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# Report on Development and Investment of China's Hog Industry (2018-2019)

—Industrial pattern will be reshaped and a new round of resources integration will be opened against the background of African swine fever

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## Research Background

Based on continuous accumulation of data, persistent tracking on industrial changes and in-depth researches for more than 20 years, BOABC will provide you with a valuable analysis report on investment and overall situation of hog industry and investment.

Continuously advancing strict environmental protection policies, the outbreak of Sino-US trade war, and the invasion of African swine fever in August, 2018 made the whole hog industry suffered disasters one after another in 2018. How will Chinese hog market and large-scale agricultural and animal husbandry enterprises develop in the current complex situation?

### **(1) Cutting capacity for environmental protection and optimizing raising structure are conducive to the rise of leading regional enterprises.**

In 2018, local environmental protection inspection teams carried out reviews and sport checks on the work of prohibiting livestock raising for environmental protection, which is drawing to a close. Small scale farmers continued to exit the industry, the number of small farms dropped rapidly, and scale farms and integrated pig enterprises achieved leapfrog development. The scale proportion of integrated enterprises rose to about 11%. All these factors bring about opportunities for the expansion of scale businesses and the rise of leading regional enterprises.

### **(2) With the outbreak of Sino-US trade war, Brazil squeezed into China's top five source countries of imported pork, and the US slip into the fifth.**

Affected by the Sino-US trade war, China imposes high tariffs on US pork, and the cost advantage of US pork is greatly reduced. Compared with pork products of Germany, Spain, Brazil, and other countries, US pork is basically uncompetitive. The market pattern of pork source countries in China changed greatly in 2018. China's

imports of US pork decreased, and the US backed to the fifth of the top five exporters. At the same time, China's imports of pork originating in Brazil increased sharply, and Brazil became the second largest source country after the EU.

**(3) Due to the spread of African swine fever in China, hog transport is prohibited across the country, resulting in supply imbalance of hogs and enlarged price gap among regions.**

At present, the outbreaks of African swine fever are reported continuously in China. Trans-provincial transport of hogs has been stopped basically in the country, and only Shandong, Xinjiang, and Henan are not affected. 28 provinces in the mainland of China are involved in the disease, and the total capacity in these provinces accounts for 92% of the national capacity. The prohibition on hog transportation has led to excess supply in producing areas and short supply in sales areas, and price gap among regions have been rapidly enlarged. The price gap between the main producing province Liaoning and the major sales area Zhejiang was up to 10yuan/kg, and the profits of allocating and transporting carcass meat among provinces reached up to 600yuan/head.

China's administrative supervision will be stricter, trans-provincial transportation volume of live pigs will hover at a low level for a long term, and traditional transportation model of live pigs will be replaced by cold-chain transportation of carcass meat. In the future, the raising model of "farm + slaughterhouse" or will be a development trend of hog farming industry.

**(4) The advantages of "company + farmer" model will become prominent gradually in the post-African swine fever period.**

Business groups continuously released their pig capacity in 2018, and achieved great year-on-year growths in hog sales from January to October, 2018. During this period, hog sales volume of Wens, Muyuan, Zhengbang, Truein, Tech-bank, Longda, and

Kinsino Technology amounted to 35.58 heads, up 31% year-on-year; of which, the sales volumes of Wens, Muyuan, Zhengbang, and Tech-bank respectively rose by 18%, 49%, 73%, and 105% from the same period last year.

When African swine fever broke out, the anti-risk capacity of businesses becomes the most important factor. Enterprises with perfect biosafety epidemic prevention system have stronger anti-risk capability, and are less impacted by African swine fever. By adopting “company + farmer” model, large scale farms spread epidemic risks, and have stronger anti-risk capacity.

Large farming enterprises survived in this African swine fever outbreak or will benefit greatly from the reversal of pig prices after this capacity clearing in the next year.

The report will deep analyze the development of domestic hog industry in 2018 and the operation modes of key enterprises, generalize about the investment trends of domestic companies and capital, and prejudge the market trends in 2019. It's expected to help businesses, capital, and industry insiders to more accurately grasp the operation trends and investment opportunities of hog industry in China and international market, and judge the models suitable for the development of enterprises and the resources that need to be integrated.

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# Contents

## Part One Analysis and forecast on global pork market

### 1 Status of pork in global meat market

### 2 Global pork production change and regional production layout

2.1 Global pork supply grows slowly

2.2 Pork production layout and concentration rate

### 3 Global Import and Export Trade of Pork

3.1 Changes in global export volume of pork

3.2 Changes in concentration rate and export volume of main pork exporting countries

3.3 Changes in global import volume of pork

3.4 Changes in concentration rate and import volume of main pork importing countries

3.5 Forecast on pork import and export trade changes in the future

### 4 Global Pork Consumption

4.1 Characteristics of pork consumption in different regions

4.2 Changes in pork consumption in different regions and countries

4.3 Forecast on global pork consumption changes

### 5 Analysis of Pork Industry in Main Pork Producing Countries

5.1 American hog farming industry

5.1.1 Production situation analysis

5.1.2 Analysis of export competitiveness of pork

5.2 Hog farming industry in EU

5.3 Hog farming industry in Japan

### 6 Forecast on global pork market in 2018/19

## Part Two Analysis and forecast on China's hog industry

### 1 China's hog farming

1.1 Relevant policies for hog farming

1.2 Changes in hog and reproductive sow inventories

1.3 Layout and characteristics of hog farming

#### 1.4 Changes in hog farming scale

#### 1.5 Production models

##### 1.5.1 Hog farming models in China

1.5.2 The model integrating breeding and raising has some epidemic risks as farms are relatively centralized

1.5.3 "Company+ farmer" model can spread epidemic risks, having strong anti-risk capacity

1.6 For low hog prices, the benefits of pig raising decreased

1.7 TOP ten pig breeding enterprises in China and their market shares

1.8 Forecast on development trend of China's hog farming industry in 2019

## 2 Hog slaughtering and deep processing in China

2.1 Relevant policies for hog slaughtering industry

2.2 There are numerous pig slaughterhouses in China, and the market is highly fragmented

2.3 Number of hogs slaughtered in designated slaughterhouses

2.4 Cost and benefit of slaughtering link

2.5 Main hog slaughtering and deep processing enterprises and their products

2.6 Forecast on development trend of future hog slaughtering and deep processing industry

## 3 Pork trade in China

3.1 Pork import & export policies

3.2 Imports and exports of live pigs (including breeding pig)

3.2.1 Changes in imports of breeding pig

3.2.1.1 Source countries of imported breeding pigs

3.2.1.2 Live pigs mainly were exported to Hong Kong and Macao, and the export volume saw little change

3.2 Imports and exports of pork

3.2.1 Pork imports

3.2.1.1 Sharp decrease in import volume of fresh, chilled and frozen pork

3.2.1.2 Major chilled pork and frozen pork importing countries

3.2.2 Pork exports

3.2.2.1 Export volume of chilled, fresh and frozen pork is small

3.2.2.2 Chilled pork and frozen pork are mainly exported to Hong Kong and Macao



- 3.3 Import and export of pork entrails
- 3.4 Imports and exports of other main pork products
  - 3.4.1 Pork fat
  - 3.4.2 Lard
  - 3.4.3 Hog bristles and pig hair
  - 3.4.4 Salted pig casing and intestine head
- 3.5 Trade of pork products
  - 3.5.1 Imports and exports of dried, smoked and salted pork
  - 3.5.2 Imports and exports of pork can and other prepared or preserved pork
- 3.6 Pork smuggle and containment policy
- 3.7 Influence of pork trade on domestic hog industry
- 3.8 Forecast on China's import trend of pork in the future

#### **4 Pork consumption in China**

- 4.1 Changes in pork consumption and per capita pork consumption
- 4.2 Urban and rural consumption structures of pork
- 4.3 Consumption structure of pork in different ways
- 4.4 Chinese pork prices
- 4.5 Forecast on pork consumption changes in China

#### **5 Pork circulation channel and profit in each link in China**

- 5.1 Policies for pork circulation
- 5.2 Trans-provincial transportation volume of hogs largely dropped
- 5.3 Main circulation patterns of home-made pork
- 5.4 Analysis of profit in each link

#### **6 China pork supply and demand balance sheet**

## **Part Three Analysis of African swine fever's impact on hog industry at home and abroad**

### **1 China's prevention and control of African swine fever is increasing**

- 1.1 African swine fever-related policies are introduced
- 1.2 Current major prevention and control measures

### **2 African Swine Fever's Impact on China's Hog Industry**

- 2.1 Statistics of African swine fever in China (affected areas, ASF cases, ASF incidences,

deaths, etc.)

2.2 Impact on domestic hog prices: price gaps between main producing areas and major sales areas enlarged.

2.3 Impact on domestic pork consumption: the disease is conducive to the consumption of substitutes in a short time, but pork consumption will get back to normal in the mid-and-long term.

2.4 Impact on domestic hog circulation: promoting the shift from "hog transportation" to "pork transportation"

2.5 African swine fever's economic impact on China's hog industry

### **3 Impact of African swine fever on global hog industry: difficult to eradicate and big economic losses**

3.1 Statistics of Global African swine fever (affected areas, ASF cases, ASF incidences, deaths, etc.)

3.2 African swine fever situations in some countries

3.3 Overseas epidemic prevention and control experience

## **Part Four Listed companies in domestic hog industry in 2018**

### **1 Key hog farming enterprises in farming industry**

1.1 Wens

1.1.1 Basic profile: Equity structure, business layout, core businesses and products, market position, sales and channels

1.1.2 Business model

1.1.3 Key competitive elements

1.1.4 Investment trend

1.1.5 Operation state analysis: Turnover and gross profit, sales revenue of hog business and its proportion

1.2 Muyuan

1.3 Truein

1.4 Xin Wu Feng

### **2 Key hog farming enterprise in feed industry**

2.1 New Hope



2.2 Da Bei Nong

2.3 Zhengbang

2.4 Jin Xin Nong

2.5 TRS Group

2.6 Tech-Bank

### **3 Key hog farming enterprise in slaughtering industry**

3.1 Shineway Group: Leading Enterprise in Hog Slaughtering Industry

3.2 Longda Meat: an integrated company of hog raising, slaughtering and processing

## **Part Five Analysis of main investments in China's hog industry**

### **1 Analysis and forecast on the investment in hog farming industry in 2018**

### **2 Investment characteristics of China's hog industry in 2018**

2.1 Composition of investors

2.2 Regional distribution of investment

2.3 Investment way and main capital sources

2.4 Analysis of industrial investment links

2.5 Analysis of investment scale

### **3 Analysis of investment opportunities and risks of China's hog industry**

3.1 Investment potential

3.2 Superior investment areas

3.3 Investment model selection

3.4 Investment links

3.5 Superior asset in hog industry

3.6 Possible investment risks

## Figure contents

- Fig 1: Global pork production and its proportion in total meat production
- Fig 2: Distribution of global pork production by countries
- Fig 3: Global trade volume of pork
- Fig 4: Global consumption of pork
- Fig 5: Pork consumption and consumption characteristics in different regions and countries
- Fig 6: Hog inventory and production, trade volume and consumption of pork in the US
- Fig 7: Hog inventory and production, trade volume and consumption of pork in EU
- Fig 8: Hog inventory and production, trade volume and consumption of pork in Japan
- Fig 9: Inventories of hog and reproductive sow in China
- Fig 10: Regional structure of China's hog inventory
- Fig 11: Structure changes in hog scale in China
- Fig 12: Changes in hog price and farming benefit in China
- Fig 13: Pork production and slaughtering volume of designated slaughterhouses in China
- Fig 14: Quantitative structure of designated hog slaughterhouses in China
- Fig 15: Slaughtering volume structure of designated hog slaughterhouses in China
- Fig 16: Changes in carcass price and benefit in China
- Fig 17: China's import volume of breeding pig
- Fig 18: China's export volume of live pig
- Fig 19: China's import and export volume of fresh, chilled and frozen pork
- Fig 20: China's import and export volume of other frozen pork products
- Fig 21: Pork consumption and per capita consumption in China
- Fig 22: Urban and rural structure of pork consumption in China
- Fig 23: Consumption channels of pork in China
- Fig 24: Circulation patterns and characteristics of home-made pork
- Fig 25: Distribution of affected areas in China
- Fig 26: Impact of African swine fever on hog prices
- Fig 27: Impact of African swine fever on trans-provincial transportation of hogs in China
- Fig 28: Investment scale of China's hog farming
- Fig 29: Regional distribution of investment in hog farming in China
- Fig 30: Business models of China's key hog farming enterprises

Fig 31: Operating situation of China's key hog farming enterprises

**Table contents**

Table 1: Major pork exporting countries and their export scales
Table 2: Major pork importing countries and their import scales
Table 3: Large-scale international hog farming, slaughtering, processing and trading enterprises
Table 4: Relevant policies for China's hog farming
Table 5: Cost and benefit of hog farming in China
Table 6: Relevant policies for China's hog slaughtering
Table 7: Cost and benefit of hog slaughtering in China
Table 8: Main hog slaughtering and deep processing enterprises and their products in China
Table 9: Occurrence of main swine diseases in China
Table 10: Live pig export quotas and details in China
Table 11: Some import forms and import volume of chilled and frozen pork in China
Table 12: Main importing enterprises of chilled and frozen pork and their market shares in China
Table 13: Some export forms and export volume of chilled and frozen pork in China
Table 14: Main exporting enterprises of chilled and frozen pork and their market shares in China
Table 15: Import & export volume and value of other frozen pork products in China
Table 16: Pork consumption channels and characteristics in China
Table 17: China's pork supply and demand balance sheet
Table 18: Investment policies for China's hog industry
Table 19: Investment patterns of hog farming in China
Table 20: Capital source of investment in China's hog farming
Table 21: Basic profile of China's key hog farming enterprises
Table 22: Investment trend of China's key hog farming enterprises