



INTERNATIONAL EGG AND POULTRY REVIEW

ISSN 1522-5100



U. S. Department of Agriculture

Agricultural Marketing Service

Poultry Programs

Market News and Analysis Branch

China

Chicken Paws

Despite domestic production increases, China's paw supply lags far behind consumer demand. As a result of the active consumer demand, imports account for 40% or more of China's total poultry imports (approximately 300,000-350,000 metric tons (MT) annually). In 2006 chicken paw and wing tip/edible offal imports accounted for 40% of total poultry imports to Mainland China and 44% of total poultry imports to Hong Kong. As more processing plants are approved to export frozen poultry to China and additional measures are taken to eliminate gray channels, it is expected a greater percentage will be shipped directly to Mainland Chinese ports. For example, previously chicken paws could be exported to Hong Kong, certified "not fit for human consumption" and avoid testing procedures. Now, the standards between China and Hong Kong have been unified reducing any advantage in sending product to Hong Kong.

During 2006, the United States (U.S.) chicken paw export volume to China and Hong Kong was 156,974 MT, or 40% of the total U.S. frozen chicken cuts and edible offal (HS code 020714) destined for China. The U.S. is the largest supplier of chicken paws to the Chinese market. In December, 2006 China was the top importer of U.S. chicken meat and paws. However, problems exist in growing the U.S.'s market share. Until recently the USDA did not inspect chicken feet and paws. In the fall of 2001 China refused to import chicken paws not bearing the USDA mark of inspection. As a result of the regulatory changes to meet China's requirements, many U.S. processors decreased or shut down paw production while others invested in plant upgrades.

With the strong U.S. poultry exports in recent years the U.S. has been able to recapture lost market share from China's poultry ban in 2003 due to reports of avian influenza. U.S. market share fell from 96% in 2003 to 46% in 2005. During this same time Brazilian and Argentine exports increased 600 and 900% resulting in Brazil and Argentine becoming the U.S.'s main competitors. Even though the majority Brazilian paws may be finding their way into China through unofficial channels, some feel up to 24 plants in Brazil could be approved to export to China in 2007. Although U.S. paw quality is considered generally high, issues like moisture content, packaging and limited available volume have made traders interested in buying paws from other countries even with recent improvements in quality. Other countries exporting to China include Chile, EU, Iran and Turkey.

Exports

Even though overall poultry consumption may be growing in China and imports and domestic production are increasing to satisfy their needs, China is also looking to expand their exports. China has been trying to export chicken to the U.S. for several years. Chicken imports from China were stopped several years ago after 14 people died from Avian Influenza. No chicken meat has been imported from China in the last 7 years. In the past when chicken has been imported from China it has been used in items such as chicken salad.

As a result of avian influenza in China, it is anticipated China will try to exports of fully cooked products to high income countries. Effective May 24, 2006 China was allowed by the Food Safety Inspection Service (FSIS) to export processed and shelf stable poultry to the U.S. that

has been produced from slaughtered poultry in FSIS inspected establishments or slaughtered in other countries eligible to export poultry to the U.S. As of February 9, 2007 there have been no plants approved to export to the U.S. However, currently the U.S. does import egg products from China. Some are anticipating the USDA to continue to loosen restrictions on China's chicken exports of cooked poultry. If the rules are relaxed more, it may benefit U.S. companies who have facilities in Mainland China.

Concerns, meanwhile, have been raised about current or proposed rules concerning imports of poultry from China. Some of the concerns relate to the ability of the U.S. to guarantee Chinese processing facilities from mixing Chinese poultry with U.S. poultry and the fact USDA inspectors have previously found problems with China's food inspection system. Meanwhile, China's Department of Health and the Council of Agriculture started inspecting underground poultry slaughter houses and traders that reportedly use asphalt to remove duck feathers.

Even though China's domestic food processing industry is growing fast, China still wants to encourage exporters to emphasize quality in order to be competitive in international markets. The first group of Chinese cooked poultry processors, after being accredited by HACCP and having a 100% passing rate for inspections for 3 years in a row, are being allowed to export free of inspections for a period of 2 years under a new certificate in a move to encourage quality.

Egg production has been recovering in China in 2006 after a reduction caused by avian influenza. During the first nine months of 2006 China produced 20.39 million metric tons of eggs, 7.5% increase on year on year growth. China also exported 937 million eggs during the first 9 months of 2006, an approximate 2.16% increase on year on year. The U.S. imported no table eggs from China in 2006.

Import Commodity Reporting System

China's Ministry of Commerce in a recent press release announced intentions to establish an import reporting system. The system would be loosely based on USDA's Export Reporting system and would initially apply to certain soy products. Some of the key differences in China's proposal are the additional reporting requirements after the contact has been completed, the severe penalties involved, and the suggestion the system may have role beyond passive information dissemination. The Ministry of Commerce believes the system will have no trade impact and is WTO compliant.

Source: USDA/FAS and various news sources

U.S. Egg Imports From China

	2000	2001	2002	2003	2004	2005	2006
*Table Eggs (HS 0407000030)	372	512	424	260	240	190	0.0
**Egg Yolks (HS 0408190000)	8.5	8.5	16.8	2.5	30.0	17.0	32.7
**Bird Eggs Not in Shell (HS 0408990000)	52.9	39.1	35.8	28.4	25.5	64.2	78.9

* Dozens in 000's

**Metric Tons

Source: USDA/FAS

INSPECTED EGG PRODUCTS-

U.S. & CANADA IMPORT/EXPORT TRADE

U.S. Exports to Canada, in Pounds (000) (Preliminary)

Week Ending February 24, 2007	Year-To-Date			
TYPE	2007	2006 1/	2007 2/	2006
Liquid	96	315	717	1,776
Frozen	0	0	3	40
Dried	0	40	80	120
Total	96	355	800	1,936

U.S. Imports From Canada, in Pounds (000) (Preliminary)

Week Ending February 24, 2007	Year-To-Date			
TYPE	2007	2006 1/	2007 2/	2006
Liquid	366	27	2,338	411
Frozen	40	10	106	173
Dried	0	0	36	0
Total	406	37	2,480	584

Inspected Shell Eggs

U.S Exports To Canada, In 30-Dozen Cases (Preliminary)

Week Ending February 24, 2007	Year-To-Date			
TYPE	2007	2006 1/	2007 2/	2006
Jumbo	0	0	0	0
Extra Large	0	1,170	390	5,580
Large	0	2,070	2,581	8,520
Medium	1,415	1,620	2,915	7,878
Ungraded	0	750	5,880	3,950
Misc	85	0	85	0
Total	1,500	5,610	11,851	25,928

1/ Comparable Week, to-date figures may not total due to rounding.

2/ Includes revisions to previous week(s).

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section
Source: USDA/AMS Poultry Programs, Market News & Analysis Branch.

CENTRAL REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE CENTRAL REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

March 02, 2007

CHICKEN WITH SKIN ADDED

FAT CONTENT	---- PRICES ----		---- VOLUME ----	
	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	-	16.00	40,800	-
WTD AVERAGE		16.00		
15-20%				
RANGE	14.00-19.00	11.00-15.50	1,932,400	936,000
WTD AVERAGE	17.25	12.79		
20% OR MORE				
RANGE	-	-	-	-
WTD AVERAGE				

* INCLUDES THE STATES of AL, AR, IA, IL, IN, KS, KY, LA, MI, MN, MO, MS, ND, NE, OK, OH, SD, TN, TX, WI

U.S./CANADIAN LIVE POULTRY SLAUGHTERED UNDER INSPECTION

W/E 24-Feb-07 (PRELIMINARY)

U.S. Fowl Slaughtered Domestically

	Light Hens	Heavy Hens	Total Hens
	-----Thousands-----		
Head	1,142	1,427	2,569
Last Week	1,105	1,327	2,432
Same week yr ago	1,054	1,516	2,570
To-date/2007	8,735	10,902	19,637
To-date/2006	10,442	11,109	21,551

U.S. Fowl Slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
	-----Thousands-----		
Head	189	0	189
Last Week	240	0	240
Same week yr ago	228	0	228
To-date/2007	1,625	14	1,639
To-date/2006	2,136	7	2,143

Data Source: Agriculture and Agri-Food Canada, AISD, AID, Poultry Section

Total U.S. Fowl slaughtered in the U.S. and Canada

	Light Hens	Heavy Hens	Total Hens
	-----Thousands-----		
Head	1,331	1,427	2,758
Last Week	1,345	1,327	2,672
Same week yr ago	1,282	1,516	2,798
To-date/2007	10,360	10,916	21,276
To-date/2006	12,578	11,116	23,694

Source: USDA/AMS Poultry Programs, Market News & Analysis Branch

EASTERN REGION MECHANICALLY SEPARATED CHICKEN

F.O.B. SHIPPER DOCK OR EQUIVALENT, PRICES NEGOTIATED FOR MECHANICALLY SEPARATED CHICKEN IN THE EASTERN REGION IN TRUCKLOT AND LESS THAN TRUCKLOT VOLUMES, CENTS PER POUND, DELIVERY WITHIN TWO WEEKS.

March 02, 2007

CHICKEN WITH SKIN ADDED

FAT CONTENT	---- PRICES ----		---- VOLUME ----	
	FROZEN	FRESH	TOTAL	EXPORT
15% OR LESS				
RANGE	16.50	16.00-17.00	587,000	265,000
WTD AVERAGE	16.50	16.25		
15-20%				
RANGE	16.00-21.00	11.00-16.00	1,502,000	862,000
WTD AVERAGE	17.23	13.80		
20% OR MORE				
RANGE	-	14.00	80,000	-
WTD AVERAGE		14.00		

* INCLUDES THE STATES of CT, DE, FL, GA, MA, MD, ME, NC, NH, NJ, NY, PA, RI, SC, VA, VT, WV

NATIONAL YOUNG TURKEY PARTS INCLUDING BULK MEAT and FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 02 MARCH, 2007.

The market tone on tom breast meat was fully steady to firm with frozen strongest, balance of white meat steady to firm. Demand on tom breast meat and destrapped tenderloins was moderate to good, balance light to moderate. Offerings short to adequate and held with confidence. Further processed demand was moderate to good. The market tone on thigh meat was steady to instances barely steady. Demand light to moderate for the adequate to instances fully adequate offerings. The market tone on mechanically separated turkey was steady to firm. Demand moderate to good for the limited offerings. Trading moderately heavy on open priced fresh tom drums for March export shipments, moderate on fresh tom breast meat for domestic deliveries, balance light. For domestic: tom defatted gizzards 73, fresh wing meat with skin 79, fresh scapula 80-82, Grade A non-basted breasts - 8-10 lb. 130, 12-16 lb. 190 cents delivered. For export: fresh tom drums 47 cents delivered.

<u>EXPORT TRADING</u>	<u>PRICE</u>	<u>L.S.T.</u>	<u>WTD AVG</u>	<u>VOLUME</u>	<u>WEEKLY</u>	<u>WEEKLY</u>
<u>FRIDAY, MARCH 02, 2007</u>	<u>RANGE</u>	<u>CODE 1/</u>	<u>PRICE</u>	<u>(000)</u>	<u>PRICE</u>	<u>VOLUME</u>
DRUMSTICKS, TOMS		R	50.00	40	50.00	40
WINGS FULL-CUT - TOMS	30.00-32.00		30.67	156	30.33	196
WINGS, V-TYPE, TOM						
TAILS						
MECHANICALLY SEPARATED 2/		W	17.00	116	17.00	116
THIGH MEAT - FROZEN	89.00		89.00	40	88.57	204

<u>EXPORT TRADING</u>	<u>PRICE</u>	<u>L.S.T.</u>	<u>WTD AVG</u>	<u>VOLUME</u>
<u>THURSDAY, MARCH 01, 2007</u>	<u>RANGE</u>	<u>CODE 1/</u>	<u>PRICE</u>	<u>(000)</u>
DRUMSTICKS, TOMS	50.00		50.00	40
WINGS FULL-CUT - TOMS	29.00		29.00	40
WINGS, V-TYPE, TOM				
TAILS				
MECHANICALLY SEPARATED 2/		W	17.00	116
THIGH MEAT - FROZEN	89.00		89.00	120

<u>EXPORT TRADING</u>	<u>PRICE</u>	<u>L.S.T.</u>	<u>WTD AVG</u>	<u>VOLUME</u>
<u>WEDNESDAY, FEBRUARY 28, 2007</u>	<u>RANGE</u>	<u>CODE 1/</u>	<u>PRICE</u>	<u>(000)</u>
DRUMSTICKS, TOMS		R	48.29	140
WINGS FULL-CUT - TOMS		F	28.00	108
WINGS, V-TYPE, TOM				
TAILS		W	27.00	104
MECHANICALLY SEPARATED 2/	17.00		17.00	116
THIGH MEAT - FROZEN	87.00		87.00	44

<u>EXPORT TRADING</u>	<u>PRICE</u>	<u>L.S.T.</u>	<u>WTD AVG</u>	<u>VOLUME</u>
<u>TUESDAY, FEBRUARY 27, 2007</u>	<u>RANGE</u>	<u>CODE 1/</u>	<u>PRICE</u>	<u>(000)</u>
DRUMSTICKS, TOMS		R	48.29	140
WINGS FULL-CUT - TOMS		F	28.00	108
WINGS, V-TYPE, TOM				
TAILS		W	27.00	104
MECHANICALLY SEPARATED 2/		W	17.00	40
THIGH MEAT - FROZEN		F	90.00	104

<u>EXPORT TRADING</u>	<u>PRICE</u>	<u>L.S.T.</u>	<u>WTD AVG</u>	<u>VOLUME</u>
<u>MONDAY, FEBRUARY 26, 2007</u>	<u>RANGE</u>	<u>CODE 1/</u>	<u>PRICE</u>	<u>(000)</u>
DRUMSTICKS, TOMS		R	48.29	140
WINGS FULL-CUT - TOMS		F	28.00	108
WINGS, V-TYPE, TOM				
TAILS		W	27.00	104
MECHANICALLY SEPARATED 2/		W	17.00	40
THIGH MEAT - FROZEN		F	90.00	104

1/ CODES FOR LAST SIGNIFICANT TRADE (L.S.T.): M=MONDAY T=TUESDAY W=WEDNESDAY R=THURSDAY F=FRIDAY

2/ Product contains 15-20% fat with skin added.