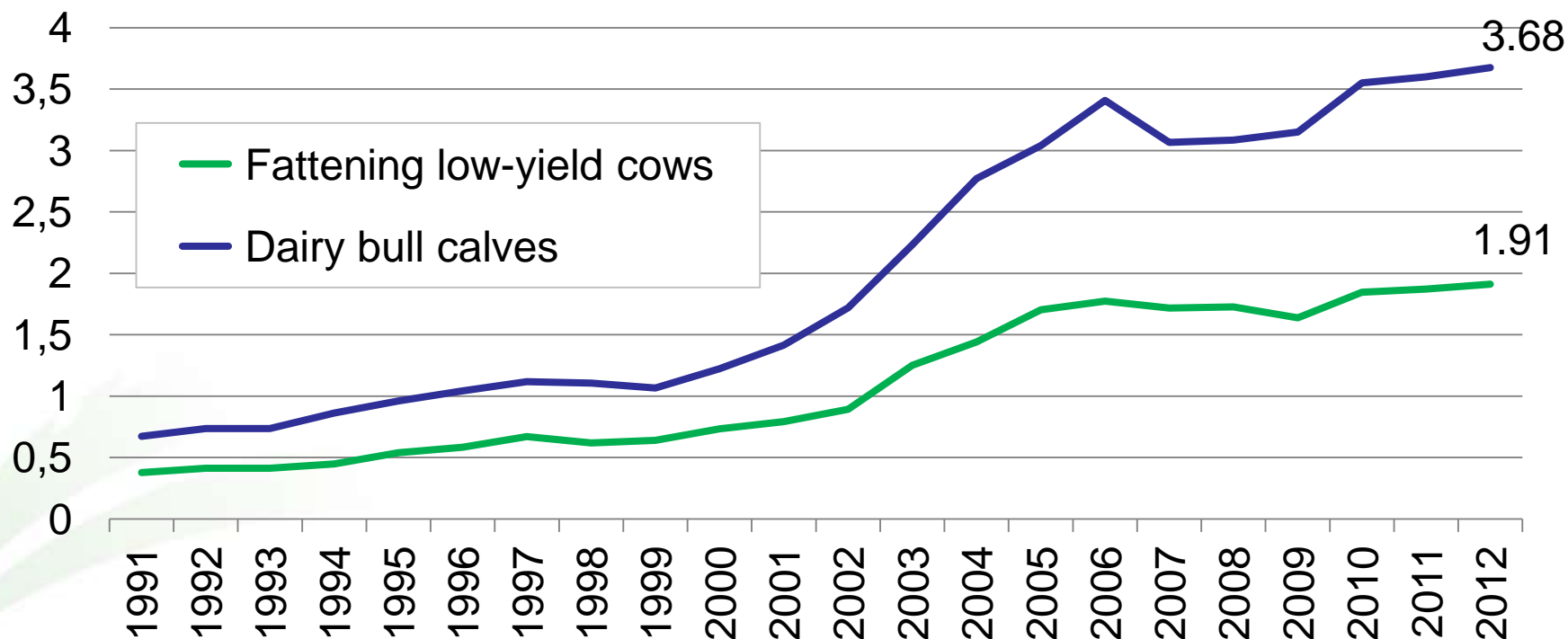
Source: Ministry of Agriculture of China 2010, 2011 and 2012



1. The global picture

- Two source of beef increased significantly:
Low-yield cows and **dairy bull calves**
- In past, we didn't fatten the dairy bull calves, nowadays, it is much more done as a result of the shortage of calves from cow-calf origin.

million heads

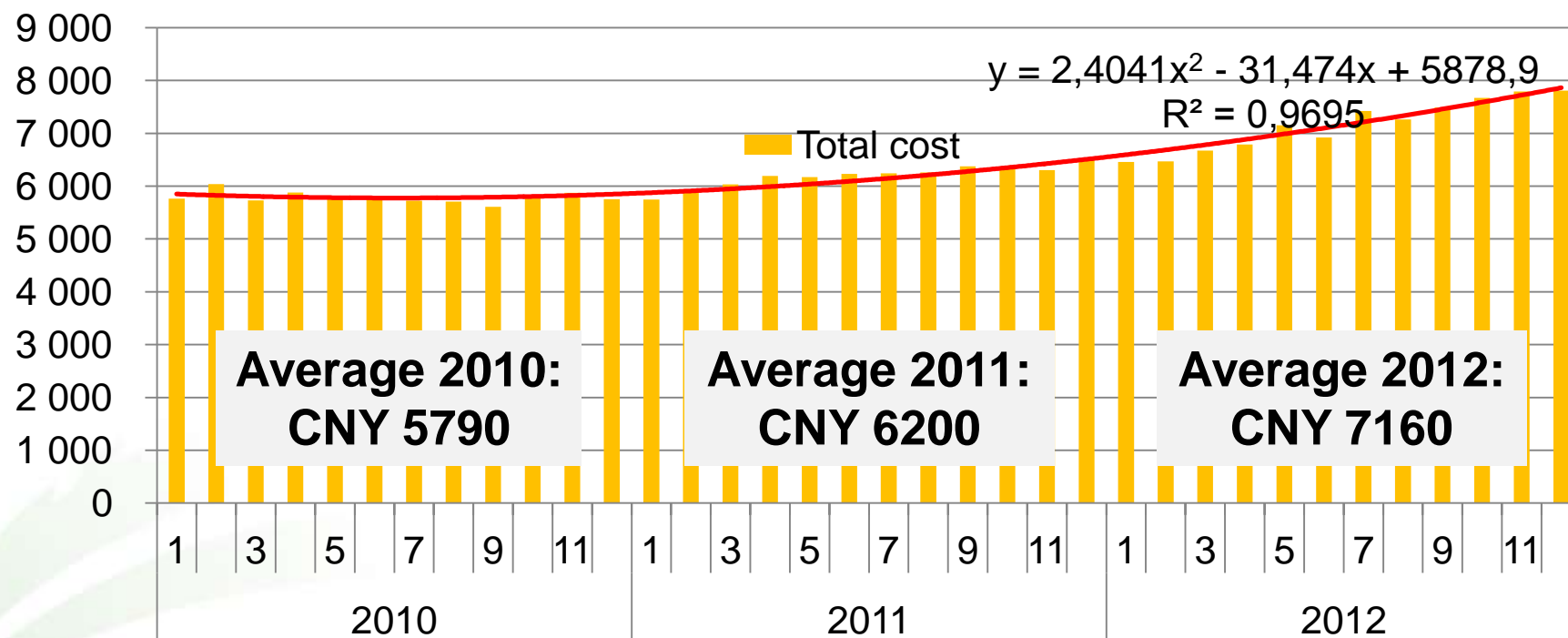


Source: China Statistic Yearbook 2012 & own calculation

1.The global picture

Average total costs compared to the previous year increased 7 % and 15 % per year in 2011 and 2012

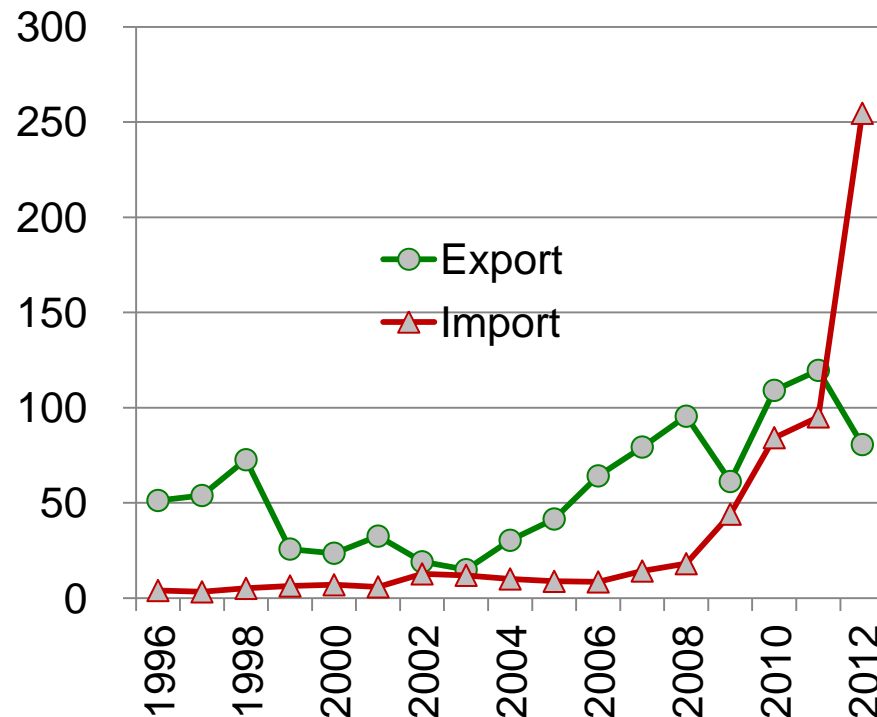
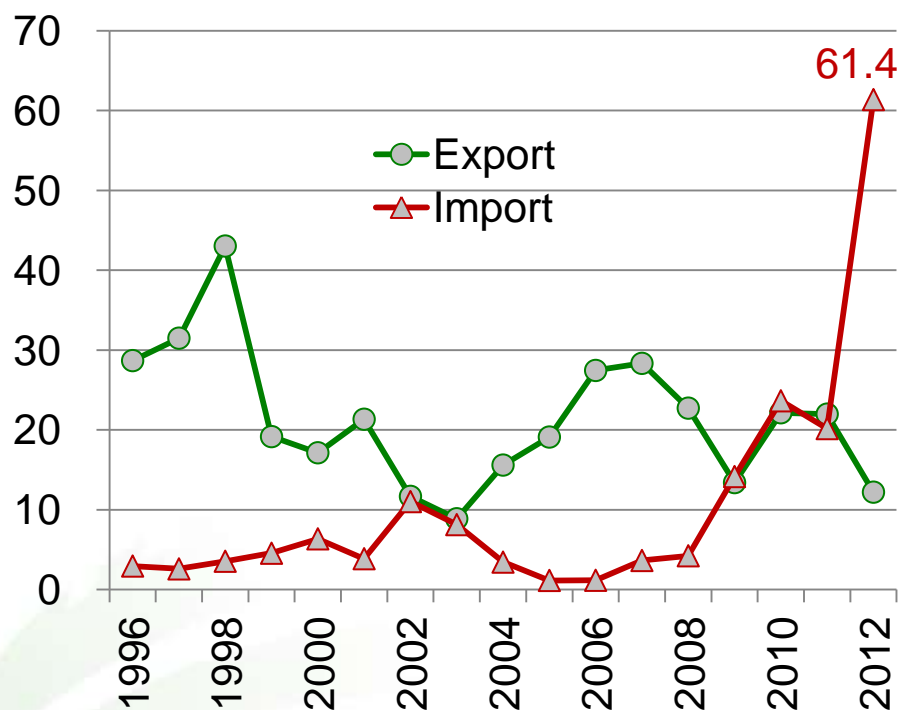
CNY per head



Source: own survey of 750 farms in 9 provinces 2010, 2011 and 2012

1.The global picture

Exports and imports on low level with imports increasing (`000 tons) (million USD)



Source: China Custom Statistics Yearbook & Uncomtrade database
This two sources have the same data!



1.The global picture

The main **beef cattle breeds** of China are the improved breeds based on foreign and native breeds hybrid, and local superior breeds .



Simmental cattle Charolais cattle Limousin cattle Piedmont Cattle



Luxi cattle Qinchuan cattle Nanyang cattle Yanbian cattle

1.The global picture

Types of beef finishing farms





2. The regional situation

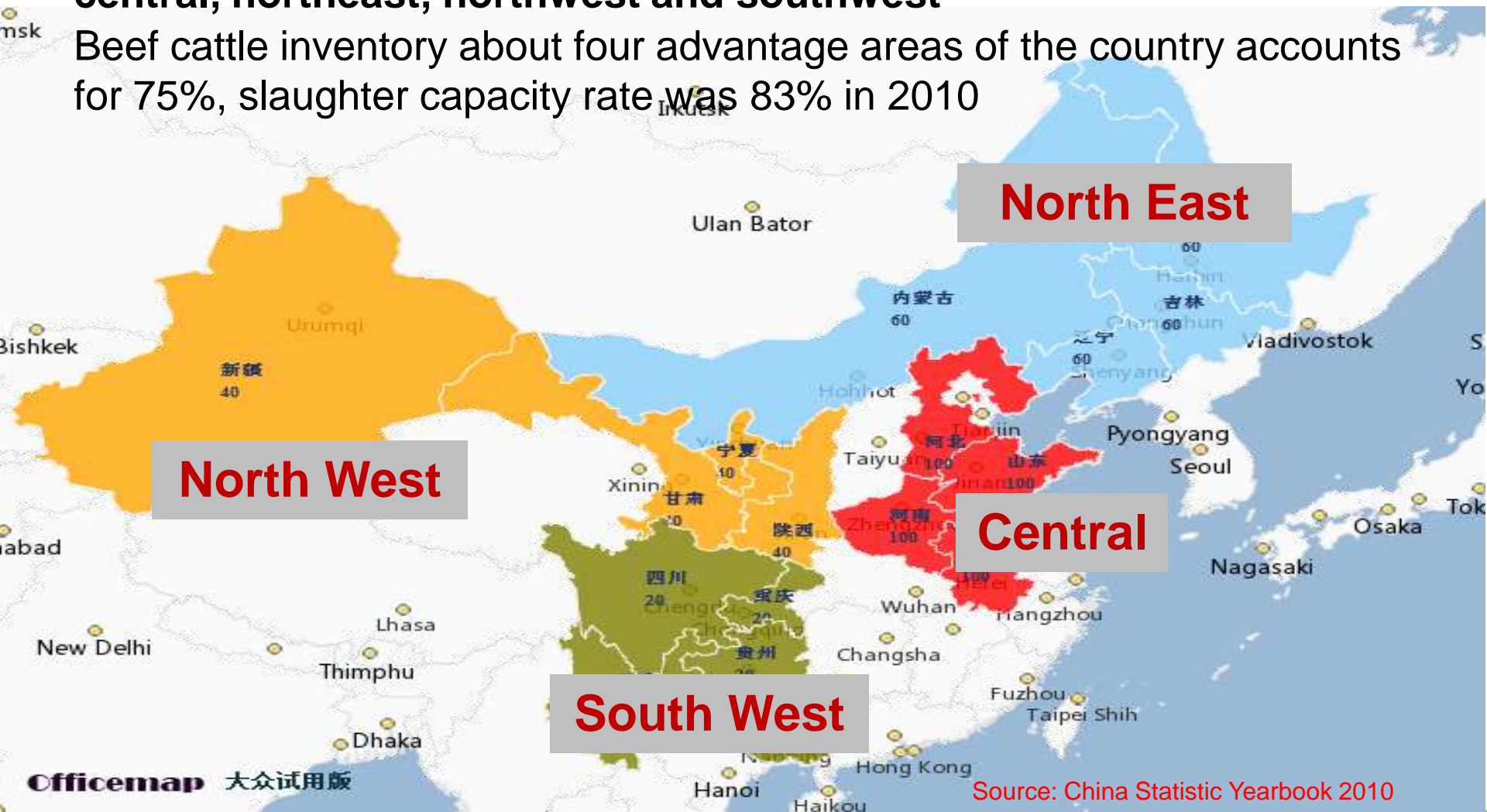
- Main production regions
- Regional shifts in cattle inventories
2010/2011 vs. 2001/2002

2. The regional situation

"Beef Advantage Regional Planning 2008-2015"

central, northeast, northwest and southwest

Beef cattle inventory about four advantage areas of the country accounts for 75%, slaughter capacity rate was 83% in 2010



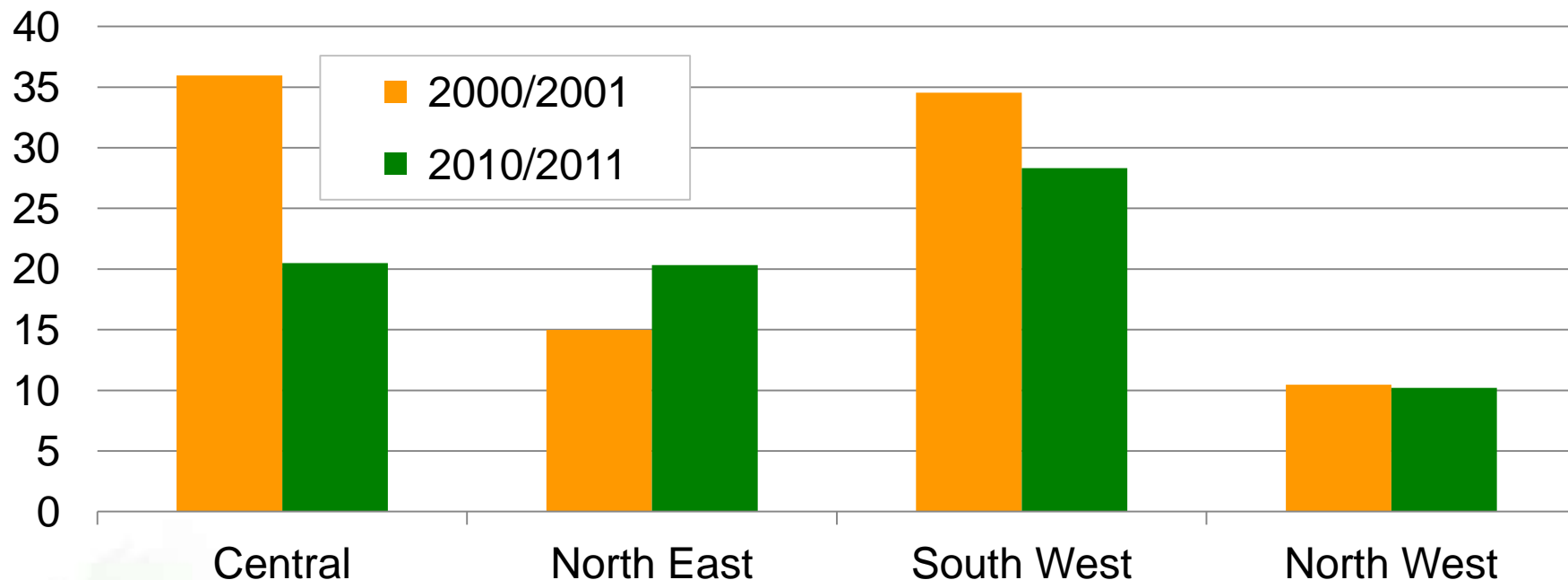
Source: China Statistic Yearbook 2010

2. The regional situation

Central and Southwest China are on the decline

million head of total cattle

Source: China Statistic Yearbook 2010 & 2011



- The North East is the main forage and maize production, so the feed price is lower than other regions. Labor cost is also relatively low.
- The inventory of draft cattle declined in crop farming regions like Central, North East, Southwest
- Cattle inventory stable in pastoral regions in Northwest



3. Conclusions and outlook

1. The **shortage of breeding cattle** resulted in the shortage of calf supply >> **Beef and calf price increase dramatically**
Bulls from the dairy herd (presently about 5 percent)
Dairy cows inventory is on the increase
2. The **costs increased** rapidly (energy, fertiliser ...) and low technology level in breeding >>> **Enhance intensive cattle farms (> 50 finishing cattle) with high productivity**
The large scale farm can get the profit in the market.
3. Most of the cattle farms do not grow their own **feed**, they **buy** from the market >> **Feed price will be always in high level**
4. The **lack** of beef market **quality** and safety supervision
>>> **Good quality beef can not get high price**
>>> **Low quality beef dominates the beef market**
5. China will be the net importer after the strict border trade. Now, the quantity of smuggled beef is very large according to survey of some beef enterprises.

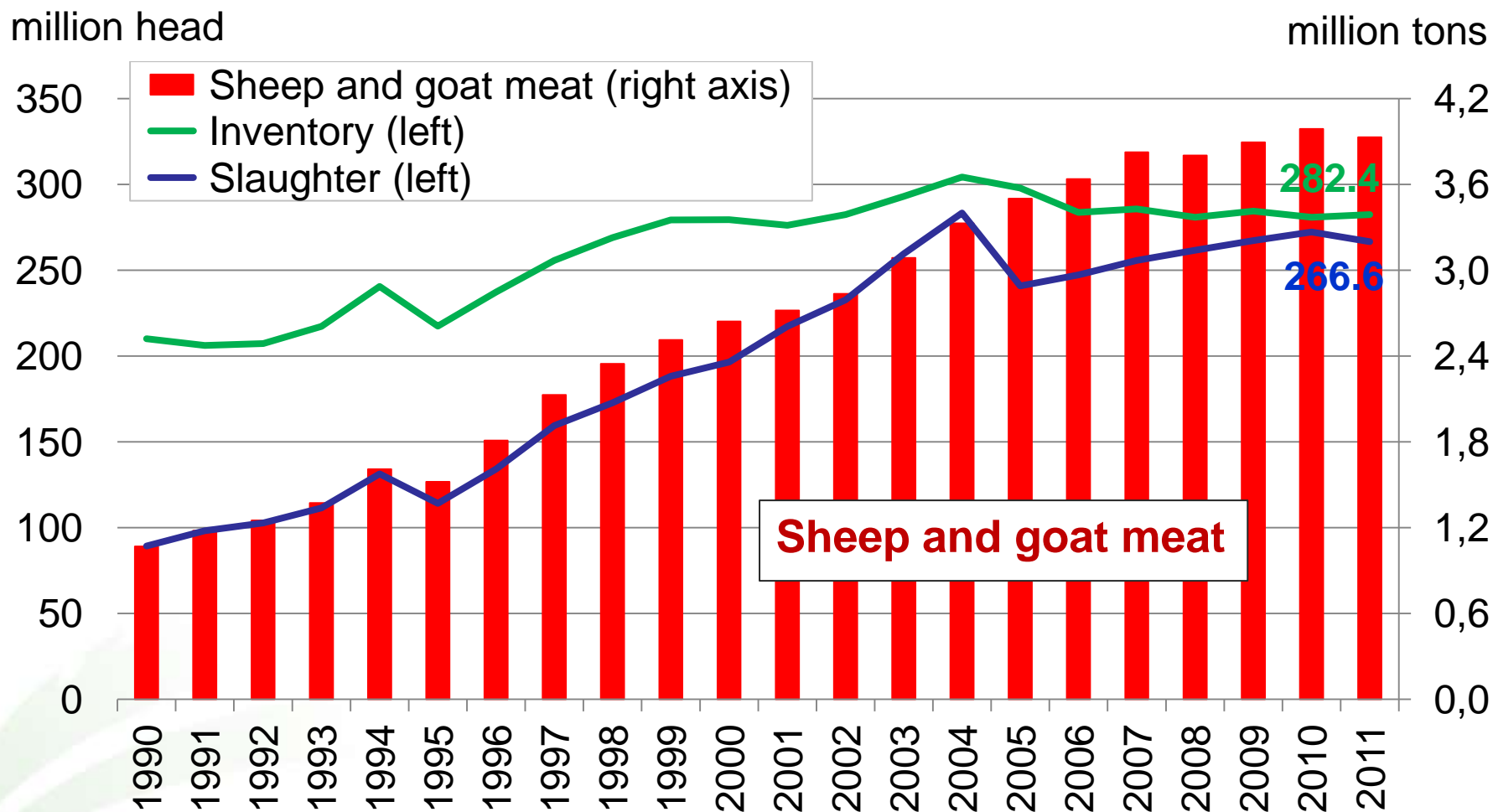


Part 2: Sheep and Goat

1. The global picture of sheep and goat production in
China
2. The regional situation in Chinese sheep and goat
production



Inventory and slaughter of sheep and goat

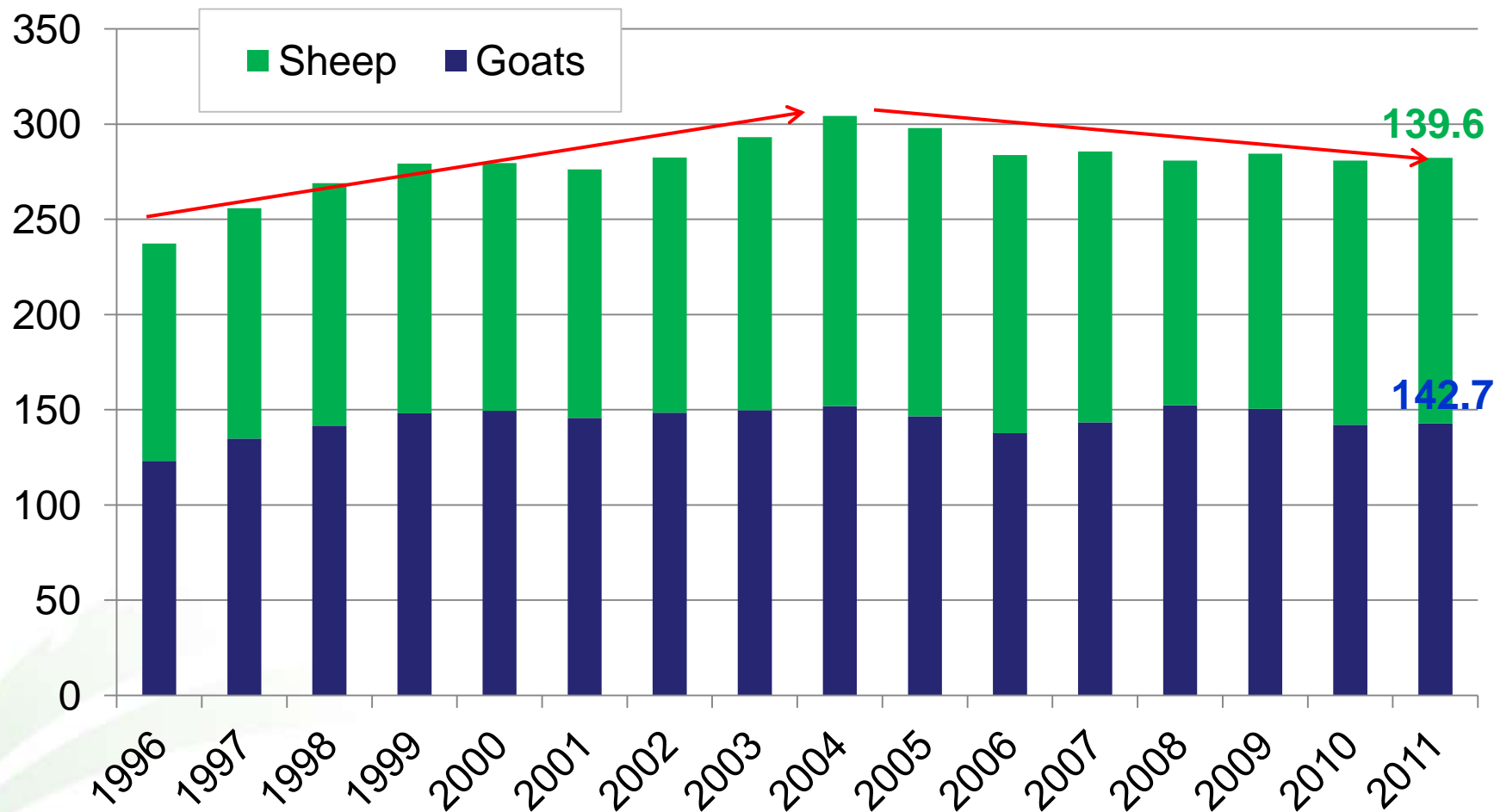


China Statistics Yearbook 2012

1996 and 2006, Bureau of Statistics made the correction for data

The inventory of sheep and goat

million head

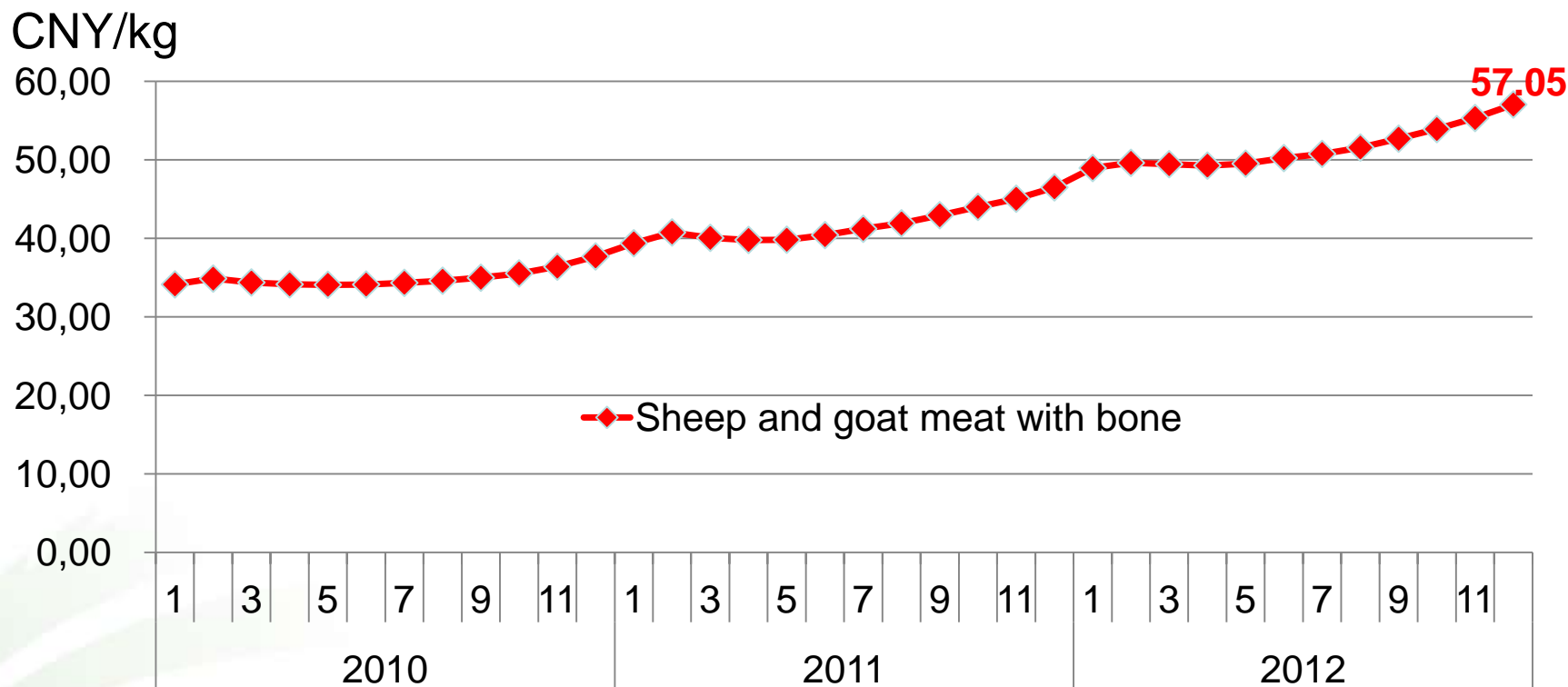


China Statistics Yearbook 2012



Price evolution of sheep and goat meat

The price of sheep and goat meat in-bone increased by two thirds from 01/2010-12/2012

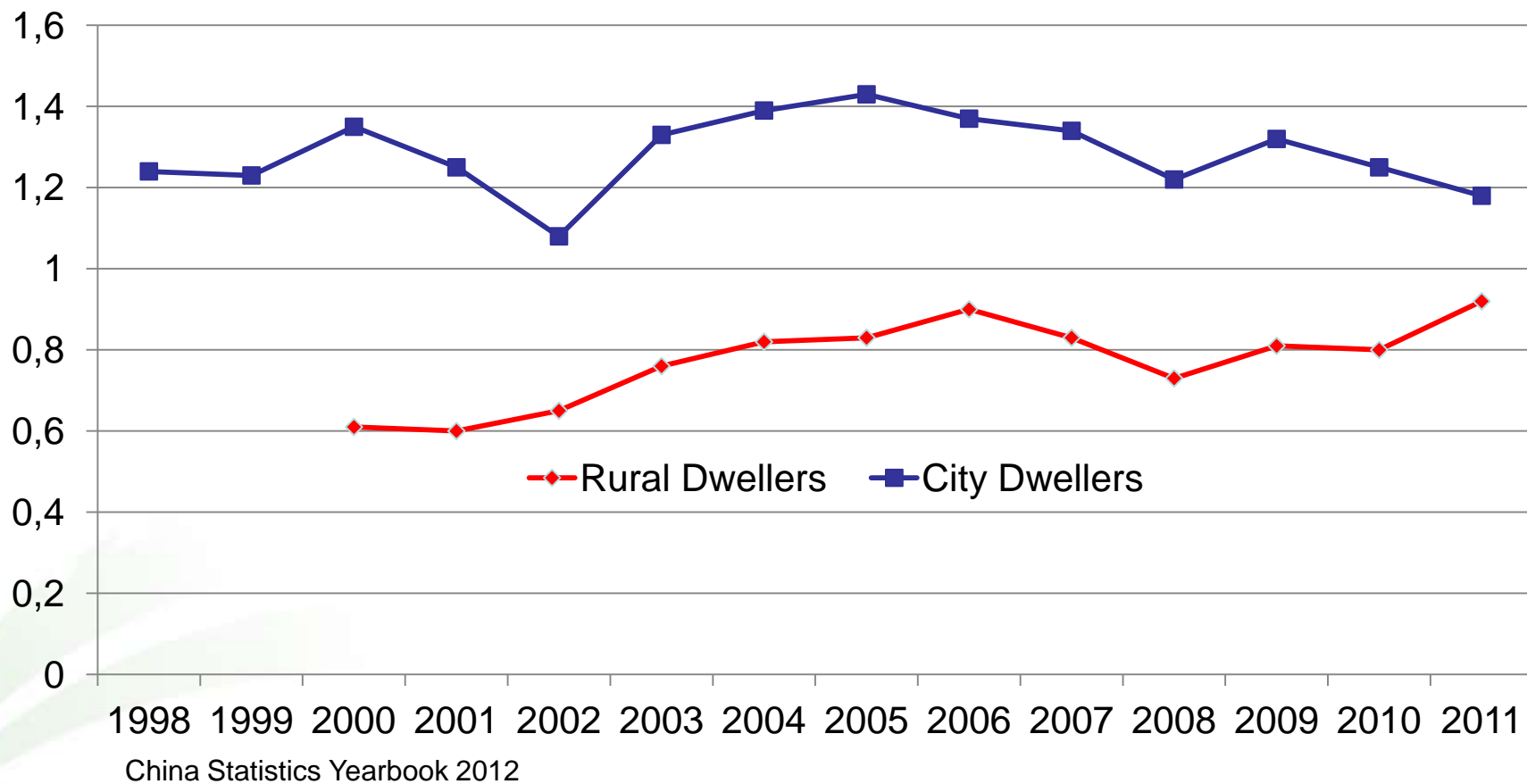


Now the price has reached to 63 CNY/kg, that is 10.2 USD/kg



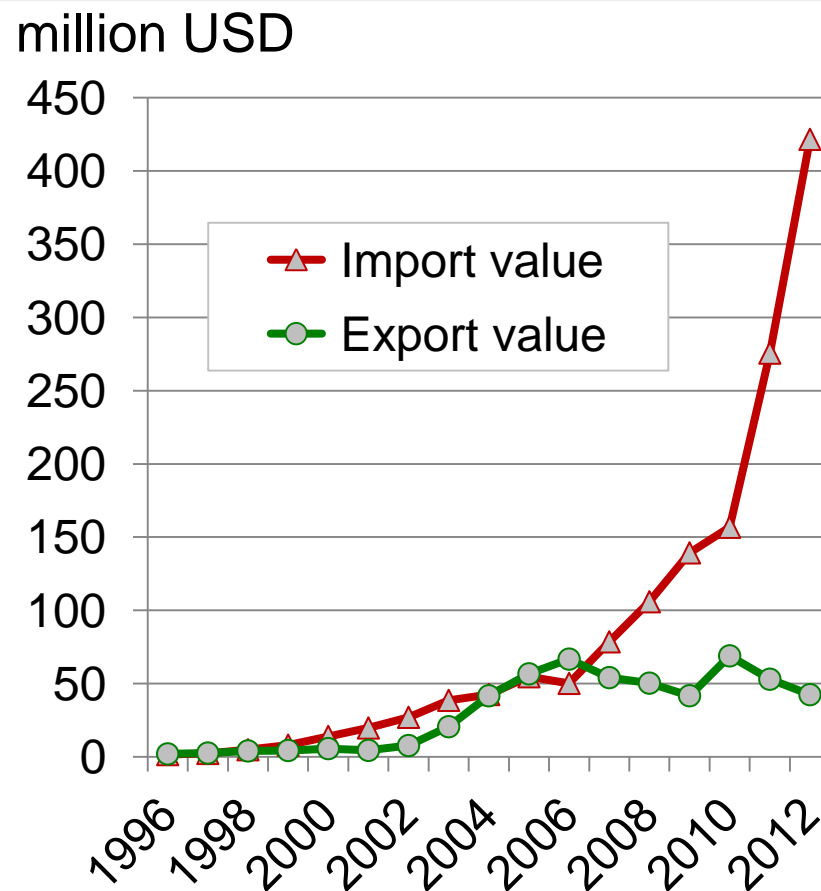
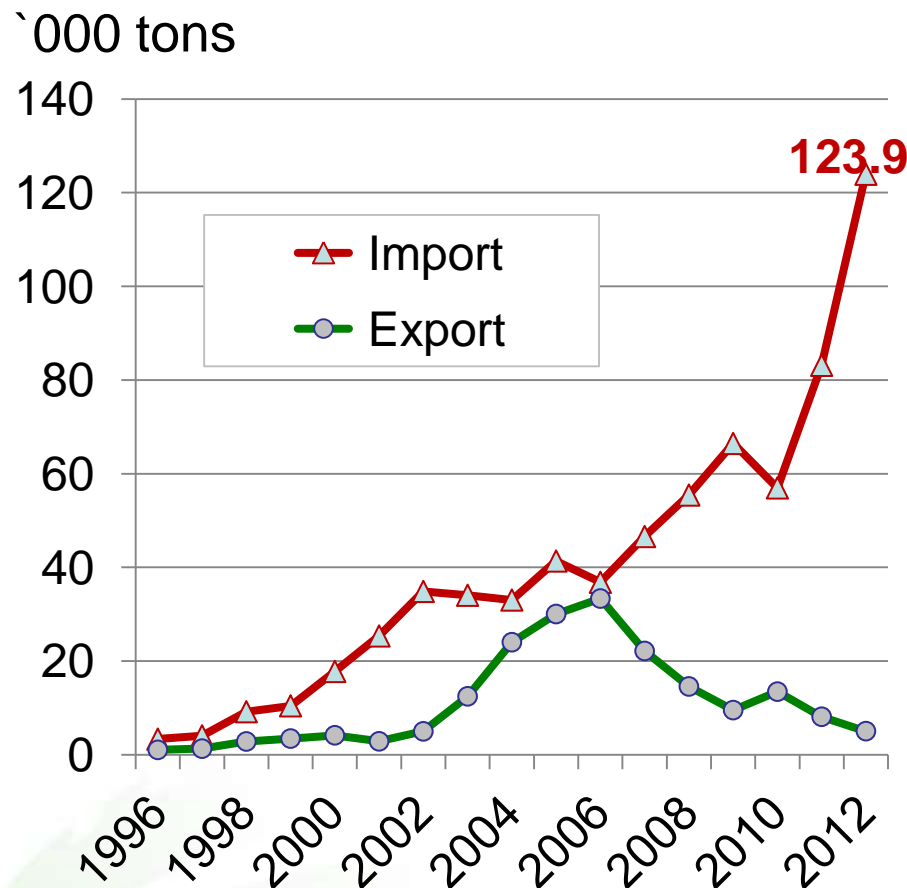
The household consumption of sheep and goat meat (kg/year per capita)

The city dwellers' household consumption of sheep and goat meat went down, but the rural dwellers' household consumption keeps rising.



There are no statistical data for outdoor consumption.

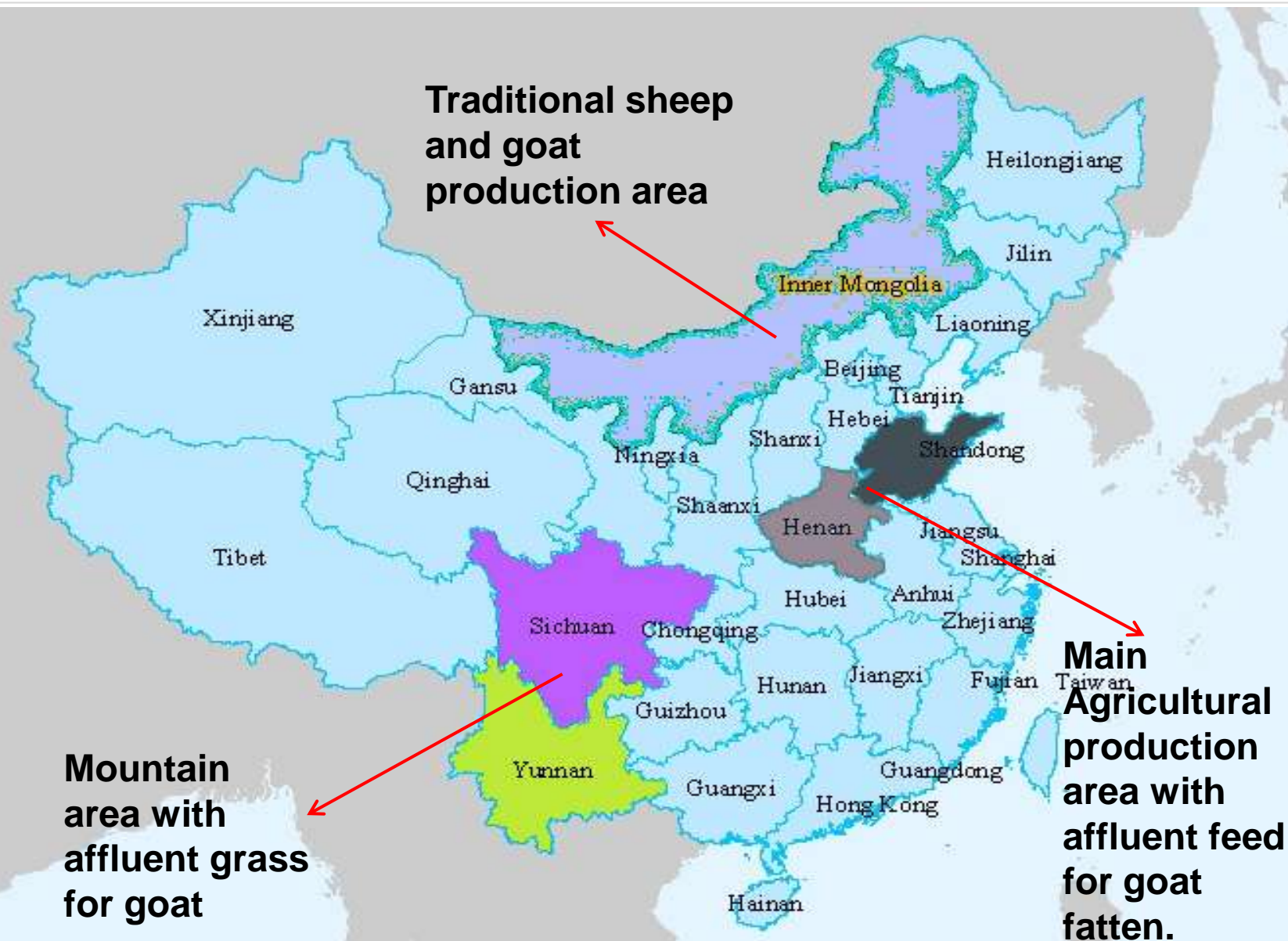
China is a net importer of sheep and goat meat



Source: China Custom Statistics Yearbook & Uncomtrade database
This two sources have the same data!

The import of sheep and goat meat increases rapidly
The export went down since 2006.

Top 5 provinces in goat inventory



Top 5 provinces in sheep inventory

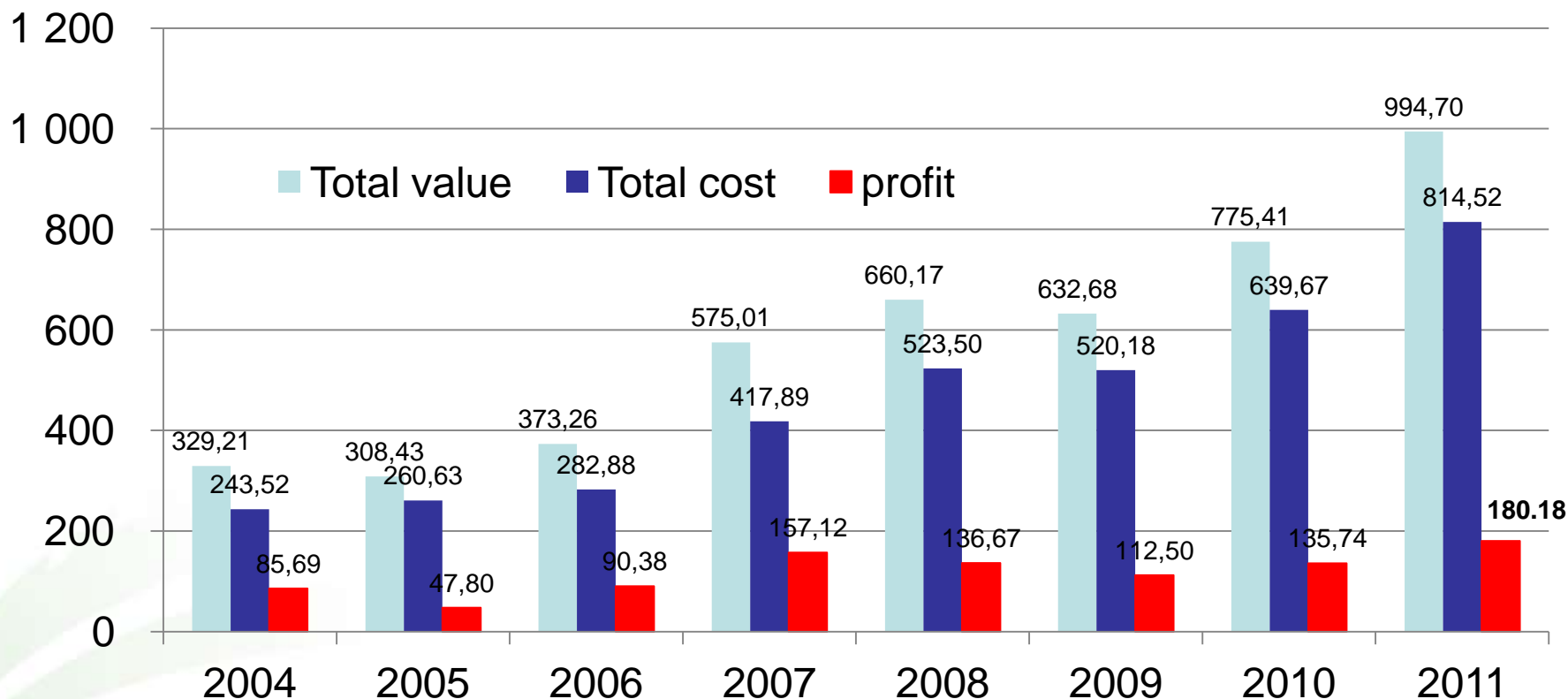




The average cost, returns and profit of sheep and goat

Goat and sheep farming is a very profitable business.

CNY/head



Now the profit of sheep is about CNY 300 per head and for goat almost CNY 400 per head.

Thanks for your attention!

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