

Hen Market in China

MARKET RESEARCH



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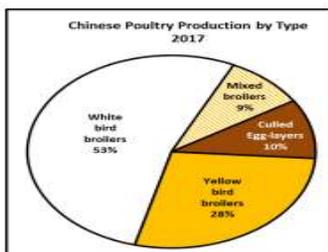
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INTRODUCTION

The purpose of this research is to analyze the market potential for exporting hen meat and hen parts in China. The first chapter – Market and Industry Overview offers insights about the current state of the poultry market and the laying hens like a part of this market. The second chapter is about the consumption trends of poultry meat in China. And the third chapter is about the governmental regulations regarding exporting poultry meat in China. Because the product is food stricter import regulations and packaging requirements apply. All the information we provided is summarized in the last chapter – Executive Summary, which answers the key questions.

MARKET AND INDUSTRY OVERVIEW

‘[Hen](#)’ or, ‘laying hen’, or ‘spent hen’ are usually the terms for an adult female chicken that is raised for eggs. Except for this type of chickens, there are also chickens called ‘broilers’ that are raised for meat. According to the information we found they are all part of the poultry industry. The poultry industry is an industry where chickens, ducks, turkeys, and geese are raised for the purpose of farming meat or eggs for food. The poultry industry is an industry that is very developed in China.



Source: Chinese industry data

According to the [China - Peoples Republic of Poultry and Products](#) report, China’s domestic poultry production is composed of four different types: yellow-feathered birds, white-feathered birds, mixed (yellow and white), and culled egg-layers. The numbers in the following report [Industrialization of Poultry Production](#) show that, the poultry industry in China is dominated by chicken production which comprises 70 to 80 percent of all poultry production.

According to the [Poultry Farming - China Market Research](#) report poultry farming is one of the most modernized agricultural industries in China. This industry accounts **around \$106bn revenue** and it is expected that in the next years as the industry continues to mature, revenue growth is set to slow to an **annualized 5.5%, reaching \$138.5 billion in 2022**.

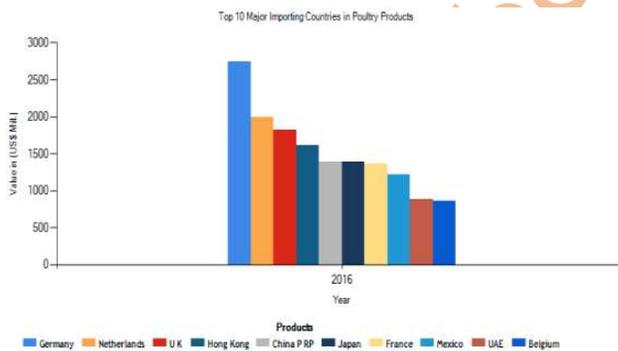
About laying hens in particular the **largest producer** in the world is China.

The most relevant information that could be found is from [Compassion in World Farming statistic report](#) from 2011 about the total number of laying hens. Hen numbers refer to all hens contributing to egg production during 2011 and include hens laying eggs for hatching as well as for human consumption. China has around

Country	Hen egg production 2011 (tonnes)	Share of global hen egg production 2011 (%)	Hen egg production 2011 ('000 eggs)	Laying hens 2011 ('000 head)
WORLD	65,181,280	100.0	1,226,174,530	6,617,299
China	23,897,000	36.7	477,940,000	2,545,000
USA	5,415,600	8.3	91,855,000	338,475
India	3,490,000	5.4	63,500,000	303,658
Japan	2,482,628	3.8	41,377,000	137,352
Mexico	2,458,732	3.8	47,622,740	185,446
Russia	2,283,600	3.5	40,778,280	159,978
Brazil	2,036,534	3.1	40,730,688	285,000
Indonesia	1,166,400	1.8	24,911,000	207,700
Ukraine	1,064,200	1.6	18,428,100	97,910
France	839,500	1.3	14,087,635	53,040
Other	20,047,086	30.8	364,944,087	2,303,740

2,545,000,000 billion laying hens, accounting for more than a third of world hen egg production.

Another report by [SDA International Egg and Poultry: China](#) shows that China is the world's largest grower of egg-laying hens. In this report is stated that China commanded 39% of the world's egg-laying hens in 2012 compared to 5% for the US.



On the other hand, China is also one of the **major importers of poultry products** in the world. According to a statistic from [Agri Exchange](#) China is the fifth largest importer of poultry products in the world.

China is a net importer of poultry meat in terms of volume and a major importer of poultry by-products, such as wings and feet and internal organs which are considered offal in the rest of the world. However, in the same report listed before is stated that China's poultry imports have been very volatile in the last 15 years because of frequent trade disputes, particularly with the U.S.

Most of China's poultry imports were from Brazil. **Brazil is the main import partner for poultry products to China.** According to [China - Peoples Republic of Poultry and Products](#) report Brazil's recent meteoric rise was possible as Brazil filled a vacuum created by AI-related bans in the United States and Europe. Brazil was the country that mainly profited from this situation. In addition, Chinese regulators continue approving Brazilian poultry production facilities for export at an unusually fast rate. Because of the increasing domestic demand and the import ban on U. S. broiler meat, China was forced to look for other suppliers. And also, the depreciation of the Brazilian real relative to the Chinese yuan has also contributed to Brazil's export success.

China Import Statistics								
(values in metric tons)								
	2011	2012	2013	2014	2015	2016	2015/16 Δ	2016 Market Share
Total China Imports:	385606	473208	540172	440262	394302	569336	44%	100%
Brazil	258628	230298	191898	216789	294661	487157	65%	86%
Argentina	57165	48247	23767	27602	37980	51651	36%	9%
United States	52531	176249	306649	177606	29188	0	NA	0%
Chile	14139	14783	10023	10304	18293	17844	-2%	3%
Poland	49	1577	5171	5880	10560	12426	18%	2%
France	3052	2043	2647	2050	3567	0	NA	0%
Other	42	11	17	31	53	258	387%	0%

Source: Global Trade Atlas
 Note: This table includes chicken claw imports, which are not included in the PSD table

According to the report [China – Stagnation in broiler meat and egg production](#) it can be expected that China will be forced because of the **growing demand for poultry meat** in the next decade to either increase domestic production or imports. According to the OECD-FAO projection regarding the development of production and demand between 2014 and 2024, production will increase by 4.86 mill.t. and demand by 5.15 mill. t. This would result in a deficit of about 300,000 t. This deficit should be offset either by bigger imports or with bigger domestic production.

According to an article [China's poultry industry production, sales weak in 2018](#) China's **production of chicken meat is declining and it is expected to decline further in 2018.** The Chinese chicken meat market is experiencing difficulties on the demand and supply sides, with producers facing difficulties sourcing stock, ongoing disease concerns, and other production and marketing issues. This information means

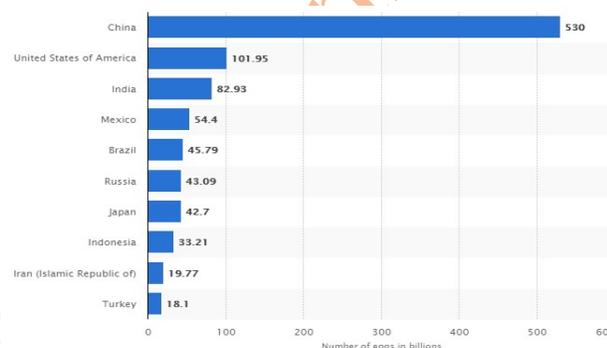


that there will be a deficit for poultry meat in the Chinese market and the production of domestic poultry is decreasing in 2018 also, that means that **the imports will increase**, but nothing in particular for hen meat.

Although China is a net importer, it continues to be the primary poultry supplier to Japan and Hong Kong. According to the same report listed before China's exports, are mainly fresh or frozen whole chickens, mainly to Japan and Hong Kong China is also a major world exporter of labor-intensive poultry products, including skewered products, ready-made meals, and deboned meat. However, China's export competitiveness is declining because of rising labor and input costs as well as the appreciation of the yuan.

China is also a **large producer of eggs**.

According to [Poultry Farming - China Market Research Report](#), China is the world's largest egg producer, accounting for over 35.0% of global production. According to [Statista](#) China was the biggest producer of eggs in 2016 with 530 billion eggs.

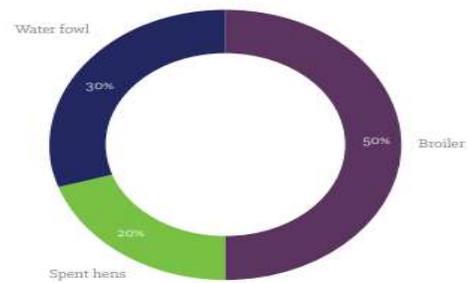


But in recent years according to the report [China – Stagnation in broiler meat and egg production](#) there is **stagnation in laying hen husbandry and egg production in China**. This is happening in major due to the fact that outbreaks of Avian Influenza resulted in decreasing laying hen flocks. In addition, in the past years, hatching eggs were scarce and a lower per capita consumption caused a decreasing domestic demand.

According to the article [Spent hen market collapses as AI outbreak blocks exports](#) from 2015 there had been a number of challenges for the spent hen market and the spent hen market has collapsed. The spent hen market has collapsed in the wake of the bird flu outbreak and dealers struggling to find customers for meat that is piling up in cold stores. According to the information in the article another reason for that are the dried up demand for chicken feet in China.

From this approach, we found many reports about the poultry industry (as a whole) in China, the market share, the imports, the exports of poultry meat but nothing about the hen meat in particular. The only information that we found is about the percentage of spent hens in the Chinese market. The report [Industrialization of Poultry Production in China](#) showed that poultry market structure in China is **contained form spent hens by 20%**.

Figure 2: China's poultry market structure



CONSUMPTION TRENDS

China has experienced remarkable economic growth in the past three decades. This has resulted in a sustained increase in consumer income, which in turn has led to important changes in food consumption. Notable changes include **higher demand for food**, demand for a more diverse range of food, demand for higher quality food, and the growth of away-from-home food consumption.

Major factors identified as driving these trends are: **rising real income, rapid urbanization, changes in lifestyle, availability of new cooking methods, changes in consumer tastes and preferences, better organization of food production and marketing, and changes in population structure**. Among them, growth in income and urbanization are key drivers. All these factors will continue to drive consumption higher, with the impact of urbanization becoming even stronger.

When it comes to the consumption of poultry meat in specifically, according to the report [Food Consumption Trends in China](#) in terms of quantity consumed, poultry meat, chiefly, chicken meat, was the second most popular meat after pork. Also, the consumption in the urban areas was about twice that of rural consumption. Poultry meat is more preferred by people in the south. The consumption of poultry meat was also much higher for consumers with higher incomes. The statistic shows that as consumer income increases, per capita consumption of poultry meat **increased rapidly in both rural and urban areas**. In the recent years, there is a decrease in the consumption of poultry meat. The **drop in consumption** in the recent years is related to an outbreak of **avian influenza**.

According to the [China - Peoples Republic of Poultry and Products](#) report, there were changes in the consumption of poultry meat in China. According to the information in this report, the consumption of poultry meat in **China decreased and will continue to decrease**. Like is stated in this report there are three main reasons for that:

- I. The first reason is **AI-related**. Because AI (Avian Influenza) is most commonly transferred from poultry to humans in traditional wet markets selling live chickens, Chinese regulators have begun to close these wet market outlets, encouraging consumers to purchase fresh-slaughtered poultry at retail outlets.
- II. The second reason that is stated in this report is related to **China's overall economy**. As China's roaring growth slows to a more sustainable level, and labor costs continue to increase, manufacturing companies have been moving factories out of China into lower-cost markets, like Bangladesh and Malaysia.
- III. The third reason that has contributed to China's decreased appetite for poultry is a change in the **middle-class diet**. As middle-class families become more wealthy, they are consuming less poultry (either yellow bird or white bird) and consuming more beef, mutton, and seafood.

SPENT LAYER HENS MEAT USING

When it comes to consumption of meat from spent hens in China we found an old Analysis about [Chicken Exports to China](#) from 2002, which says that spent hens from traditional and specialized households, and most likely also those from modern facilities, still are marketed through local food markets. But on the other hand, worldwide there are many articles that show that the meat from spent hens is not good for human consumption because they are older. Their **meat is tough**, and they're not usually the breed of chicken that people enjoy eating. In the article [What happened when I ate a spent hen](#) says that industrialised poultry farming has removed the need to eat spent hens today. The information from these articles shows that **this kind of meat is used for other purposes**. Many articles like [Farmers turn to composting amid collapsed spent-hen market](#) state that the market for spent-hen meat has collapsed. They state that there isn't a facility willing to take them. Because of that and because of the **collapse of the spent hens market** in the recent years due to the avian influenza virus, like is mentioned before, farmers have problems to find a market for this kind of meat. In recent times euthanizing and composting of these birds is actual.

According to the report many farmers have turned to **killing the chickens** and using them to make **piles of compost**.

Also, there are many articles that show that there are many different ways of using this meat. In the article [Here's What Farms Do To Hens Who Are Too Old To Lay Eggs](#) information shows that hens are turned into **oils and other products** that are used in various industries. According to the information in the article hens are also used in **pet food** industry. Information in the articles shows that spent hens (layer hens who are no longer productive after intensive production) are also marketed by restaurants and meat producers at a premium as organic chicken because the texture of the spent hens is similar to that of organic chickens.

GOVERNMENTAL REGULATIONS

Many foreigners want to export meat products to China, it's not strange as meat products are in big demand, and some of the most imported products from overseas. China offers many opportunities for global food exporters looking to enter a large and profitable market. However, the country's food and beverage import process can be very hard to navigate for first-time exporters, due to its fragmented and localized system: because of the country's vast geography, export to different locations within China will require due diligence so as to avoid administrative failure. As meat and meat products are perishable and consumed by humans, **stricter import regulations and packaging requirements** apply.

[The Food Safety Law of the People's Republic of China](#) was adopted on June 1, 2009, after a series of food scandals that undermined consumer confidence in the food supply chain. The law resembles existing systems in the countries by setting up regulatory bodies responsible for elaborating and implementing national food safety standards based on scientific criteria and recommendations issued by international organisms such as Codex Alimentarius, the Food and Agriculture Organization of the United Nations (FAO) and the World Trade Organization (WTO). However, law enforcement is facing severe challenges due to Chinese food market inefficiencies: scattered and small production units without quality and safety priorities, lack of consumer awareness of food safety concerns and overlapping competencies between central and provincial governments are some of the burdens reducing its effectiveness and posing a permanent threat to an already fragile food security system.

There are a number of requirements that every exporter of poultry meat in China needs to apply. In The Ultimate Guide [How to Export Meat Products into China](#), these requirements are presented.

1. **Confirm that China allows imports of the specific meat product from your country of manufacture.**
2. **Business registration**
 - Business registration with AQSIQ
 - Registering with the Filing Management System
 - Business Registration at SAIC
 - Getting an import and export license
 - Register at the Chinese customs
 - Automatic Import License
3. **Product testing in a Chinese laboratory**
4. **Labeling requirements for meat products**
5. **How to package your meat products**
6. **Shipping your meat products**
7. **CQI inspection of meat products**
8. **China customs clearance**

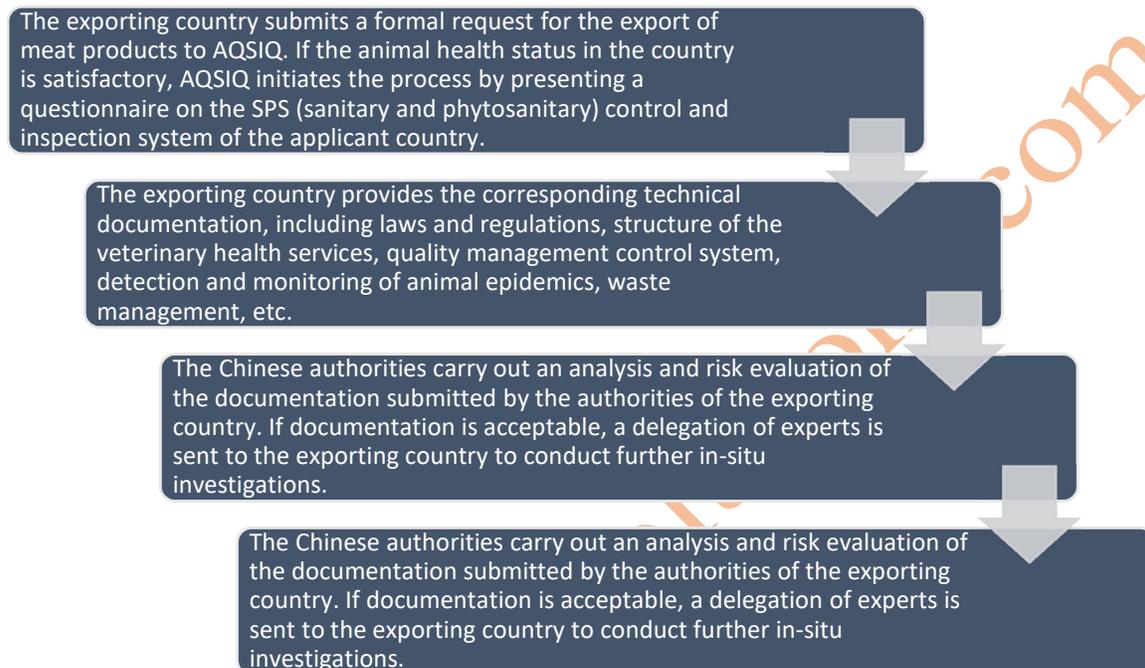
More information about these requirements can be found in the report listed before. To register your products for exports at AQSIQ, you also need to know what HS codes your products have (HS stands for Harmonized System codes and are used to classify products traded in countries. HS codes are not only used in China but internationally. The HS code about Meat and edible offal, of the poultry, is [0207](#). There is a difference in the tariffs on fresh or frozen meat, or if it is cut in pieces or no. There are also other regulations and tariffs by a specific type of meat that can be found at the following [link](#).

PROTOCOLS

Protocols are bilateral agreements between the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) of China and corresponding food safety departments in the **exporting countries that set up veterinary and health requirements for meat products to be exported** to China. Protocols transfer the responsibility for inspection and quarantine of the meat

products to be exported to the authorities in the exporting country. An export health certificate ensures compliance with these requirements. In the EU SME report [How to export meat products to China](#) are presented the most common protocols between the countries.

Protocol Negotiation Steps



Protocols have a standard content. Below a summary of the most common provisions:

- Exporting authorities provide AQSIQ with the management regulations and procedures affecting processing plants and the control system related to diseases.
- Exporting authorities officially confirm that the country is an epizootic-free area.
- Exporting authorities ensure traceability (all meat products need to originate in the exporting country) and protection against specified diseases.
- Details on the registration of exporting facilities by the Certification and Accreditation Administration of the People's Republic of China (CNCA).
- Detailed functions to be carried out by official veterinarians in the exporting country (ante-mortem and post-mortem quarantine and inspection and certification).

- The requirement that slaughtering and processing plants can only manipulate meat products that comply with requirements. There should be exclusive storage areas within cold storehouses for products to be exported to China.
- Packaging conditions, labeling, and marks.
- Transport, storage and manipulation conditions (storage temperature).
- Details on the Export Health Certificate accompanying each container. The exporting side should provide AQSIQ with signatures of veterinarians authorized to issue health certificates.
- AQSIQ has to be notified of any infectious or contagious episode and exports will be stopped immediately. Authorities in the exporting country have to work closely with AQSIQ in order to resume exports of the affected products.

From the information, we collected there weren't any specific regulations about exporting spent hens meat in China. But we suggest getting legal advice before starting to export.

EXECUTIVE SUMMARY

We started this research in order to get information about the hen meat market in China. In the process, we used many different approaches and techniques that we use for making Market research but we couldn't provide data where hen market was segmented and separately elaborated from the poultry market. Regarding the information that we found there is no data about the market with spent hens, neither information are they excluded from the food chain in China or not. The only information that we found is according to an old Analysis about [Chicken Exports to China](#) from 2002, which says that spent hens from traditional and specialized households, and most likely also those from modern facilities, still are marketed through local food markets.

There is not enough relevant information about this market segment, that is why we conducted this research about the poultry industry from which hens are part and we also added all the specific information about spent hens market that we have found.

We started researching the poultry market in China in order to get insights into the opportunities for exporting hen meat because spent hens are part of the poultry market as well. The poultry industry is an industry that is very developed in China. China is dominated by chicken production

which comprises **70 to 80 percent** of all poultry production. And out of this percent's **China has around 2,545,000,000 billion laying hens**, accounting for more than a third of world hen egg production. Poultry farming is an industry that accounts around **\$106bn revenue** and it is expected that in the next years as the industry continues to mature, revenue growth is set to slow to an **annualized 5.5%, reaching \$138.5 billion in 2022**. Also, China is the **fifth largest importer** of poultry products in the world and it is increasing the imports of poultry meat year by year. **Brazil** is the main import partner for poultry products to China. The Chinese chicken meat market is **experiencing difficulties** on the demand and supply sides, with producers facing difficulties sourcing stock, ongoing disease concerns, and other production and marketing issues. This information means that there will be a deficit for chicken meat in the Chinese market and the **production of domestic poultry is decreasing** also, that means that the imports will increase in the future. Although China is a net importer, it continues to be the **primary poultry supplier** to Japan and Hong Kong. Also, China is the **world's largest egg producer**, accounting for over 35.0% of global production.

China has experienced remarkable economic growth in the past three decades. That contributed to **notable changes include higher demand for food**, demand for a more diverse range of food, demand for higher quality food, and the growth of away-from-home food consumption. The statistic shows that as consumer income increases, per capita consumption of poultry meat **increased rapidly in both rural and urban areas. In the recent years, the consumption of poultry meat in China decreased** and will continue to decrease in the future. The main reasons for that are the **speculations about the avian influenza virus**, changes in China's overall economy, and the changes in the middle-class diet. Middle-class families are becoming wealthier, they are consuming less poultry. Worldwide there are many articles that show that the meat from spent hens **is not good for human consumption** because they are older. Their meat is tough, and they're not usually the breed of chicken that people enjoy eating. Spent hens meat is processed into **oils and other products** that are used in various industries like in the **pet food**.

As meat and meat products are perishable and consumed by humans, **stricter import regulations** and packaging requirements apply. There is a **difference in the tariffs** on fresh or frozen meat, or if it is cut in pieces or no. There weren't any specific regulations about exporting spent hens in China. But on the other side, we could not find any large distribution centers or distributors that

declares that is buying imported hen meat or hen parts. That could be because of the implications for humans consuming spent hens meat.

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