Dear Distinguished Guests, Ladies and Gentlemen,

Good morning!

I’m very glad to be here to attend the MIA Red Meat Sector Conference today. On behalf of China Meat Association, I’d like to take this opportunity to wish a complete success of the conference and send my warm greetings to all the colleagues in the meat sector here.

My presentation will include the following four parts:
I. Overview of the Chinese Meat Production and Processing
II. The Development of the Chinese Beef and Sheepmeat Industry
III. Food Safety Supervision and Meat Import Policy
IV. Enhancing the Exchanges and Communications to Promote the Trade and Investment

I. Overview of the Chinese Meat Production and Processing

1. Overview: In the year 2015, the Chinese meat production and consumption have been keeping top 1 in the world, accounted for 28.4% of the world total meat production. The total meat production was 86.25 million tons, a decrease of 1% compared to 87.07 million tons in 2014. Because of the reduction in production and growth in demand, the annual export volume has decreased, while import volume has increased which made trade deficit deeper. As for the meat market, with the adjustment of the meat production and trade structure, the meat supply has further adapted to the changes of the consumption demand. The supply proportion of beef, sheepmeat and poultry has increased, and the market supply is comparable sufficient with the stable price. The food safety was well regulated and the qualification rates for meat and processed meat products have increased. As for the industry development, the meat industrial investment and the number of the above-scale enterprises (the company with the annual prime operating revenue of 20 million CNY) have increased continuously. Industrial concentration and equipment level have been improved, and the regional distribution is reasonable. The overall
Chinese meat industry is developing under a stable and sustainable situation.

2. **Meat Production**: The total meat production in China in 2015 was 86.25 million tons, among which pork production was 54.87 million tons, a decrease of 3.3% compared with the corresponding period last year, beef production was 7 million tons with an increase of 1.6%, lamb was 4.41 million tons with an increase of 2.9%, and poultry was 18.26 million tons with an increase of 4.3%. From the product structure, pork accounted for 63.3%, beef was 8.1%, sheepmeat was 5.1% and poultry was 21.2%. Compared with the figures of last year, the proportion of pork has decreased 1.5%, beef has increased 0.2%, sheepmeat has increased 0.2%, and poultry has increased 1.1%. The annual per capita meat consumption for pork was 40kg, beef was 5.1kg, sheepmeat was 3.2kg, and poultry was 13.3kg. Pork consumption has a slight decline because of the reduction of pork production by 1.84 million tons. Beef and sheepmeat has a slight increase, but the per capita consumption for beef and sheepmeat was far below the world average. The market supply is relatively insufficient and relied on import as supplement.

3. **Industry Development**: In 2015, the number of the above-scale enterprises (the company with the annual prime operating revenue of 20 million CNY) was 3,940 which has increased by 154, an increase of 4% compared to 3,786 companies in corresponding period last year. Among which, the number of the slaughtering companies was 2,220, and the processed meat producing companies was 1,720. The total revenue of the above-scale meat companies was 1.33 trillion CNY, and the total asset was 648.8 billion CNY. For the live pig slaughtering, the amount of slaughtering was 213 million heads, accounted for 30% of the total commercial pig inventory of 708 million heads. It is obviously that the slaughtering in an outmoded way still took large proportion in the slaughtering houses.

4. **Foreign Trade**: in 2015, the total meat import volume was 2.684 million tons, increased by 242 thousand tons, an increase of 9.9% compared to 2.442 million tons in the year 2014. The total value of import was 6.73 billion USD. The pork import volume was 1.555 million tons, an increase of 13% compared with the corresponding period last year, with the value of 2.7 billion USD. Beef import volume was 495
thousand tons, an increase of 56.6% compared with the corresponding period last year, with the value of 2.4 billion USD. Sheepmeat import volume was 220 thousand tons, a decrease of 18.5% compared with the corresponding period last year, with the value of 720 million USD. Poultry import volume was 410 thousand tons, a decrease of 13% compared with the corresponding period last year, with the value of 930 million USD. For these four species, pork and beef import has increased, sheepmeat and poultry has decreased. Pork was mainly imported from 10 countries, among which, Germany ranked the first with the export volume of 360 thousand tons, US ranked the second with the volume of 240 thousand tons, and Denmark ranked the third with the volume of 230 thousand tons. Beef was mainly imported from 7 countries, among which, the top three were Australia with the export volume of 160 thousand tons, Uruguay with 135 thousand tons, and New Zealand with 73 thousand tons. China has just resumed Brazil and Canada for beef imports in 2015. Sheepmeat was mainly imported from 4 countries, while New Zealand is the largest sheepmeat importing country of China, with the export volume of 137 thousand tons, and Australia was the follower with 81 thousand tons. Poultry was mainly imported from 5 countries. Brazil was the largest one with the export volume of 295 thousand tons, second was Argentina with 38 thousand tons, and US ranked the third with 35 thousand tons (mainly by-products). The above statistics and figures I mentioned are from the General Administration of Customs of China. As far as I know, the actual import volume was far more than this, especially for the beef import volume. According to the incomplete statistics, the import volume in an illegal way was far more than the announced official figures. The total meat export volume was 458 thousand tons, a decrease of 51.1% compared with the corresponding period last year. I won’t give the details about the meat export here.

II. The Development of the Chinese Beef and Sheepmeat Industry

1. Present situation of Beef and Sheepmeat Industry
China is one of the largest courtiers for beef and sheepmeat production and consumption. In 2015, the sheepmeat production was 4.41 million tons, accounted for 30% of the world total, ranked the first in the world. Beef production was 7 million tons, accounted for 10.4% of the world total, ranked 3rd in the world. (US was the first, and Brazil ranked the second.) The production for beef and sheepmeat is
increasing steadily. But because of the large population base (13.75 billion according to the announced statistics last year), the per capita beef and sheepmeat consumption was far below the world average. From the beginning of the new century to the year 2014, the prices of beef and sheepmeat have increased rapidly influenced by many different factors. The supply for the minority nationality regions was tight, which has triggered a widespread concern in the community. The major reasons for the rapid price increase of beef and sheepmeat are because the consumption increase is quicker than the production's, regional consumption has been expanded to the national consumption, the consumption turned to the whole nation from the minority people, seasonal consumption turned to perennial consumption. The accelerated growth of the consumer demand exceeded supply, which resulted in soaring price. Till 2015, the prices of beef and sheepmeat fell down gradually. The Chinese beef and sheepmeat industry appeared some new situations. Firstly, the prices of beef and sheepmeat fell down dramatically from the peak, a decrease of 5.6% compared with the corresponding period last year. The price for the live sheep dropped even much sharply than the sheepmeat. In some regions, the price for the live sheep has a decrease of 20%. Secondly, the recovery of production is too fast. According to the fixed-point monitoring of the Ministry of Agriculture, by December of 2015, the live mutton sheep inventory has an increase of 0.6% compared with the corresponding period last year, i.e., increased to 305 million heads from 303 million heads in 2014, but the commercial mutton sheep inventory has a decrease of 0.2% compared with the corresponding period last year. Thirdly, the profit for animal husbandry decreased dramatially. Because the price for the live animals dropped down, the profit for animal husbandry has fell down sharply. The Chinese farmers has experienced the tough period with low profitability. In 2015, the profit for one beef cattle with the weight of 450kg has decreased by ¥334 CNY compared with the corresponding period last year, and the profit for one sheep with the weight of 45kg has decreased by ¥67 CNY. The loss of the sheep farmer was 10%. Fourthly, the import volume was increasing. With the rising prices of beef and sheepmeat, the import volume of beef and sheepmeat have increased rapidly. In 2012, China became a net importer of beef, and the total import volume of beef has reached to 61 thousand tons. Last year, the import volume was 495 thousand tons, that is 16.7 times of 29.6 thousand tons in 2011. China is a net importer of
sheepmeat, since 2012, the import volume of sheepmeat is keeping stable at about 30 thousand tons. In 2011, the import volume reached a new high to 83 thousand tons. Last year, the import volume of sheepmeat was 220 thousand tons, that is 2.7 times than it was in 2011.

2. Carry out the Problem-oriented Strategy and Find out a new way to develop the Beef and Sheepmeat Industry

The new situations in beef and sheepmeat sector reflected the lack of core competence in this sector and it is easily affected by the market fluctuations and import. I will talk about the four aspects as follows:

(1). The percentage of the large scale husbandry is small, and the production mechanism is in a low standard. (2). It is short of specific breeds, and low in production level. The breeds of beef cattle and mutton sheep are few, the core breeds are relied on import, the breeding selection and improvement are lag behind, even degenerated in some regions. (3). The comparable profitability is low, the breeding amount is insufficient. There were decreases of 10.2% and 5.4% respectively for breeding cattle and breeding sheep in the 11th Five-year Plan compared with those during the 10th Five-year Plan. The basis for production capacity improvement is not solid, which is the great restriction for the long-term development in beef and sheepmeat sector. (4). There are still differences in price between domestic and imported products, and this could not be eliminated in the short term. There are general upwards tendency for the prices on the international beef and sheepmeat market, however, the increase percentage will be far below those of China. As the implementation of the Free Trade Agreement between China and Australia, China and New Zealand, tariff reduction and exemption will stimulate the beef and sheepmeat import, which means there will be some pressures on the prices of Chinese domestic beef and sheepmeat in a period of time. Chinese government is taking measures to deal with this situation, mainly on:

(1). Improving the capacity of beef and lamb supply, adjusting and optimizing the regional distribution. (2). Increasing the number of female animals and expanding the breeding scale to strengthen the industrial development foundation. (3). Developing large-scale breeding and updating the production mechanism. (4). Improving the supply capacity and quality of breeds to complete the optimized breeding system. (5). Improving and carrying out government support policies to
strengthening the beef and sheepmeat security, putting domestic production on the main position and keeping a proper import volume.

**III. Food Safety Supervision and Meat Import Policy**

I’d like to highlight some important changes of China's food safety policy since last year.

Firstly, The Food Safety Law of the People's Republic of China has come into force on October 1, 2015. This is known as the ‘most strict’ food safety law and had made detailed and strict regulations in all aspects of food production, sales, service management and agriculture products.

Secondly, the Chinese government has cracked down on smuggling of frozen meat, which has already paid off.

Thirdly, to strengthen the inspection and quarantine of product quality including all foodstuff exported to China. From the detected problems we know that the microbial contamination, unqualified additive and label were main causes of the disqualification.

In one word, the potential impacts of these changes to exporters are as follows:

1. To comply with relevant laws and regulations. Smuggling is strictly forbidden.
2. To carry out the related standards of quality and safety to improve qualified rate of products, can't make the inferior as superior.
3. Because of the strong demand for healthy, nutritious and high-quality food from consumers in China, the change of meat product structure can’t keeping with that of demand structure. To balance the supply and demand, stabilize the prices of beef and sheepmeat, China still need to rely on import from other countries. If China wants to catch up with the world average for per capita consumption of beef and sheepmeat, the production of beef and sheepmeat have to be increased by more than 3 million tons on the existing basis. However, the various constraints such as grazing capacity and environmental protection can’t be loosened in a period, so we still have to rely on imports to compensate and balance the market. In addition, the proportion of fresh meat just accounted for about two-thirds in China, the overall quality is not high, and varieties is not rich enough which are all the potential chances for meat exporters I think.
IV. Enhancing the Exchanges and Communications to Promote the Trade and Investment

Since our two associations has signed the MOU in Auckland last July, there’s no doubt that we both have performed our duties. Since then, we not only enhanced in information exchange but also established a good foundation in mutual cooperation. Last year, Mr. Martyn Dunne, the Director General of the Ministry for Primary Industries New Zealand attended the World Meat Industry Development Conference 2015 in Qingdao. We also organized China-New Zealand Business Seminar at the same time. It has provided more opportunities for both Chinese and New Zealand’s enterprises.

CMA and IMS will jointly organize the China International Meat Industry Week in Beijing at the end of this September. We sincerely invite MIA and New Zealand meat enterprises to come and join us. We can organize the appropriate promotion activities together. I believe that through our close cooperation and joint efforts, the meat industries and companies between our two nations will benefit a lot on the development of trade and investment.

At last, I’d like to wish you all a prosperous business and a good health!