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DRAMATIC CHANGES OF CHINESE ANGORA RABBIT INDUSTRY  
FROM 2011 TO 2015:  
REASONS, CHALLENGES AND COUNTERMEASURES.

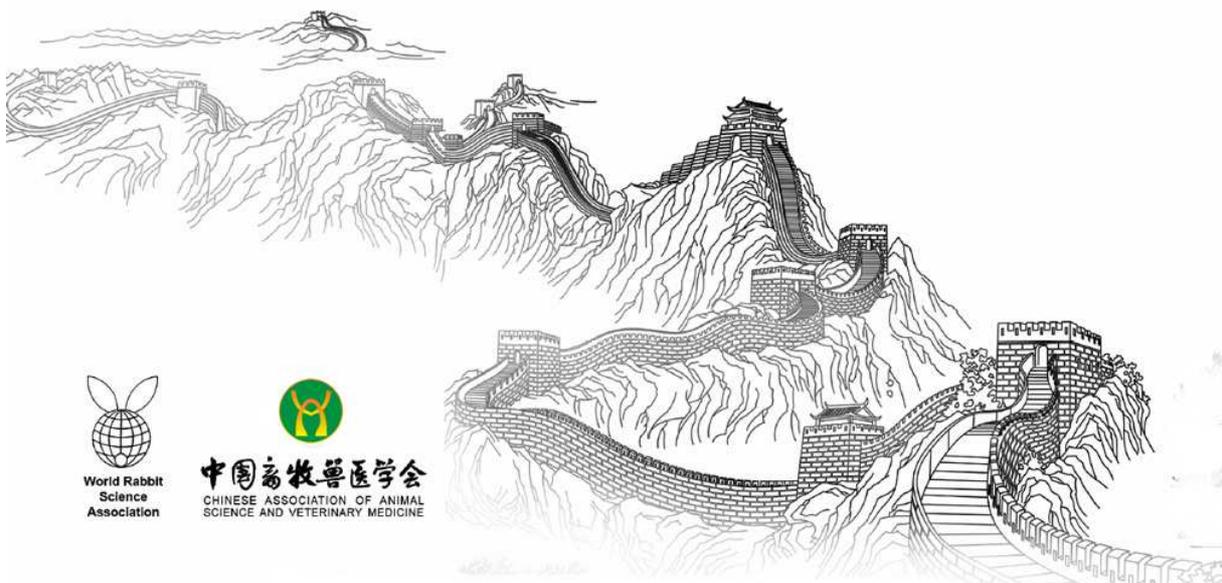
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# **DRAMATIC CHANGES OF CHINESE ANGORA RABBIT INDUSTRY FROM 2011 TO 2015: REASONS, CHALLENGES AND COUNTERMEASURES**

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## **ABSTRACT**

In recent years, demand for rabbit wool in international markets has been declining, especially after the "fur hand-ripping" event at the end of 2013 in China, whereby, the rabbit wool 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 Angora rabbit industry from 2011 to 2015 by focusing on price and trade analysis. The results show that there are two turning points of Chinese Angora rabbit industry, one is the end of 2013, and the other is the mid of 2015. Chinese Angora rabbit and rabbit fur face big challenges, finally some related measures are provided.

**Key words:** Angora rabbit; rabbit fur; fur market; rabbit fur export

## **INTRODUCTION**

It is estimated that the rabbit fur (Angora wool) output in the world is about 23,000 tons, and more than 90% of which is produced within China. Affected by factors both within and outside of China, especially global economic recession and again from animal welfare organizations, demand for rabbit fur has been declining, especially after "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 on rabbit fur, the researches on Chinese Angora rabbit and rabbit fur are very few, and the existing studies mainly focus on the descriptive introduction of characteristics, problems and policy implications of rabbit fur industry (Zhang, 2010; Tang, 2011; Tang and Zhang, 2015; Dong, 2015), while others analyzed the trend of rabbit fur export (Chen, 2012), including the impacts of rabbit fur market on textile industry (Cheng, 2014). Zhong (2008) studied the impacts of economic development on rabbit fur industry, it shows 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. Tang (2011) studied the color rabbit fur-skin, it argued that color rabbit fur-skin is good leather material, and environmental friendly products such as color rabbit hair assemblies should be promoted; Gao (2007) discussed strategies of the development and commercialized management of rabbit farming. In addition, the morphological features of rabbit hair were investigated and compared with those of cashmere fiber. It shows that the rabbit fur cannot substitute for cashmere due to the morphological structure of the rabbit hair being quite different from other animal hairs (Zhang, 2011; Zheng, 2011).

## **MATERIALS AND METHODS**

The analytical framework of this paper is as following, (1) to introduce the development of Angora 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 Angora rabbit industry development, and try to find the turning-points of industry changes; (2) to analyze the reasons of industry changes from both domestic and outside of China; (3) to provide suggestions to improve healthy development of Chinese Angora rabbit industry.

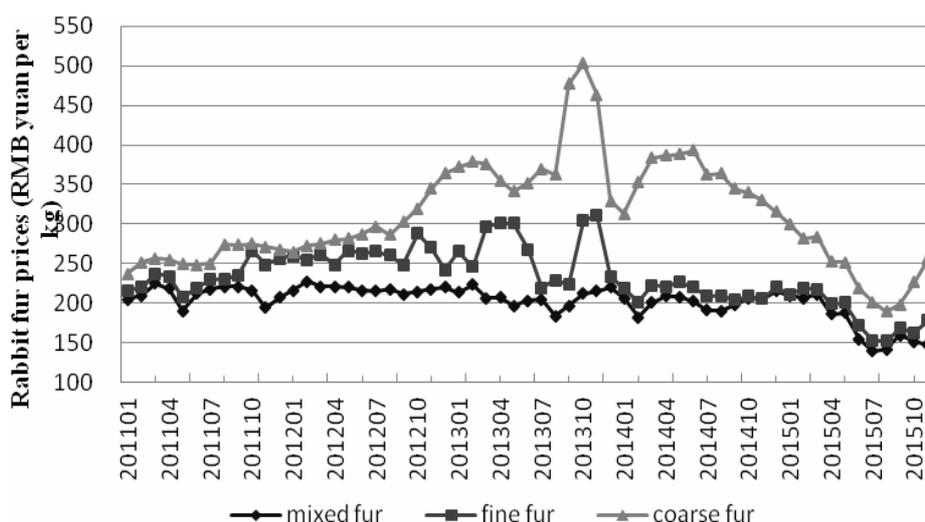
The materials used in this research include price and trade data. The price data is from the Weekly Monitor System of Rabbit Market (MRM)<sup>1</sup>. Trade data is from the Customs of China (<http://www.haiguan.info>).

## RESULTS AND DISCUSSION

### Rabbit wool prices and its change from 2011 to 2015 in China

There are three kinds of rabbit furs (wool) in China's fur market: coarse, fine and the mixed furs<sup>2</sup>. Affected by the "fur hand ripping" event, rabbit fur prices declined greatly since end of year 2013, either coarse, fine or mixed (figure 1).

The prices of coarse, fine and the mixed furs behave differently. Coarse fur prices experienced rapid increase from the mid of 2012 to the end of 2013, and since 2014 it changed to dramatic decline, till the mid of 2015 it went back to the beginning level of 2011. However, fine fur price fluctuates with small degree, and mixed fur price keeps more stable. In 2011 coarse fur price rose steadily from 237 RMB yuan per kg to 275 RMB 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 503.38 RMB yuan per kg in October. Prices in 2014 and the first eight months of year 2015 continuously declined. The average annual price of 2014 and 2015 were respectively 365 and 242 RMB yuan per kg.



**Figure 1:** Rabbit fur prices from 2011 to 2015 in China.

Data is from the Weekly Monitor System of Rabbit Market (<http://www.chinarabbitsys.com:8080/rabc01/>).

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, since 2014 fine fur price converges to the mixed fur price. Among three kinds of rabbit furs, the mixed fur price was relatively stable. From above we can find two turning points:(1) 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 furs tended to enlarge, but after that coarse fur prices declined rapidly, three kinds of prices tend to converge.(2) the second turning point is the mid of 2015. Before this point, the prices show significant decline especially since the beginning of 2015, but after the mid of 2015 prices rebound. It can be expected that the Angora rabbit industry is recovering. The following trade analysis further supports this result.

<sup>1</sup>Weekly Monitor System of Rabbit Market was established in 2011 and maintained by China Rabbit Research System. Each week, farm gate prices, wholesale prices and retail prices of rabbit and its processing products are collected through web platform and some primary results are published in the webpages (<http://www.chinarabbitsys.com:8080/rabc01/>).

<sup>2</sup>Now in China almost all rabbit fur is sheared instead of ripped, in fact, for a long time in China rabbit fur ripping has been very few, it may exist in some remote mountainous area, traditional and very small rabbit farmers.

### **Trade of rabbit fur and its products of China**

For a long time, China is a net exporter of rabbit fur. Since 2007, rabbit fur exports have shown a declining trend. It reduced from 2,027 tons in 2007 to 1,752 tons in 2008, further to 1,263 tons in 2009. The yearly declining rates are respectively 13.58% and 27.91%. However, exports climbed to 1,756 tons in 2010, with a growth rate of 38.98%. After 2010 fur exports again tend to decrease. Though in 2013 the export rebounded to the level of 2008, but since then, it again continuously decreased. Chinese rabbit fur is mainly exported to the EU and Asian countries, such as Germany, Italy, Britain, India, Japan, the South Korea, Hong Kong.

Besides fur China also exports fur products, which shows the similar pattern. The fur products were mainly exported to Denmark, Kyrgyzstan, Belgium, Hong Kong, Germany, Russia etc.

### **The reasons of dramatic changes of Chinese Angora rabbit fur from 2011 to 2015**

Based on Diamond theory (Michael Porter, 1990), industry development is determined by *production factor conditions, demand situations, related and supporting industry, corporate strategy structure and rivalry, chance and government policy*. This theory studies the long run case, however, in the short run, *production factors and farm strategy* are unchanged, *Chance and government factors* are both exogenous, and therefore the factors are mainly from *related industry and market demand*.

(1) High profit attracted more investment and gradually built the bubble. Before October of 2013, Angora rabbit sector had kept high profit for more than two years, especially coarse fur prices had been increasing from the beginning of 2011. This attracted more investment in Angora rabbit farming; meanwhile it also stored up huge problems for the future decline.

(2) The inflow of Lex farmers enlarged the Angora rabbit industry bubble. When coarse fur prices rose continuously since 2012, Lex rabbit fur skin prices had been declining affected by domestic and global economic recession, therefore since 2013 more and more Lex rabbit farmers turned to Angora rabbit farming, this drove Angora rabbit industry to expand greatly. It became the major reason of the huge decline of coarse fur prices since the end of 2013.

(3) The FHR event finally pierced the bubble. At the end of 2013, People for the Ethical Treatment of Animals (PETA) released a video<sup>3</sup>, it showed that Chinese farmers ripped out the fur from Angora rabbit until the animal was bald. Angora fur is mainly used as an element in sweaters and other knitwear, so the PETA call major textile and clothing companies to stop rabbit fur import from China. This led to rabbit fur export of China almost ceased. It finally caused huge surplus of rabbit fur. Till the end of 2015, the demand for Angora fur still had not recovered, traders continuously kept high stock, and farmers still stored for higher prices, more farmers have quit from Angora rabbit farming. Chinese Angora rabbit industry still stagnates.

Besides above short term shocks, there are also important fundamentals underling Chinese Angora 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 Angora rabbit farmers only raise less than 100 does, these small farmers' lack of market information and scientific decision-making knowledge, lead to most of them following other big farmers or their experiences. This usually causes over-supply when expecting high prices, and under-supply when expecting low prices. Finally it causes market fluctuation. Lack of industry standards is another reason affecting 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.

## **CONCLUSIONS**

During 2011 and 2015, Chinese Angora rabbit experiences dramatic changes from fast growth to fast decline. In the short run, following measures should be strengthened. (1) 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 in rabbit industry; (2) farmers training. Generally, the rabbit farmers are elder or women laborers, they do not have much knowledge on market or production decisions. Though there are many

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<sup>3</sup><http://www.cbsnews.com/news/peta-releases-video-of-angora-rabbit-investigation-in-china/>.

training provisions for rabbit farmers, most are on techniques. Management and economic training should be strengthened; (3) organizing farmers by Cooperatives. How small farmers can adapt to big markets is a challenge for China. 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; (4) fully tapping the potential of domestic market. When rabbit fur export was resisted due to the FHR event, the efforts of traders should have been devoted to domestic market so as to make up the former foreign demand.

From long run, the fundamentals underlying rabbit industry should be improved. (1) enlarging production scale through mechanization. With fast urbanization and industrialization, China is facing labor shortage in rural areas, especially young labors. Therefore, mechanization becomes a direction of smallholders. Government should subsidize mechanization so as to increase farm scale and productivity; (2) strengthening 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.; (3) improving development of processing company. Processing and marketing is the bottleneck of rabbit industry development. In future rabbit industry development will be mainly driven by market demand.

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# Dramatic changes of Chinese Angora rabbit industry from 2011 to 2015: reasons, challenges and countermeasures

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## The Message

- Countermeasures for the development of Chinese Angora rabbit industry are provided.
- The slowdown of world economic growth caused loss of most fur-skin enterprises.
- There are two turning points of Chinese Angora rabbit industry, one is the end of 2013, and the other is the mid of 2015.

2

## Introduction

The rabbit wool output in the world is about 23,000 tons, and more than 90% of which is produced within China. Affected by factors both within and outside of 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.

3

## Methods

- Introducing the development of Angora rabbit industry in China
- Analyzing the reasons of industry changes from both domestic and outside of China
- Providing suggestions to improve healthy development of Chinese Angora rabbit industry

4

## Results

### ● Rabbit wool prices and its change from 2011 to 2015 in China

- > Coarse wool prices experienced rapid increase from the mid of 2012 to the end of 2013, and since 2014 it changed to dramatic decline, till the mid of 2015 it went back to the beginning level of 2011.
- > 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, since 2014 fine fur price converged to the mixed fur price.
- > Among three kinds of rabbit fur, the mixed fur price was relatively stable. There were two turning points: one was the end of 2013, and the other was the mid of 2015.

### ● Trade of rabbit wool and its products of China

- > For a long time, China is a net exporter of rabbit fur. Since 2007, rabbit wool exports have shown a declining trend.
- > Chinese rabbit wool was mainly exported to the EU and Asian countries, such as Germany, Italy, Britain, India, Japan, the South Korea, Hong Kong.
- > Besides wool China also exports fur products, which showed the similar pattern. The fur products were mainly exported to Denmark, Belgium, Hong Kong, Germany, Russia etc.

### ● The reasons of dramatic changes of Chinese Angora rabbit fur from 2011 to 2015

- > High profit attracted more investment and gradually built the bubble.
- > The inflow of Rex farmers enlarged the Angora rabbit industry bubble.
- > The FHR event finally pierced the bubble.
- > Besides above short term shocks, there are also important fundamentals underling Chinese Angora rabbit industry development, including small scale production, lack of standards and lack of supporting processing ability.

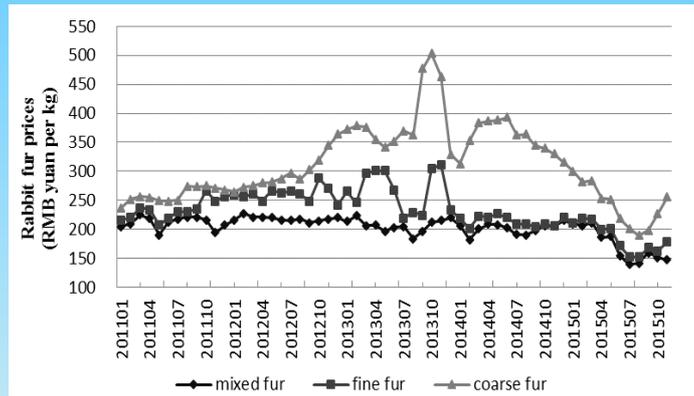


Figure 1: Rabbit fur prices from 2011 to 2015 in China

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## Conclusions

### ● in the short run

- > information services
- > farmers training
- > organizing farmers by cooperatives
- > fully tapping the potential of domestic market

### ● in the long run

- > enlarging production scale through mechanization
- > strengthening standard construction along rabbit industry chain
- > improving development of processing company

## Acknowledgements

This research is funded by the China Rabbit Research System (CRRS), the authors would like to thank the CRRS for economic research support (CARS-44-D-05).