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Dramatic Changes of Chinese Angola Rabbit Industry from 2011 to 2015: Reasons, Challenges and Recommendations

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Abstract In recent years, the demand for rabbit fur in international markets has been declining, especially after the "fur hand-ripping" event at the end of 2013 in China. The rabbit fur export of China almost stagnated, and prices dropped significantly. The slowdown of world economic growth caused loss of most fur-skin enterprises. This paper studies changes of Chinese Angola rabbit industry from 2011 to 2015 by focusing on price and trade analysis. The results show that there are two turning points of Chinese Angola rabbit industry, one is the end of 2013, and the other is the mid of 2015. Chinese Angola rabbit and rabbit fur face big challenges, finally some related recommendations are provided.

Key words Angola rabbit, Rabbit fur, Fur market, Rabbit fur export

1 Introduction

It is estimated that the rabbit fur output in the world is about 23000 t, more than 90% of which is produced within China. Affected by factors within and outside China, especially global economic recession and opposition from animal welfare organizations, demand for rabbit fur has been declining, especially after the "fur hand-ripping (FHR)" event at the end of 2013 in China. The exports in China have declined quickly since then. Due to lack of data regarding rabbit fur, there are few investigations on Chinese Angola rabbit and rabbit fur, and the existing studies mainly focus on the descriptive introduction of characteristics, problems and policy implications of rabbit fur industry^[1-4], while others analyzed the trend of rabbit fur export^[5], including the impacts of rabbit fur market on textile industry^[6]. Zhong Limin (2008) studied the impacts of economic development on rabbit fur industry, and it showed that the slowdown of world economic growth caused a loss of 62% in some rabbit fur-skin enterprises in parts of Zhejiang Province in China, and the RMB appreciation against US dollar also resulted in 60.08% decrease in export of rabbit fur^[7]. Tang Jing (2011) studied the color rabbit fur-skin, and it argued that color rabbit fur-skin is good leather material, and environmental friendly products such as color rabbit hair assemblies should be promoted^[8]. Gao Wenqing (2007) discussed strategies of the development and commercialized management of rabbit farming^[9]. In addition, the morphological features of rabbit hair were investigated and compared with those of cashmere fiber. It showed that the rabbit fur cannot substitute for cashmere due to the morphological structure of the rabbit hair being quite different from other animal hairs^[10-11]. However, there is no systematic research on dramatic changes around year 2013. This paper will explore the reasons and study the potential impacts on Chinese Angola rabbit

industry, which produces about 90 percent of total rabbit fur products in global rabbit fur market.

2 Analytical framework and data sources

2.1 Analytical framework The analytical framework of this paper is as follows: (i) to introduce the development of Angola rabbit industry in China (Because price is a key indicator that reflects market and industry development, we will focus on prices and trade to explore Angola rabbit industry development, and try to find the turning-points of industry changes); (ii) to analyze the reasons of industry changes from both domestic and outside of China; (iii) to provide suggestions to improve healthy development of Chinese Angola rabbit industry.

2.2 Data sources The data used in this research include price and trade data. The price data are from the Weekly Monitor System of Rabbit Market (MRM). The trade data are from the Customs of China (<http://www.haiguan.info>).

3 Chinese Angola rabbit industry development: 2011–2015

The fast growth of Chinese Angola rabbit industry mainly started from the beginning of this century, especially since 2011 when Chinese government set up national program—China Rabbit Research System (CRRS). Price is the key indicator that reflects market and industry development. Meanwhile, compared with rabbit meat, fur is largely oriented by international trade. In next two sections we will focus on prices and trade to introduce Angola rabbit industry development.

3.1 Rabbit fur price and its change from 2011 to 2015 in China

There are three kinds of rabbit fur in China's fur market: coarse fur, fine fur and mixed fur. Affected by the "fur hand-ripping" event, rabbit fur prices have declined greatly since the end of year 2013, either coarse, fine or mixed fur (Fig. 1). The prices of coarse, fine and the mixed fur behave differently. Coarse fur prices experienced rapid increase from the mid of 2012 to the

end of 2013, and from 2014 it changed to dramatic decline, till the mid of 2015 it went back to the beginning level of 2011. However, fine fur price fluctuated to small degrees, and mixed fur price kept more stable. In 2011, coarse fur price rose steadily from 237 yuan per kg to 275 yuan per kg. In 2012, it continued to rise and up to 365 yuan per kg in December. Annual average price was 298 yuan per kg. However, in 2013 the prices experienced dramatic fluctuation with the peak of 503 yuan per kg in October. Prices in 2014 and the first eight months of year 2015 continuously declined. The average annual prices of 2014 and 2015 were 365 and 242 yuan per kg respectively. Compared with coarse fur, fine fur price was much stable. From the beginning of 2011 to October of 2013 it tended to rise with small fluctuation, and from 2014 fine fur price converged to the mixed fur price. Among three kinds of rabbit fur, the mixed fur price was relatively stable. From above we can find two turning points: (i) one is the end of 2013, and the other is the mid of 2015. Before the 2013 turning point, coarse fur prices skyrocketed, and price differences of three kinds of fur tended to enlarge, but after that coarse fur prices declined rapidly, three kinds of fur prices tended to converge. (ii) the second turning point is the mid of 2015. Before this point, the prices showed significant decline especially since the beginning of 2015, but after the mid of 2015 prices rebounded. It can be expected that the Angola rabbit industry is recovering. The following trade analysis further supports this result.

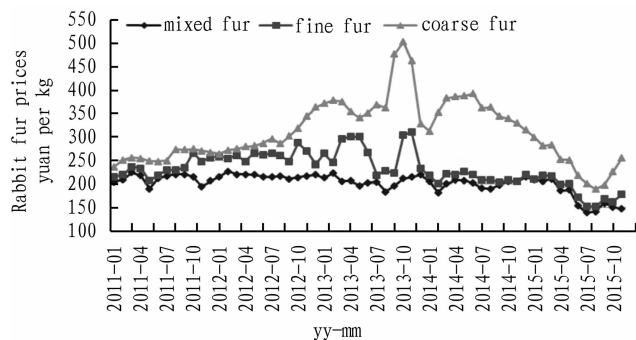


Fig. 1 Rabbit fur prices from 2011 to 2015 in China

3.2 Trade of rabbit fur and its products of China For a long time, China has been a net exporter of rabbit fur. Since 2007, rabbit fur exports have shown a declining trend (Fig. 2). It decreased from 2027 t in 2007 to 1752 t in 2008, further to 1263 t in 2009. The yearly declining rates were 13.58% and 27.91% respectively. However, exports climbed to 1756 t in 2010, with a growth rate of 38.98%. After 2010 fur exports again tended to decrease. Though in 2013 the export rebounded to the level of 2008, from then, it again continuously decreased. Chinese rabbit fur was mainly exported to the EU and Asian countries, such as Germany, Italy, Britain, India, Japan, South Korea. In addition to fur, China also exports fur products, showing the similar pattern. The fur products were mainly exported to Denmark, Kyrgyzstan, Belgium, Hong Kong, Germany, Russia, Italy, Guatemala, Britain, Sweden, Japan, France, America, Australia, Spain, the United Arab Emirates, Norway, the Netherlands, South Korea, Poland,

Switzerland, Canada, *etc.*

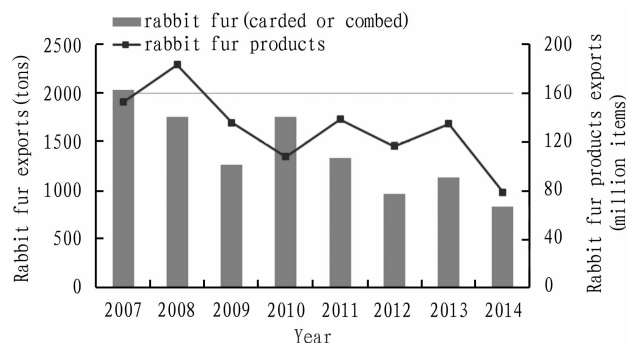


Fig. 2 Rabbit fur and its product exports from 2007 to 2014 in China

4 Reasons for dramatic changes of Chinese Angola rabbit fur from 2011 to 2015

4.1 The short-term shocks In the short run, production factors and farm strategy are unchanged, Chance and government factors are exogenous, and therefore the factors are mainly from related industry and market demand. (i) High profit attracted more investment and gradually built the bubble. Before October of 2013, Angola rabbit sector kept high profit for more than two years, especially coarse fur prices increased from the beginning of 2011. This attracted more investment in Angola rabbit farming; meanwhile it also stored up huge problems for the future decline. (ii) The inflow of Lex farmers enlarged the Angola rabbit industry bubble. When coarse fur prices rose continuously from 2012, Lex rabbit fur skin prices declined, affected by domestic and global economic recession, therefore since 2013 more and more Lex rabbit farmers turned to Angola rabbit farming, this drove Angola rabbit industry to expand greatly. It became the major reason for the huge decline of coarse fur prices since the end of 2013. (iii) The FHR event finally pierced the bubble. At the end of 2013, People for the Ethical Treatment of Animals (PETA) released a video, and it showed that Chinese farmers ripped out the fur from Angola rabbit until the animal was bald. Angola fur is mainly used as an element in sweater and other knitwear, so the PETA called for major textile and clothing companies to stop rabbit fur import from China. This led to almost cease of China rabbit fur export. It finally caused huge surplus of rabbit fur. Up to the end of 2015, the demand for Angola fur had not recovered yet, traders continuously kept high stock, and farmers also stored rabbit fur for higher prices. What's more, many farmers have quit from Angola rabbit farming. Chinese Angola rabbit industry still stagnates.

4.2 The long run impacts Based on Diamond Theory^[12], industry development is determined by production factor conditions, demand situations, related and supporting industry, corporate strategy structure and rivalry, chance and government policy. In addition to the above short term shocks, there are also important fundamentals underlying Chinese Angola rabbit industry development, including small scale production, lack of standards and lack of supporting processing ability. Due to huge population but less land resources, the agricultural production scale in China is small. More than half Angola rabbit farmers only raise less than

100 does, these small farmers' lack of market information and scientific decision-making knowledge makes most of them follow other big farmers' experiences. This usually causes over-supply when expecting high prices, and under-supply when expecting low prices. Finally it causes market fluctuation. In addition, the lack of industry standards also has remarkable effects on rabbit industry development. For example, lack of standards on breeding rabbit causes motley rabbit furs, including coarse fur and fine fur with different lengths. This further brings difficulty in processing.

5 Conclusions and recommendations

During the period from 2011 to 2015, Chinese Angola rabbit experienced dramatic changes from fast growth to fast decline. In the short run, following measures should be strengthened. (i) Information services. China is so big and the market changes so frequently, small and scattered farmers find it difficult to get the market information promptly for their decision. Government needs to emphasize the supply of information service. This can reduce blind production. (ii) Farmers' training. Generally, the rabbit farmers are elder or women laborers who do not have much knowledge on market or production decisions. Though there are many training provisions for rabbit farmers, most are on techniques. Management and economic training should be strengthened. (iii) Organizing farmers by cooperatives. Under current economic institution, scale is not easy to expand; farmers need to organize themselves into cooperatives or leading companies. Cooperatives can help farmers to intensify bargaining power and to make production decision. (iv) Fully tapping the potential of domestic market. When rabbit fur export was inhibited due to the FHR event, the efforts of traders should have been devoted to domestic market so as to meet the former foreign demand. In the long term, the fundamentals underlying rabbit industry should be improved. (i) Enlarging production scale through mechanization. With fast urbanization and industrialization, China is facing labor shortage in rural areas, especially young labor. Therefore, mechanization becomes a direction of smallholders. Government should subsidize mechanization so as to increase farm scale and productivity. (ii) Strength-

ening standard construction along rabbit industry chain. These include breeding-rabbit standards, feed and nutrition standards, environment control standards, slaughtering standards, fur-shearing standards, processing standards, etc. (iii) Improving development of processing company. Processing and marketing are the bottleneck of rabbit industry development. In future rabbit industry development will be mainly driven by market demand.

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