



China Broiler Production Forecast to Grow Four Percent in 2011

Chinese broiler output is expected to reach 13 million metric tons in 2011, an increase of four percent over 2010. Strong demand for local chicken is offsetting continued high feed costs, and reduced imports from the U.S. are helping boost local prices. China's imports of grandparent generation (GPG) breeding broilers in 2010 is expected to hit a record 1 million sets (1 set = 120 birds). Imports totaled 800,000 sets in 2008 and 960,000 sets in 2009. The increase in GPC breeding broilers will pave the way to steady growth in commercial bird production in 2011.

Another factor helping the Chinese broiler industry is the reduced number of outbreaks of highly pathogenic avian influenza (HPAI) in 2010. China is shifting towards larger sized and more standardized commercial production; minimum volumes for contracted household farms are also reportedly rising. Even though improving scale economies and integration are improving competitiveness, high feed costs are challenging production. Corn prices rose 25% for the first half of 2010, compared to the same period a year earlier. Corn accounts for 55-60% of broiler feed. Overall, broiler feed prices increased 7%.

Broiler meat consumption is forecast to rise 3% in 2011 to nearly 13.3 MMT (not including claws) on top of a 2% increase in 2010. This will boost Chinese per capita broiler consumption to a record 10 kilograms. Broiler meat costs less than pork or beef. Chicken claws, wings and legs account for the vast majority of Chinese retail chicken sales.

Post forecasts China's broiler exports in 2011 will increase nearly 8% to 410,000 MT, following an estimated 31% increase in 2010. Japan and Hong continue to lead sales, accounting for nearly 70% of the total combined.

China Broiler Meat Exports, 2008-2010, year-to-date, metric tons

	2008	2009	Jan-Jul 2009	Jan-Jul 2010	% Chg
World	285,316	291,272	167,612	221,947	32.42
Japan	135,896	134,377	82,722	111,682	35.01
Hong Kong	108,651	113,279	63,659	77,157	21.20
Malaysia	15,362	17,041	71,165	13,002	81.47
Bahrain	4,194	4,137	1,938	3,091	59.49
S. Korea	6,627	3,570	1,984	2,341	17.99
Kyrgyzstan	3,904	4,459	2,800	1,848	-34.00
Others	10,682	14,409	7,344	12,826	74.65

HS Code: 020711, 020712, 020713, 020714, and 160232.

Source: GTA China Customs Statistics

Broiler meat imports are forecast to fall 14% to 280,000 MT in 2011, after declining 22% in 2010, excluding chicken claws. Imports from the U.S. (including claws) fell more than 80% during the first seven months of 2010 due to anti-dumping and countervailing duties imposed on U.S. poultry in mid-February. These duties will continue into 2011 as a result of MOFCOM's recent final determinations in the anti-dumping (AD) and countervailing duty (CV) investigations.

Preliminary and Final AD and CV Margins

	Prelim AD	Final AD	Prelim CV	Final CV
Pilgrim's	80.5	53.4	4.9	5.1
Tyson	43.1	50.3	11.2	12.5
Keystone	44.0	50.3	3.8	4.0
*ORC	64.5	51.8	-	-
All Others	105.4	105.4	31.4	30.3
Weighted Average	-	-	6.1	7.4

*Other Registered Companies

The final AD margins went into effect September 27. Final CV margins became effective on August 30.

Increased imports from Brazil and Argentina have not completely replaced the sharp drop in imports from the U.S. Argentina cannot supply significant quantities of mid-wings, a key import item in China. Traders are also reporting that quality is sometimes uneven compared to other suppliers. The Automated Registration Form (import license) is another limitation since maximum volumes per license are based partly on previous year's imports.

China Direct Broiler Meat Imports, 2008-2010, year-to-date in MT

	Jan-Dec 2008	Jan-Dec 2009	Jan-Jul 2009	Jan-Jul 2010	% Change 2010/09
World	787,251	722,766	406,685	325,366	-20.00
Brazil	131	27,793	0	157,344	0.00
Argentina	192,252	68,435	36,210	102,149	182.10
U.S.	572,094	613,682	361,783	58,236	-83.90
Chile	12,372	12,217	8,065	6,480	-19.65
France	10,397	610	610	78	-87.21
Other	5	29	17	1,079	6247.06

HS Code: 020711, 020712, 020713, 020714, and 160232. China chicken claw imports under HS Code 02071422 included in this table. Source: GTA China Customs Statistics

Chicken claw imports account for 50-60% of China's total poultry imports. The U.S. was the primary supplier and limited shipments will continue despite the AD and CV duties. Some exporters will cut export prices since there are no alternative markets for this cut. From January- July 2010, China imported 201,997 MT of chicken claws, almost unchanged from same period a year ago (201,778 MT). Imports from the U.S. fell 84.74% (from 166,162 to 25,349). Brazil replaced the U.S. as a major source of chicken claws. China did not import chicken claws from Brazil in 2009, but imports totaled 100,814 in 2010. The balance of imports came from Chile (4,220), down 19.60% from 2009 (5,249).

Source: USDA/FAS GAIN Report

WTO Ruling on China's Poultry Dispute with the U.S.

The World Trade Organization released its ruling on China's dispute (DS392) over access to the United States market for poultry. According to China, the possibility to access the U.S. market was cut off by legislation passed by the U.S. Congress which effectively blocked Chinese access to the U.S. poultry market, and contravened U.S. WTO obligations. The U.S. argued the measure was justified under the WTO's Agreement on Sanitary and Phytosanitary Measures (SPS), which allows countries to establish safety requirements based on scientific evidence. China countered that the measure was protectionist since the U.S. law did not allow for risk assessment and pointed out that the EU, Japan and Switzerland already allowed imports of Chinese poultry.

The WTO concluded that to the extent that the U.S. acted inconsistently with the specified provisions of the SPS Agreement and the GATT 1994, it nullified or impaired benefits accruing to China under those agreements. The Panel did not make any recommendations given that the measure at issue, Section 727, had expired. China requested that the WTO issue a recommendation that the U.S. does not revert to similar language in future legislation, but the WTO stated that future measures were outside the terms of the WTO's reference, but noted the findings should clarify the obligations raised and provide some predictability for future cases dealing with the same or similar matters.

Source: World Trade Organization; ICTSD Volume 14, Number 34, 7 October 2010 <http://ictsd.org/i/news/bridgesweekly/86141/>

**INSPECTED EGG PRODUCTS-
U.S. & CANADA IMPORT/EXPORT TRADE**

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

Week Ending Oct 09, 2010	Year-To-Date*			
Type	2010	2009 /1	2010 /2	2009
Liquid	0	473	3,008	9,312
Frozen	0	0	88	95
Dried	0	48	345	636
Total	0	521	3,441	10,043

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

Week Ending Oct 09, 2010	Year-To-Date*			
Type	2010	2009 /1	2010 /2	2009
Liquid	374	317	15,485	13,591
Frozen	11	0	480	252
Dried	0	0	151	0
Total	385	317	16,116	13,843

Inspected Shell Eggs

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

Week Ending Oct 09, 2010	Year-To-Date*			
Type	2010	2009 /1	2010 /2	2009
Jumbo	0	0	0	0
Extra Large	2,040	2,730	64,501	61,783
Large	4,380	7,156	110,565	129,947
Medium	0	870	34,222	41,947
Ungraded	16,404	20,130	203,167	306,397
Misc	0	840	900	9,770
Total	22,824	31,726	413,355	549,844

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

/2 Includes revisions to previous week(s)

*Note: Year to-date totals reflect comparable time periods.

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

**U.S./CANADIAN LIVE POULTRY-
SLAUGHTERED UNDER INSPECTION**

Week Ending 9-Oct-10 (Preliminary)

U.S. fowl slaughtered domestically

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	1,643	1,392	3,035
Last Week	1,394	1,434	2,828
Same week yr ago	1,365	1,617	2,982
To-date/2010*	56,562	56,418	112,980
To-date/2009*	51,739	60,401	112,140

U.S. fowl slaughtered in Canada

	Light Hens	Heavy Hens	Total Hens
-----Thousands-----			
Head	448	0	448
Last Week	370	0	370
Same week yr ago	294	8	302
To-date/2010*	13,775	418	14,193
To-date/2009*	12,625	43	12,668

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	2,091	1,392	3,483
Last Week	1,764	1,434	3,198
Same week yr ago	1,659	1,625	3,284
To-date/2010*	70,337	56,836	127,173
To-date/2009*	64,364	60,444	124,808

*Note: Year to-date totals reflect comparable time periods.

NATIONAL MECHANICALLY SEPARATED CHICKEN

(FOB Shipper Dock or equiv., negotiated prices in trucklot and less-than-trucklot volumes reported in thousand lb. quantities, cents/lb.; delivery within 2 weeks.)

The price trend was steady to weak on fresh 15-20% with the balance of fat contents steady. Supplies of fresh and frozen 15-20% were moderate to heavy with the remainder moderate. Schedules were seasonally normal. Domestic and export demand on fresh and frozen 15-20% was light with some slightly improved interest noted into export channels for the balance of 2010. Market activity remains slow. 2011 contract negotiations persist with no action, lots of conversation, and a definite disparity between buyer and seller pricing mentalities. In the meantime, many industry players continue to struggle moving MSC and frames due seasonal reductions and push back from buyers with heavy inventories of finished products. Frames continue to be rendered or sold with very limited buyer interest. Raw material supplies remain heavy. Frame values were steady to lower with trading between 4.5-7 cents FOB.

Weekly MSC Weighted Average Prices (cents/pound) and Volumes (1,000 pounds)

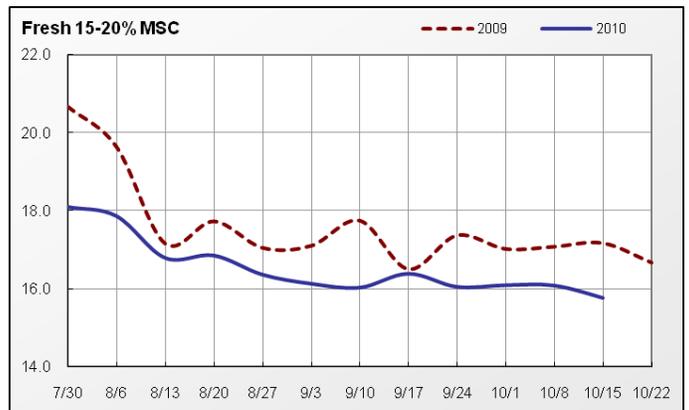
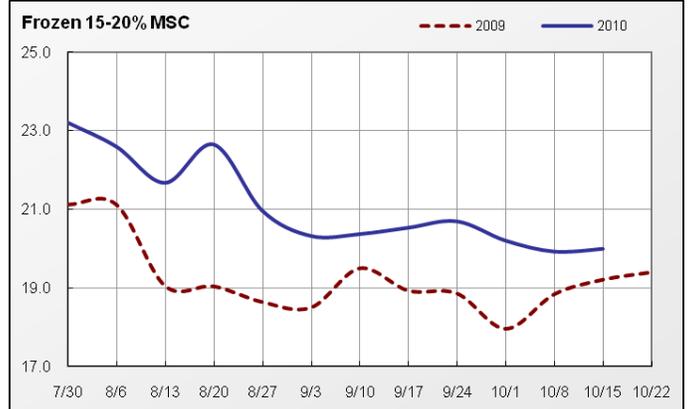
Fat Content	Frozen			Fresh		
	15-Oct-10	Last Week	Last Year	15-Oct-10	Last Week	Last Year
15% or Less						
Price Range			-	18.00 - 19.00	18.00	19.00-20.00
Wtd Avg Price			-	18.50	18.57	19.20
Volume Traded	-	-	-	163	143	202
Volume Exported	-	-	-	-	-	-
15-20%						
Price Range	15.00 - 22.00	15.00 - 22.00	17.00-22.50	12.00 - 20.00	12.50 - 19.00	16.00-20.00
Wtd Avg Price	19.98	19.91	19.20	15.77	16.09	17.16
Volume Traded	1,944	1,284	1,297	2,576	3,372	2,000
Volume Exported	1,884	1,164	1,297	530	612	122
20% or More						
Price Range	-	-	-	18.00	18.00	17.00
Wtd Avg Price	-	-	-	18.00	18.00	17.00
Volume Traded	-	-	-	41	41	82
Volume Exported	-	-	-	-	-	-

Monthly MSC Weighted Average Prices (cents/pound) and Volumes (1,000 pounds)

Fat Content	Frozen			Fresh		
	Sep 2010	Aug 2010	Sep 2009	Sep 2010	Aug 2010	Sep 2009
15% or Less						
Wtd Avg Price	-	-	-	18.80	21.51	19.07
Volume Traded	-	-	-	408	628	1,170
Volume Exported	-	-	-	-	200	-
15-20%						
Wtd Avg Price	20.43	21.80	18.86	16.14	16.91	17.21
Volume Traded	6,576	6,995	6,748	12,811	12,159	13,327
Volume Exported	6,336	6,067	5,848	1,999	2,122	3,773
20% or More						
Wtd Avg Price	-	-	-	17.75	18.57	17.80
Volume Traded	-	-	-	163	286	204
Volume Exported	-	-	-	-	-	-

Note: Volume exported refers to that portion of the total volume that is destined for export markets.

Source: USDA AMS Poultry Market News & Analysis



Source: USDA AMS Poultry Market News & Analysis

NATIONAL YOUNG TURKEY PARTS, INCLUDING BULK MEAT and FROZEN (UNLESS SPECIFIED), CENTS PER LB., DELIVERED FIRST RECEIVERS, PART AND FULL TRUCKLOTS AS OF 15 OCTOBER, 2010.

The market on bulk parts is steady to firm. Demand is moderate to good. Offerings are light to unavailable with some mixed availability reported on tom necks. The white meat market continues steady to firm. Demand is moderate to good on all white meat items and bone-in breasts. Offerings are light. The market on thigh meat remains steady to firm. Demand is mixed while offerings are light. The mechanically separated turkey (MST) market is steady. Demand and offerings are light to moderate. Market activity is slow to moderate with the largest volumes of trading centering on fresh tom drums and fresh MST. For domestic: fresh scapula meat 188-194, fresh wing meat 155.5, fresh tom full-cut wings 78-79 cents delivered.

EXPORT TRADING	PRICE RANGE	L.S.T. CODE 1/	WTD AVG PRICE	VOLUME (000)	WEEKLY WTD AVG PRICE	WEEKLY VOLUME (000)
FRIDAY, OCTOBER 15, 2010						
DRUMSTICKS, TOMS		R	76.00	54	75.25	216
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM TAILS		F	88.00	240		
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN		F	127.00	216		
EXPORT TRADING						
THURSDAY, OCTOBER 14, 2010						
DRUMSTICKS, TOMS	76.00		76.00	54		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM TAILS		F	88.00	240		
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN		F	127.00	216		
EXPORT TRADING						
WEDNESDAY, OCTOBER 13, 2010						
DRUMSTICKS, TOMS	75.00		75.00	162		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM TAILS		F	88.00	240		
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN		F	127.00	216		
EXPORT TRADING						
TUESDAY, OCTOBER 12, 2010						
DRUMSTICKS, TOMS		F	77.50	80		
WINGS FULL-CUT - TOMS						
WINGS, V-TYPE, TOM TAILS		F	88.00	240		
MECHANICALLY SEPARATED 2/ THIGH MEAT - FROZEN		F	127.00	216		

NO EXPORT TRADING REPORTED ON MONDAY, OCTOBER 11, 2010 DUE TO COLUMBUS DAY HOLIDAY

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.