CHINA’S LIVESTOCK INDUSTRY DEVELOPMENTS

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Brief Overview

- Recent growth patterns and facilitating factors.
- Small-holder production: China’s greatest challenge.
- One Solution: An example from the dairy sector.
- Other major challenges.
China’s Livestock Production Systems

- Commercial firms—Former state-owned enterprises and collectives.
- Specialized Households—Market-oriented small and medium scale producers.
- Backyard Producers—Farm households with diversified production and a few animals.
Annual Production Growth

Source: CNBS/USDA
Average Annual Productivity Growth by Livestock Type

1991-1999

Percent

Source: Rae et al.
Factors Facilitating Growth

- Development of the manufactured feed sector.
- Improvements in transportation between population centers.
- Targeted government programs to stimulate development.
- Substantial foreign investment in processing/privatization of many SOEs.
- Improvements in retail formats and distribution infrastructure.
Foreign Direct Investment

Million USD

Source: IMF
Primary Development Challenge

- To creatively transition from dispersed, small-holder production to more concentrated, commercially-oriented, and controlled production systems.
Centrality of Household Production

- Technology transfer and adoption
  - Training
  - Monitoring
  - Capital investment/economies of scale
- Raw product quality improvement
- Disease control
- Rural income enhancement
Leading Companies

- Primary source of commercial production growth.
- Rural development component to activities.
- Often integrate production and processing.
- Can be a customer and/or a resource to specialized HH and backyard producers
  - Source for genetic stock and manufactured feeds
  - Source for veterinary services and supplies
  - Source for training in new technologies
Farmer Professional Associations

- Only 2-3% of farm households are involved in FPAs.
- Less than half of FPAs are associated with the livestock sector.
- Provide a combination of technology, information, and marketing services.
- May help offset the dominant bargaining position of leading companies.
Uniqueness of the Dairy Sector

- Greater “foreign” influence
  - Product development
  - Production and processing technology

- Constant production

- Capital intensity of collection
  - Mechanized milking
  - On-site cooling tanks
Dairy Concentration Centers

- Modern housing facilities
- Modern milking equipment
- Household ownership of cattle
- Vet services and training
Processing Sector Challenges

- Competition from local butchers.
- Underutilization of capacity.
- Improving sanitary standards and food safety.
- Greater enforcement of existing regulations.
Disease Control Measures

- Proposed legislation mandating:
  - Farm registration
  - Traceable breeding and vet records
  - Disease outbreak reporting
  - Compensation for culled animals
  - Promotion of increased production scale
- Rapid response to disease outbreaks
- Negotiated resolutions to trade disputes over disease-related import bans
Modern Retailing

- Greater demand for convenience foods
- Waning acceptance of “hot” meat.
- Rapid development of supermarkets.
- Greater demands for quality and safety
Concluding Observations

- Tremendous potential for increased productivity and further growth.
- High priority on establishing livestock product chains that ensure food safety and quality.
- Successful transformation of China’s livestock sector could enable China to be a major exporter in certain livestock products.