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# Research Report on China's Cow Farms in Scale

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**Beijing Orient Agribusiness Consultants Limited**

**June, 2011**

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## Research Background

The melamine incident created an opportunity for promoting scaled Cow farming. The State Council has promulgated preferential policies to support scaled dairy farming in late years. The “Comments on Promotion of Constant and Healthy Development of Dairy Farming from the State Council” (Guo Fa [2007] No. 31), issued in September 2007, points out “to facilitate scaled, intensive and standardized farming through development of scaled farming zones (farms) and to gradually solve the small-scale and scattered dairy farming. Agricultural authorities should promulgate standards and norms for scaled Cow farming as soon as possible. The proportion of scaled Cow farming shall witness a substantial improvement till 2012.” The “Platform for Rectification and Rejuvenation of Dairy Farming” was issued in November 2008, which requested pacing up of scaled and standardized farming: “On the basis of the existing investment scale for scaled Cow farming, the Central Government shall further enlarge budgeted investment to support the main dairy farming regions to pace up standardized renovation and new establishment of standardized scaled farms (zones).” It also requested that “the proportion of scaled farms (zones) with inventory above 100 should rise from 20% to about 30% before the end of October 2011”. The National Development and Reform Commission and the Ministry of Industry and Information Technology jointly issued the “Dairy Industrial Policy” in July 2009 and relevant policies to support dairy processing companies to establish dairy farming bases, to set up their own farms or become shareholders of scaled farms or zones. The No. 1 Document from the CPC Central Committee in 2010 aimed to “pace up production of horticulture products in green houses and scaled animal/poultry/aquatic farming. To support establishment of scaled pig and Cow farms (zones).” Also, various places exercise preferential taxation policy for scaled farming and provide subsidy for land use and construction of farms. Various local governments enacted favorable policies to promote construction of scaled farms.

So far, there is no detailed data or analysis report on Cow farms in China, whereas this report aims to fill up the blankness. This report elaborates the current status of scaled Cow farming and farms in 15 main provinces comprehensively and systematically, including development plan for dairy farming and supporting policies, raw Milk Procurement Price and price change, technologies and equipment on farms,

scaled Cow farming modes, profit margin of Cow farming, survey on production management of representative Cow farms and evaluation of the current situation and judgment on the trend of Cow farming in China.

The report is the fruit of BOABC dairy research team's wisdom. The senior analysts of the team are members of think banks in related government departments and associations, maintaining a good relationship with government departments associations, key national dairy enterprises, related industries and enterprises. These resource advantages provide valuable professional supports for and ensure the accuracy, authority, scientificity and perspectiveness of the referenced dates. The research team makes field investigations and researches on livestock departments, dairy cow farms and dairy product processing enterprises of different provinces. BOABC believes that the report is an important reference material for the strategic decision of domestic and oversea dairy companies, dairy ingredients suppliers, related equipments suppliers, investment and financial organizations and other related institutions.



## 1. Overview of Dairy Farming in China

### 1.1 Breeds of Cow and Distribution

#### 1.1.1 Breeds

Based on the breeds of live animals and frozen semen supplied by the Cow breeding companies, the main breed of Cow is Holstein, the other breeds of Cow account for a small proportion in raw milk production, the other domestic breeds are Xinjiang brown, Qinghai Yak, Guangxi dairy buffalo, Qinchuan cattle, Nanyang cattle, Sanhe cattle and Yanbian yellow cattle, the imported breeds are Jersey, dairy Simmental, Charolais, Limousin, German yellow cattle, Lowline, Japan He cattle, (red) Angus, Piemont, Shorthorn, Brahman, Belgium blue cattle, Montbeliarde, Murry dairy buffalo, Nili dairy buffalo.

In terms of the breeds of Cow inventory of scaled farms, the largest quantity is Holstein (pure breed) Cow, accounting for 50% of the total Cow followed by Chinese Holstein/Chinese black and white/Holstein hybrids, dairy buffalo, hybrid buffalo, Jersey and Simmental.

#### 1.1.2 Regional Layout of Different Breeds

From the perspective of Cow, pure-breed Holstein and China's Holstein are extensively reared by scaled farms (including dairy farming zones) and smallholder farms in both crop producing regions and pastoral regions. In terms of dairy buffalo, dairy goat and yak, dairy buffalos are mainly in Guangxi (Murrah and Nili dairy buffalos introduced from India and other countries are mainly in Guangxi), Sichuan, Guangdong, Hubei, Henan, Fujian, Hunan and Shaanxi; dairy goats are mainly in Shandong, Shaanxi and Shanxi; yak mainly in Tibet, Sichuan, Qinghai and Gansu. Brown cattle are in Xinjiang. Qinchuan cattle, Nanyang cattle and Sanhe cattle are in North China. Other breeds of Cow are scattered in provinces in the North.

## 1.2 Cow Milk Production

### 1.2.1 Cow Inventory

Based on MOA designated monitoring and BOABC surveys, Cow inventory should be 12.6 million in 2010, up slightly by 0.08% from 2009. The growth of the inventory was attributable to the rising profit from dairy farming.

Figure 1-1 Changes of Cow Inventory in China, 1996-2010

Source: National Bureau of Statistics, DAC, BOABC.

### 1.2.2 Cow Milk Production

Cow milk production has been fluctuating around 3.5-3.6 million tons since 2007 and the slow growth of production is attributable to (1) frequent quality and safety incidents of cow milk, especially the melamine incident greatly affected both dairy consumption and export. (2) There is lacking of interest binding scheme between Cow farming and dairy processing and selling, the profit from Cow farming has been on a downward trend. (3) The growth rate of cow milk procurement price has been lower than the growth rate of raw material cost such as feed, the deficit range of Cow farming has been keeping at a high level.

Cow milk is the mainstream product and its proportion in the total raw milk production has been larger than 95% in late years. Other types of milk are goat milk, buffalo milk and yak milk.

Figure 1-2 Changes of Cow Milk Production in China, 1996-2010

Source: National Bureau of Statistics, DAC, BOABC.

### 1.2.3 Yield of Cow

Owing to the extension of Cow breeding work and the rising of the break-even point of Cow yield in the past decade, Cow yield has been on an upward turn in general. However the average cow yield has not been able to break 5000kg/year in the recent years, much lower than the level of Japan, Korea, Israel, the US, the EU or the Oceanic countries. For same Holstein Cow, different farms and farming households



see huge differences of yield, the cow yield of Beijing Sanyuan Luhe Farming Center, Bright Holstein Corporation and some farms in Xinjiang is up to the level of the developed countries, averaging 8000-10000 kg/cow, whereas the cow yield of smallholder farms is universally lower than 5000 kg/cow.

Figure 1-3 Changes of Cow Yield in China, 1999-2010

