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China Agricultural Newsletter

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Laws, Regulations and Policies

RMB 600 bln yuan spent on rural development in 2008¹

China's central budget on the rural development and agriculture is expected to reach nearly RMB 600 billion yuan in 2008, representing a year-on-year increase of 38 percent, said Finance Minister Xie Xuren at a national work conference, adding that more money and favorable policies would be adopted in 2009 to develop the rural areas and agriculture and improve the livelihood of farmers.

Subsidies to farmers from the state exchequer more than doubled in 2008 to RMB 102.77 billion yuan, according to Xie.

He released that the reform and development of the rural areas is one of the priorities on the list of fiscal tasks in 2009. Investment on rural infrastructure construction and social welfare will be increased significantly, particularly in the mid-west part of China. Support will be given to build a rural financial service system with diversified capital sources.

More subsidies will be given to boost the development of agriculture. Modern commercial circulation system will be built to spur the consumption.

More fiscal support is also planned to promote the education and training, health care, social security and poverty alleviation in rural areas. Reforms on the fiscal system at the county and village levels will be deepened.

The country's total fiscal revenue is expected to exceed RMB 6 trillion yuan (about 857 billion USD), a year-on-year increase of 19 percent, much slower than the 32.4 percent growth in 2007.

¹ China Business News Jan. 6, 2009

Farmers to get help from grain price rise²

China's central government plans to increase grain prices to boost farmers' earnings as the income gap between urban and rural residents exceeded RMB 10,000 yuan (US\$1,450) last year and it becomes tougher for rural workers to find jobs in big cities.

Average rural incomes increased more than RMB 2,000 yuan in the past five years but still lagged earnings of city residents, who earned 3.36 times more than rural residents in 2008, up slightly from a year ago, according to the Ministry of Agriculture. The growing differential was caused by falling prices of agricultural products.

Farming accounted for 42.1 percent of rural residents' incomes, while salaries made up for 38.6 percent, according to the ministry. As future forecasts of agricultural product prices and opportunities for migrant workers are not optimistic, farmers face increasing challenges in improving their earnings.

The output of coastal manufacturers has declined significantly as a result of the global economic downturn, forcing millions of rural migrants to return to their hometowns. About 7 million to 8 million people from five major migrant worker providers, including Sichuan and Henan provinces, have gone home, accounting for 6.5 percent of all such workers.

The ministry wants to speed development of the agricultural products processing industry and is encouraging enterprises to move to small towns.

New product catalogues under import and export licensing issued³

China will use licenses to manage exports of 50 kinds of commodities and imports of two categories of products in 2009, the Ministry of Commerce said.

According to the ministry's statement, licenses will be used to manage exports of 50 kinds of commodities including corn, wheat, cotton, coal and oil.

Meanwhile, the ministry will use licenses to control imports of ozone layer depleting substance and major used mechanical and electrical products in 2009.

Ag machinery subsidy catalogue to be issued⁴

Chinese government will allocate RMB10 billion yuan (US\$1.46 billion) in subsidies for agricultural machinery purchases in a bid to help farmers and returning migrants, according to a decision at an executive meeting of the State Council on Dec. 10.

² Shanghai Daily Jan. 17, 2009

³ Xinhua News Jan. 3, 2009

⁴ People's Daily Jan. 12, 2009

The central government will issue a catalogue of selected products with subsidy to purchase of general type agricultural machinery in 2009. The catalogues at the provincial level will be issued before the Spring Festival. According to the catalogue, a total of 128 agricultural machines are eligible for subsidy. And a subsidy of up to 30% will be granted to farmers buying agricultural machines this year.

Rural home appliance subsidies to be expanded⁵

China will expand subsidies for farmers' purchase of home appliances nationwide from Feb. 1 to boost consumption, said the General Office of the State Council.

A 13 percent subsidy will be granted to farmers who buy color TVs, refrigerators, mobile phones, washing machines and freezers. Also, farmers who buy motorcycles, computers, water heaters and air conditioners will get the subsidies, said the Office in a statement on improving the circulation network to boost consumption.

This pilot program began in December 2007. At present, subsidies only apply to rural residents in 12 provinces, or less than half of the total.

Local governments must clamp down on sales of substandard appliances to farmers and ensure good quality and after-sales service to stimulate rural consumption, said the Office. The Office also proposed expanding the sales network. It also urged stronger encouragement of vehicle purchases and financial support for small and medium-sized merchandising businesses.

China is pinning hopes on domestic demand as the global economic crisis has hit exports.

Retail sales in November grew at an annual rate of 20.8 percent, 1.2 percent slower than in October but 2 percent higher than last November's increase.

Major grain-yielding province to increase output by a quarter⁶

Authorities in northeast China's Heilongjiang Province, the country's largest producer of commodity grain, plan to further increase annual output in the coming years. The move is part of an effort to ensure national grain security.

The provincial government has decided to raise grain production to 50 million tonnes by 2012, or 10 million tonnes more than that of 2007, said Lu Chaowen, director of the Rural Department with the Heilongjiang Provincial Grain Bureau.

According to a newly-instituted plan, the government pledged to hold the grain cultivation area at 160 million mu (10.7 million hectares) in the province by 2012, Lu said.

Corn, rice, beans, potatoes and wheat are the focus of the production-boosting plan, he said.

⁵ Xinhua News Jan. 1, 2009

⁶ Xinhua News Dec. 30, 2008

As a granary of China, Heilongjiang has seen consecutive growth of grain output over the past five years. Production in the province reached 42.25 million tonnes this year, setting a record, statistics with the grain bureau show.

China just concluded its two-day annual central rural work conference on Dec. 28 with a pledge to give priority to maintaining stable growth of rural and agricultural development, ensuring supplies of main farm produce and increasing farmers' income in a sustainable way next year.

Earlier this month, the National Development and Reform Commission predicted the nation's grain output would increase for five straight years and reach 525 million tonnes in 2008.

To ensure grain security, the central government has repeatedly pledged to stick to the 1.8 billion mu (120 million hectares) minimum farm land line.

Industry and Business Watch

Sino-U.S. trade grows at slower pace upon financial crisis⁷

China's trade with the United States took the blunt of the financial crisis to slow down in the first 11 months of 2008, the General Administration of Customs said on Jan. 17.

Between January and November last year, the bilateral trade amounted to US\$307.82 billion, a growth of 11.6 percent on the same period of 2007.

The growth rate was 3.9 percent lower than the year-earlier level, or 9.3 percent below that for China's total external trade.

The bilateral trade volume included US\$233.09 billion in export value, up 9.6 percent, and US\$74.73 billion in import value, up 18.5 percent.

The growth rate for exports was 5.6 percent lower than the year earlier level, but that for imports was 1.6 percent higher.

China's trade surplus with the United States went up 5.8 percent to US\$158.36 billion accounting for 61.9 percent of China's total trade surplus for the 11-month period.

The growth rate was 8.6 percent below the year-earlier level. The slowdown was due mainly to weakening demand in the United States after the financial crisis and to the appreciation of the Chinese currency, the customs administration said.

Foreign-funded companies made up 64.5 percent, or US\$198.66 billion, of China's trade with the United States, up 9.5 percent. The growth rate was 7.6 percent lower.

⁷ Xinhua News Jan. 17, 2009

Food export down in Nov. upon product safety scandals⁸

China's food export decreased in November 2008, reversing the upward trend for each of the first 10 months of the year, as a result from September's tainted milk powder scandal and chemical-related egg contamination thereafter, the General Administration of Customs said on Jan. 17.

The export value was US\$3.02 billion in November, down four percent from the same month of 2007.

After the product safety scandals broke out, growth in the country's food exports slowed down to 15.6 percent in October from 28.9 percent in September.

However, from January to November, the nation's foreign sales of foodstuffs were USD 31 billion, up 13.8 percent.

Of the total, 43.3 percent, or US\$13.42 billion worth, were sold by foreign-funded companies, up 9.2 percent.

Aquatics and vegetables were the nation's main food exports, accounting for 15 percent and 11.9 percent, respectively, of the total.

Aquatics exports were 1.58 million tonnes, down 4 percent. They were valued at USD 4.65 billion, up 9.5 percent.

Vegetable exports were 5.67 million tonnes, up 1.2 percent. They were valued at USD 3.68 billion, down 0.7 percent.

Japan remained the largest market for China-made foodstuffs, receiving US\$5.34 billion worth of foodstuffs from China, in the Jan.-Nov. period, down 8.4 percent. The other four major markets were the European Union, the United States, ASEAN members and Hong Kong.

Meanwhile, China imported US\$22.62 billion worth of foodstuffs between January and November, up 32.1 percent. ASEAN members, the United States, the European Union, Argentina and Brazil were the major sources for China's food imports.

Rural firms told to grow stronger⁹

China's township enterprises have been given a growth target of 10 percent for 2009 to create employment and support farmers amid the global economic downturn.

Vice Minister of Agriculture Gao Hongbin said at a year-end work meeting that the industrial output of township enterprises had slowed in 2008 because of the stronger yuan,

⁸ Xinhua News Jan. 17, 2009

⁹ Xinhua News Jan. 4, 2009

interruptions caused by natural disasters, and rising costs of labor, energy and raw materials.

But the sector still reported a double-digit growth rate in a turbulent year, he said.

The Ministry's Township Enterprises Bureau estimated that the added value of rural enterprises was expected to reach RMB 7.97 trillion yuan (about US\$1.17 trillion) in 2008, up 11.62 percent from 2007.

However, the rise was down 2.65 percent from the previous year.

Other 2008 final estimates for township enterprises included tax revenues of RMB 855 billion yuan, up about 12.8 percent, and exports of RMB 3.49 trillion yuan, up 11.4 percent.

The ministry expected farmers' per capita revenue from township enterprises to be about RMB 1,650 yuan, about RMB 210 yuan more than in 2007.

China has more than 850,000 township enterprises that provide 30 million jobs.

These small, mostly labor-intensive enterprises have developed a "very good interplay" with large state-owned enterprises. This was demonstrated through offering support services such as agricultural processing and resources development, Gao noted.

Although more than 70,000 township enterprises went broke last year amid stiff competition, many new ones entered the market with new projects.

Gao said the ministry was considering policies to encourage rural migrant workers to set up their own businesses, build a credit system in rural areas, strengthen quality control and enhance regional cooperation.

Grain enterprises purchased 292 mln tonnes in 2008¹⁰

China's grain enterprises purchased 291.8 million tonnes of grain from farmers last year, effectively stabilizing domestic grain prices and easing price pressures on farmers, State Administration of Grain Administrator Nie Zhenbang said on Jan. 12.

The government had guaranteed sufficient grain supplies at stable prices for home markets, including the disaster-hit regions and Olympics host cities, despite fluctuating world prices and natural disasters, said Nie.

Figures showed state-run grain enterprises bought 170.4 million tonnes of grain last year, including 42.05 million tonnes of wheat, 13.1 million tonnes more than 2007. They also

¹⁰ Xinhua News Jan. 12, 2009

purchased 11.8 million tonnes of rice and 8.5 million tonnes of corn. These measures eased price pressure on farmers and protected their interests.

Nie said state-owned grain enterprises played a major role in ensuring supply security, raising purchase prices and boosting grain prices. Other entities were also encouraged to purchase from farmers to increase liquidity of grain and help buoy prices.

These measures increased farmers' incomes nationwide by more than RMB 50 billion yuan (US\$7.31 billion).

In 2009, the government would implement a package of measures to boost farmer confidence in the grain market, including raising purchase prices, offering subsidies for the purchase of farming tools and seeds, increasing state reserves and encouraging moderate exports, said Song Hongyuan, director of the Ministry of Agriculture's Rural Economic Research Center.

More grain exported in Oct/Nov 2008¹¹

China posted a substantial growth in grain exports in October and November 2008, after its soybean won more biddings in the Republic of Korea (ROK), the General Administration of Customs said on Jan. 6.

In October, China exported 228,000 tonnes of grain (including cereal and cereal powder, beans and tuber crops), up 32.7 percent from the previous month, and 270,000 tonnes in November, up 18.6 percent month-on-month.

In November, soybean exports soared 78.6 percent year-on-year to 45,000 tonnes.

The top three target markets of China's grain were ROK, ASEAN members and Japan, which bought 38 percent of China's total grain exports.

Soybean market security shaken by foreign capitals¹²

Chinese experts on Jan. 6 called for government support for domestic soybean market against large capital flow from foreign grain traders.

On January 4, the General Administration of Customs (GAC) posted an online warning against increasing control of foreign companies over the country's grain sector, saying the Singapore-based grain giant Wilmar International has been attempting to grasp China's soybean market.

"The company is marching into the northeastern soybean production base with large funds," GAC said.

¹¹ Xinhua News Jan. 6, 2009

¹² China Daily Jan. 6, 2009

Wilmar International is the major shareholder of Arawana, a household name of edible oil in the country. It was reported last August that the grain processor bought soybeans worth US\$3 billion in the northeastern region. The company didn't confirm the news.

Its yearly report showed the company's sales in China took up more than 50 percent of the total revenue in 2007, expanding more than 200 percent year-on-year to US\$8.48 billion.

Li Guoxiang, researcher on rural development with the Chinese Academy of Social Sciences, said the interests of domestic grain companies and farmers have already been affected as foreign grain traders put edible oil pricing under their control.

Statistics showed 64 of the 97 major edible oil companies in China have overseas capitals.

Li suggested government reinforce interference of the country's grain market. "We should not only support large national grain companies, but also take actions to help small and medium sized companies grow, such as providing more loans."

Soybean import may be slowed down in the crop year 2008-09¹³

China's soybean import will continue to grow, but at a slower pace before the end of crop year 2008-09, with the increase of domestic soybean reserves, according to China National Grain and Oils Information Centre (CNGOIC).

CNGOIC estimated China's soybean import to reach 38 million tons in 2008-09 crop year (October 2008-September 2009), up 0.5 per cent over the previous crop year.

The crop year of 2007-08 saw the soybean import surge 32 per cent on year, mainly due to lower price of imported soybean and sharp fall of freight cost, an analyst with the centre said.

The analyst also noted that the government would put some reserves into market this year, which was expected to press down the strong growth momentum of soybean import.

Chinese government had approved to buy six million tons of domestic soybean for state reserves since October last year in a bid to shore up the price. It also added two million tons of soybean import for state reserves.

Traders predicted the government was likely to release part of reserves into market in the first half year to be the earliest.

According to the latest customs data, China's soybean import hit a record high of 37.44 million tons in 2008, up 21.5 per cent over the previous year.

The December soybean import increased 12.8 per cent on year to reach 3.3 million tons, striking flat with that of November.

¹³ Asia Pulse Jan. 15, 2009

Traders predicted the country's soybean import to fall to 3.1 million tons in January as processing plants would suspend production toward the traditional Chinese holiday in the last week this month.

China imported 8.16 million tons of edible oil in 2008, down 2.6 per cent from the previous year. The import volume in December was 750,000 tons, down 100,000 tons from November.

Vegetable oil market likely to outperform international market¹⁴

China's vegetable oil market may slightly outperform the international market this year as the import is likely to drop sharply to relieve domestic oversupply pressure, stressed Cao Zhiqiang, vice director of the National Grain and Oil Trade Centre.

The freight cost for oils and fats import also plunged to a record low point and would find no room to dive further.

Furthermore, the domestic vegetable oil price has dropped to the level two years ago, leading to severe losses of processing plants and traders.

To protect farmers' interest, the government will roll out measures to stabilize grain market and shore up prices of oils and fats.

More Danish pork to be imported¹⁵

According to a protocol signed between Chinese import authorities and Danish Ministry of Food and Agriculture, Danish bacon, salami and other processed products, will be allowed to export to China in the near future.

Until now Danish export businesses have only been allowed to export fresh and not processed pork to China, most often called by-products such as tails and pig 's feet.

In recent years Danmark has performed a massive increase of the exports to China, as the Chinese can now also afford the pork products which are a little more expensive.

More pork to be produced in 2009¹⁶

Pork production in China may increase 3.2 percent this year as the hog herd recovers from disease outbreaks in 2007, the United States Foreign Agricultural Service said.

China may produce 46 million metric tons of pork this year, up from 44.593 million tons last year, agricultural attaches Zhang Jianping and Chanda Beckman said in an e-mailed

¹⁴ Xinhua News Jan. 13, 2009

¹⁵ ThePigSite News Desk Dec. 31, 2008

¹⁶ Shanghai Daily Jan. 12, 2009

report. Porcine reproductive respiratory syndrome (PRRS), also known as blue-ear disease, curbed production in the previous two years.

State planner to support hog prices¹⁷

China may limit imports and boost exports of the meat to help support hog prices, according to a statement issued by National Development and Reform Commission (NDRC) recently.

Regulators will also use government pork reserves and subsidies for farmers and meat processors to keep the sale price of hogs at between 6 and 9 times the price of corn. Controls to cut imports and raise exports may be employed when hog prices fall below 5 times the price of corn, said the NDRC on its Website.

Beijing bans entry of live poultry¹⁸

Beijing authorities have banned all live poultry from other parts of the country from entering the capital, after a woman died from the H5N1 bird flu virus on Jan. 5.

The Beijing Municipal Bureau of Agriculture also issued an alert on Jan. 7 to intensify the monitoring of trade in live poultry, while animal disease control personnel have launched inspections of the city's slaughterhouses and poultry farms.

The authorities have not received any reports of adverse conditions regarding poultry in the city, the Beijing Agriculture Bureau said.

Huang Yanqing, 19, a native of Fujian province, bought nine ducks from a market in Hebei on 19 December. She fell ill on 24 December and was hospitalized before dying in Beijing.

The Chinese Center for Disease Control and Prevention, as well as the Ministry of Health, confirmed Huang had been infected with the highly pathogenic avian influenza.

The authorities disinfected Hebei's Yanjiaoxinggong market in Sanhe city, where Huang had bought the ducks with two other people from Fujian. The market's five shops selling live poultry have also been closed.

Similarly, health authorities have examined 15 people handling live poultry trade in the market and all were confirmed to be free of the disease, while residents who had been diagnosed with fever have been inspected.

Medical professionals have also started visiting families in Beijing in all its districts and counties to look out for bird flu symptoms.

¹⁷ Shanghai Daily Jan. 15, 2009

¹⁸ ThePoultry Site News Desk Jan. 8, 2009

“Medical institutes of all levels must carry out individual registrations and report all flu-like cases,” Deng Xiaohong, deputy chief of the Beijing municipal health bureau, said in a press release. Flu-like cases include symptoms like fevers above 38 °C, along with coughs and sore throats. Fever and pneumonia cases of unknown origin will be covered under specialist consultations at the municipal level, Deng said.

Guangdong Province tightens poultry market inspection¹⁹

Agricultural authorities in south China's Guangdong Province tightened inspection over trading markets for domestic poultry after an 82-day-old baby girl was diagnosed in Hong Kong with bird flu.

No further infections were detected in the province, the provincial agricultural department announced on Dec.31. The girl who was born in Hong Kong had been living in Xiabaishi Village, Nanshan District of Shenzhen, Guangdong Province, with her grandmother while her parents were working in Hong Kong.

The baby fell ill on Dec.29 and was diagnosed as having the H9N2 bird flu strain the next day in a Hong Kong hospital. Experts from Shenzhen city's health bureau and disease control center went to the village to investigate. They collected blood samples from the baby's grandmother and eight staff members in a local hospital who had contact with the baby. No virus was detected in those samples.

Experts also investigated a restaurant near the patient's home that kept live chickens. No virus was found in blood samples from four staff members of the restaurant.

The disease control center has sterilized the area around the baby's home and the hospital where she sought treatment. The provincial agricultural department instructed its Shenzhen bureau to step up efforts to prevent and control the pathogenic avian flu in a bid to stem an outbreak of the disease in the city.

All poultry in Shenzhen have been vaccinated. The provincial agricultural department sent staff to inspect markets together with staff from the Guangzhou city bureau.

It also sent five extra teams to other areas of the province to inspect bird flu prevention and control measures. There have been no reports of a bird flu outbreak so far. Experts said the H9N2 bird flu strain is less pathogenic than the H5N1 strain.

Livestock prices set to go down in 2009²⁰

The prices of China's major livestock products will continue to drop in 2009, according to an official from the Ministry of Agriculture.

¹⁹ The PoultrySite News Desk Jan. 2, 2009

²⁰ The PigSite News Desk Jan. 5, 2009

Wang Zhicai, director in charge of the ministry's department of stockbreeding, said at a recent national stockbreeding and veterinary meeting that live pig, milk and other major livestock products had experienced constant price dropping in 2008, and the weak pricing trend is expected to continue in 2009.

Statistics from the ministry showed that by November 2008, the average pork price had been falling for nine months in a row, down 25.4 percent compared with its peak in February.

Wang said that affected by the international financial crisis, consumers will spend less on livestock products. On the other hand, in 2008 the number of progenitive sows increased considerably throughout the country, leading to obvious overstock. It is expected that in the first half of 2009 the supply of live pig will sharply rise.

He said if not handled properly, the livestock industry may be seriously be hurt by profit losses and lead to a recession in the industry.

Sources from the ministry said in 2009 the country will encourage standardized large-scale breeding and the construction of choice-breeding systems, and closely monitor market supply and demand, so as to ensure a steady development of livestock products.

Compensation fund for tainted milk victims set up²¹

China Dairy Industry Association (CDIA) gave more information on setting up a medical compensation fund for victim babies in the tainted milk powder scandal.

“The scandal caused great harm to infants and the society, so firms involved in the scandal feel very regretful for this. To be responsible for their wrongdoing and rebuild the dairy industry's reputation, these companies offer to shoulder social responsibilities,” said the association.

Sanlu, the dairy producer at the center of the tainted milk powder scandal, and other 21 firms blamed in the scandal had decided to set up a compensation fund for the victim infants.

“The money from these companies for this fund has been in place now. The fund will cover the charge on acute disease medical treatment and the one-time cash payment for victims,” said the Beijing-based association.

But no specific amount of the fund or compensation for each victim baby was revealed.

“The fund is big enough to cover all the medical care charge for the victim infants and the compensation work is now underway,” according to the association.

²¹ China Daily Jan. 2, 2009

“After the acute disease medical treatment, if those infants develop related diseases before they are 18 years old, they can also get full reimbursement for their medical expenses from the fund,” the CDIA added.

The fund will be entrusted to China Life Insurance Co., Ltd., the country's leading life insurer, to manage. To make it easier for the victim families to get compensation, they can get the medical charge reimbursement through China Life's outlets nationwide.

The tainted dairy scandal was exposed in last September after babies who had milk powder produced by the Hebei Province-based Sanlu Group developed kidney stones. Other leading dairy firms were also involved. The contamination killed six babies and more than 290,000 infants suffered from urinary problems such as kidney stones.

Agricultural Bank of China launches shareholding company²²

The Agricultural Bank of China (ABC) said it launched a shareholding company on Jan. 9 with registered capital of RMB 260 billion yuan (US\$38 billion).

The bank said the equity in the new company was equally split between the Central Huijin Investment Co., an arm of China's sovereign wealth fund, and the Ministry of Finance.

The bank will be restructured into a state-controlled, shareholding commercial bank and renamed Agricultural Bank of China Ltd. It will be publicly listed, but no details have been released yet.

After incorporation, the bank (including its overseas institutions) will fully assume all assets, liabilities, institutions and personnel, with its business scope unchanged.

Draft articles of association and motions on members of the board of directors and the board of supervisors were reviewed and adopted in an assembly on Jan. 9. The assembly appointed a president and chairman of the board whose names were not disclosed.

First small lender to help small enterprises, agriculture²³

The first speedy lending company to help small businesses is expected to open by year's end in Minhang District.

The company, Jiu Xing Speedy Lending Co, a subsidiary of Jiu Xing Holding Group Co Ltd, offers small loans up to RMB 2 million yuan (US\$292,000).

The time from application to actual lending is no more than one week. That's a lot better than commercial banks.

²² Xinhua News Jan. 9, 2009

²³ Shanghai Daily Dec. 31, 2008

According to regulations, the interest rate should be no more than four times of the bank rate.

The company has a registered capital of RMB 50 million yuan, and is experienced in risk aversion. Parent Jiu Xing Co Ltd has 6,500 clients in the district, one-fourth of the total number of companies in Minhang District.

“We have already received loan applications before we officially open,” says the person in charge of the company, who did not wish to be named.

The company will give favorable terms to agricultural enterprises, complying with the national policy of helping agriculture. The application procedure is streamlined and lending can take place within three working days.

The lender aims to become a village bank since national policy allows some petty loan companies operating efficiently over two years to become village banks, their shares held by commercial banks. The first share-holder meeting took place recently, discussing the steps to achieve this goal.

Emergency recall of dog food after pets poisoned²⁴

A Shanghai dealer has issued an emergency recall of a batch of Optima dry dog food with a production date between August and September last year.

Some dogs eating “Optima Puppy Lamb and Rice Dry Dog Food ” have been poisoned by aflatoxin - a naturally occurring toxic chemical that comes from a fungus found on corn and other grains. It can cause severe liver damage.

“Three dogs have been confirmed dead, and they all ate the batch of Optima food,” said the Shanghai Naughty Family Pet Co, a pet clinic on Hongqiao Road. These dogs were fussy about their food, had diarrhea and vomited, all symptoms of aflatoxin exposure, staff said.

Since the end of November at least 20 dogs are believed to have died in Beijing, Shanghai, Nanjing and Hangzhou from liver complications. Some pets died within 10 days of showing symptoms.

An agent of Shanghai Yidi Pet Co Ltd, a Shanghai dealer of Optima food, admitted that a “severe quality problem” was found in the batch, and they were recalling the products.

Yidi said pet owners should return the contaminated food to be exchanged for other brands.

Yidi purchased the batch of Optima dog food from a Taiwan supplier, according to an

²⁴ Shanghai Daily Jan. 12, 2009

agent who declined to be named.

An imported feedstuff registration list posted by China's Ministry of Agriculture shows that the Optima dog food's production enterprise is Australia-based Doane International Pet Products.

Organic foods a growing trend²⁵

There are now more than 30 organic farms in Shanghai. Three years ago there were just five, officials with the Shanghai Quality Certificate Center of Agriculture Products said on Jan. 7.

Organic vegetables, fruit, rice, barley, soybeans and other foods are available at many local supermarkets and are being exported to other countries and regions.

“Before 2005, most organic farms in Shanghai were small-scale, like 100 mu (6.67 acres) or 200 mu (13.33 acres),” according to He Wenlong, a researcher at Nanjing Agriculture University. “Now large-scale farms are appearing as some big venture capital enters the industry. It's not rare to see farms of 1,000 mu (66.67 acres) or 2,000 mu (133.33 acres).”

A director in the food department of Carrefour Shanghai, Zeng Zhaodong, said sales of organic vegetables were increasing each year. In the 19 local outlets, the sales volume of organic vegetable was 5 to 7 percent of all vegetables, while sales amounted to about 22 percent because prices were up to five times higher.

Sales in Gubei, Jinqiao and Liyang areas were even better because of the number of foreigners and white collars who lived there, Zeng said.

Most farms are in city suburbs such as Jiading, Qingpu and Jinshan, as the cultivation of organic food requires a clean environment, said Lu Zhengrong, director of the Shanghai Agriculture Technology Promotion Center.

Lu said that soil which had once been treated with chemical fertilizer or pesticides, needed three years before being used for organic crops hence the higher prices charged.

COFCO to buy Beijing instant noodle maker for RMB 250 mln yuan²⁶

COFCO Ltd, China's largest agricultural trading and processing company, said it has offered to take over Wugudaochang, a Beijing-based instant noodle maker, for RMB 250 million yuan (US\$36.55 million).

²⁵ Shanghai Morning Post Jan. 7, 2009

²⁶ China Daily Jan. 20, 2009

Wugudaochang, which filed for bankruptcy restructuring in November last year, has debts of RMB 600 million yuan against RMB 40 million in assets.

COFCO has also undertaken to hire the workers of Wugudaochang on a preferential basis. If the transaction goes through, six factories in Shandong and Jiangxi provinces are expected to be integrated by the first half of this year.

In a statement submitted to the court, Wugudaochang, well-known in the market for its line of "non-fried" noodles, said that its financial troubles had stemmed mainly from high raw material and advertising costs.

Yongye Biotech grows faster, driven by shrinking farmland and stimulus package²⁷

Beijing-based Yongye Biotechnology International Inc, a maker of plant and animal nutrients, is marketing itself as an alternative to traditional non-organic fertilizers as a way of boosting agricultural productivity per acre by allowing for healthier crops and livestock.

The company is 100 percent reliant on the domestic market and sources all its raw materials domestically, so it is not exposed to the vagaries of external demand cycles or global commodity price volatility.

"Our products help address two major concerns for agriculture right now: food safety is a concern, and our products are organic. Also, the inability of grain output to keep up with growing demand - we address both of these problems by using organic, environmentally-friendly products to help boost output per acre. We are very confident about our future prospects in China for these reasons," CEO Wu Zishen said.

Wu said farmers who use Yongye Biotech's products see 20-30 percent higher yields. Yongye's nutrients help boost resistance to some of the more common diseases blighting crops and livestock. The company makes nutrient supplements added to feed, and also claims to have helped boost beef, pork, poultry and dairy output.

Yongye's third quarter net profit and revenues surged after it rapidly expanded its network of branded stores. It added 575 branded stores in the first half, bringing the total number of stores through which it distributes its products to 775 by the end of the third quarter. For the three quarters, Yongye's revenues rose 320.3 percent to US\$45.2 million, while net profit was US\$12.2 million, compared with US\$4.5 million a year ago.

Yongye also completed a US\$9.4 million private placement in September, with the proceeds to be used to pay for the company's recently opened production facility in Hohhot, the capital of Inner Mongolia.

²⁷ www.silobreaker.com Jan. 12, 2009

Wu noted that land reforms announced by the Chinese government, as well as the RMB 4 trillion yuan stimulus package, should boost rural development in China, raise incomes and increase demand for Yongye's products.

Wu said the company was not partial to organic growth or expansion through acquisitions, and would adjust its strategy accordingly. “We are always on the lookout for good strategic investors to help support our growth.”

Wu said Yongye had no immediate plans to seek an additional listing apart from the Bulletin Board in the US. “Our first step is to get an upgrade to the NASDAQ main board.”

Bio-energy joint venture plants yield 2.6 bln kwh green power²⁸

National Bio Energy Co., Ltd. (NBE), a joint venture between the Dragon Power Co., Ltd. and the State Grid, has generated more than 2.6 billion kilowatt hours of “green electricity” since its first biomass power plant was established in December 2006, the company said.

It said 15 biomass power plants consumed more than 3 million tons of straw and generated power equivalent to the use of 1.2 million tons of standard coal, avoiding 2.5 million tons of carbon dioxide emissions.

The 15 plants created 15,000 rural jobs and brought more than RMB 1 billion yuan (about US\$143 million) to local farmers.

NBE has government approval for 40 projects and has established plants in more than 10 provinces and autonomous regions, including Shandong, Hebei and Xinjiang.

Among these, 12 projects with 324 MW installed capacity are operating and seven projects with 84 MW installed capacity are being built.

Dragon Power is a private company backed by Citigroup and a domestic technology company.

Statistics

For the first 11 months 2008, China exported US\$36.46 billion in agricultural products, up 12 percent than the same period 2007. In Nov., US\$3.48 billion of Ag products were exported, increasing by 5.2 percent than the previous month, but 6.8 percent down than the year before.

²⁸ Xinhua News Jan. 8, 2009

From Jan. to Nov. 2008, China imported agricultural products worth US\$54.12 billion, 47.9 percent more than the same period 2007. In Nov., the imports were US\$ 4.43 billion, 13.6%, 10.2% higher than Oct. 2008 and Nov. 2007, respectively.

Top 3 Countries Exporting Major Agricultural Produces to China (Jan. – Nov. 2008)²⁹

Quantity: Tonnes Amount: USD 10,000

Top 3 Markets	Jan. – Nov. 2008		Jan. – Nov. 2007		Var. % Jan. – Nov. 2008/2007	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Soybean: Total	34,136,363.1	2,042,616.7	27,892,030.1	1,001,634.5	22.4	103.9
1. Brazil	11,587,865.6	725,483.7	10,247,563.4	372,548.6	13.1	94.7
2. United States	12,466,593.8	719,683.1	10,254,987.5	357,120.0	21.6	101.5
3. Argentina	9,580,203.9	567,584.0	7,110,194.6	261,319.2	34.7	117.2
Soybean Oil: Total	2,451,209.5	315,156.0	2,559,089.1	191,410.2	-4.2	64.6
1. Argentina	1,597,488.5	203,769.8	2,037,441.6	152,083.1	-21.6	34.0
2. Brazil	678,781.5	90,826.4	349,968.5	26,665.6	94.0	240.6
3. United States	174,345.9	20,498.7	162,896.9	11,939.7	7.0	71.7
Corn: Total	41,297.6	1,109.4	23,438.8	521.2	76.2	112.8
1. United States	5,471.4	333.1	3,830.8	159.0	42.8	109.5
2. Burma	22,827.4	307.3	8,287.2	85.4	175.5	259.8
2. Laos	12,782.8	261.6	11,206.5	140.0	14.1	86.8
Mix Animal Feed: Total	119,688.2	19,740.3	95,153.0	13,048.7	25.8	51.3
1. United States	66,309.8	7,964.2	46,300.0	4,786.1	43.2	66.4
2. France	8,688.4	1,810.5	4,199.4	887.6	106.9	104.0
3. Britain	732.1	1,382.0	521.8	823.3	40.3	67.9
Broilers: Total	729,677.0	95,895.1	719,870.7	84,371.7	1.4	13.7
1. United States	529,578.1	70,637.0	478,013.4	54,347.9	10.8	30.0
2. Argentina	179,671.5	22,540.9	78,443.0	10,559.0	129.0	113.5
3. Chile	10,195.1	1,404.4	0	0	0	0
Fishmeal: Total	1,297,404.4	134,377.0	913,233.6	96,260.1	42.1	39.6
1. Peru	844,583.6	83,464.9	492,980.0	50,612.2	71.3	64.9
2. Chile	233,756.6	25,630.1	175,509.2	20,430.1	33.2	25.5
3. United States	71,317.4	9,124.4	64,369.1	7,992.9	10.8	14.2

²⁹ China General Administration of Customs