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China Agricultural Newsletter

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Laws, Regulations and Policies

President Hu underscores stable agricultural, rural economic development ¹

President Hu Jintao urged the promotion of stable agricultural and rural economic development and said issues concerning agriculture, countryside and farmers should continue to be the top priority of the Communist Party of China.

Hu made the remarks during a meeting of the Political Bureau of the CPC Central Committee on Jan. 23. He called for more efforts on three major tasks of agricultural work.

Firstly, greater importance should be laid on ensuring the country's grain security and supplies of major agricultural products.

Secondly, more importance should be attached to promote rural infrastructure construction as well as improve social welfare and living standard of farmers.

¹ Xinhua News Jan. 26, 2009

Thirdly, an array of measures should be taken to promote the growth of farmers' income and expand the rural market.

Spending described to develop rural distribution, urban services²

China's Commerce and Finance ministries on Feb.11 specified how central government funds would be used to develop the rural distribution network and urban service sector, but neither ministry said how much would be spent.

Spending on the rural distribution network would mainly go to projects including village-level markets, agricultural product supermarkets and an improved distribution system for farm products, the ministries said in a joint statement.

Funds for the urban service industry would mainly be spent to develop recycling systems, improve urban community service facilities and second-hand vehicle markets and upgrade scrapped car recovery efforts.

Measures adopted to deal with price drop of agricultural products³

Chinese Government will take five measures to deal with the falling prices of agricultural products, in an effort to unblock the problems that are unsettling rural development, Chen Xiwen, director of the office of the central leading group on rural work, told a press conference on Feb. 3.

Included is increasing investment in rural infrastructure and sci-tech service to lower the operating costs of farmers, adding direct subsidies to agriculture, lifting the minimum purchase price of grain, expanding government reserve and reasonably adjusting import and export.

Chen said it is the demand-supply relation, rather than government manipulation that determines the price of agricultural products, and the government only plays its role in avoiding sharp volatility of price, so arrangement of minimum purchase price is one of these measures.

Chen added that the increase of grain reserve is aimed at reducing market circulation of grain and preventing an oversupply situation. Besides, the government would encourage commercial enterprises and processing enterprise to increase commercial reserve.

Agriculture insurance to be expanded coverage⁴

China will raise agriculture insurance coverage based on what had been achieved last year, the country's top insurance regulator said on Feb. 13.

² Xinhua News Feb. 11, 2009

³ Asia Pulse Feb. 3, 2009

⁴ Xinhua News Feb. 17, 2009

More crops, including grain, cotton and oil plants, and more livestock will be covered by agriculture insurance, according to the China Insurance Regulatory Commission (CIRC). The country will also design and develop more insurance programs for forestry, pigs and rubber. The commission was also considering setting up an insurance plan against severe natural disasters.

Agriculture insurance totaling RMB 239.7 billion yuan (USD 35.1 billion) with fiscal support was provided to farmers to guard against various risks in 2008, up 113 percent from 2007. More than 97 percent of the insurance programs had subsidies from local governments at different levels.

Of more than 1.8 billion mu of farm land nationwide, more than one fourth, or 532 million mu were covered by insurance in 2008, up 130 percent from a year earlier. Rural households joining insurance increased 80.7 percent year-on-year to 90 million, with insurance premium up 112.5 percent to RMB 11 billion yuan.

As of 2008, a total of RMB 7 billion yuan compensation went to more than 14 million rural households affected by natural disasters including the magnitude 8.0 earthquake in May and snow storms in early 2008.

China initiated agriculture insurance trials in six provincial-level regions in 2007 in line with government efforts to step up rural development. It has covered all the 31 provinces, autonomous regions and municipalities on the Chinese mainland.

Orange alert for drought in North China launched⁵

State Flood Control and Drought Relief Office launched a drought orange alert on Feb. 4, urging local authorities to be fully aware of the grim situation and give drought-relief work top priority.

The unprecedented drought started last November and has affected 146 million mu (9.73 million hectares) of crops nationwide. Of the total, 42.19 million mu are severely affected, according to the latest figures released by the Office.

About 139 million mu of wheat land in the eight wheat-producing provinces were threatened, 46 percent of the total wheat croplands in China. Some 3.98 million people and 1.95 million livestock are short of drinking water.

The Office asked local governments to be accountable for relief work and make every effort to expand irrigation areas. Four more working teams were sent to the drought-hit areas on Monday to supervise the relief work.

The Ministry of Finance on Feb. 6 allocated RMB 86.7 billion yuan (USD 12.69 billion) from its reserve to drought-hit areas, after the previous RMB 100 million yuan (USD 14.6 million) to support the relief effort.

⁵ Asia Pulse Feb. 5, 2009

Drought-resistant seeds to help growers⁶

The Ministry of Science and Technology has listed 20 types of drought-resistant wheat seeds to help farmers combat the worst dry spell in large parts of the country since 1951.

Though the seeds have been available in local markets, many farmers still do not know about them, Wang Xueqin, chief of the ministry's agriculture department, said. That is why the ministry has decided not only to promote the seeds, but to also provide technological help to farmers who buy them, he said.

Farmers who have lost wheat seedlings to the dry spell can sow the drought-resistant seeds and “reduce their losses”, Wang said. The seedlings cost largely the same as the common varieties. “The government will provide farmers with 50 kinds of new seed technologies and relative services, too, as part of the free drought relief work,” Minister of Science and Technology Wan Gang told a meeting on Feb. 9.

Many farmers have been using wheat seeds with a short growth period because of the warm winters in recent years, Wang said. But usually such seeds are not cold-resistant. In spring, temperatures can drop drastically at nights, something such seeds cannot sustain because they don't have the special features of the stronger drought-resistant varieties.

Jilin details plans to up grain output⁷

Jilin province is expected to increase its annual grain yield by 5 billion kg within five years, its governor said on Feb. 9.

Improving the agricultural infrastructure is the key to achieving this ambitious goal. Ten major infrastructure projects costing RMB 26 billion yuan (USD 3.8 billion) are in the pipeline. The funds will come from the government, bank loans and other sources.

The main projects comprise 29 programs, including ones in water conservancy, irrigation, black soil protection, seedling research and development, ecological protection and the promotion of the use of machinery in grain production. Nineteen programs are already under way, with the remainder coming online later this year.

In addition, experiments on the complete mechanization of rice and corn production will also be carried out in the province.

Jilin, with more than 5.5 million hectares of arable land, is the country's fifth-biggest grain producer after Henan, Shandong, Jiangsu and Heilongjiang provinces. It has enjoyed bumper harvests for the past five years and its grain output last year was 28.5 billion kg,

⁶ China Daily Feb. 10, 2009

⁷ People's Daily Feb. 10, 2009

an all-time high.

Industry and Business Watch

Ag companies being squeezed⁸

The deepening financial crisis has taken a toll on local agri-products processing companies, as orders slow to a trickle due to sluggish domestic and abroad market demand, according to official sources in China.

A steep drop in the number of orders and plunging prices have affected the revenue of Jilin Deda Co Ltd, a poultry processing company in Jilin province, Chen Yuhe, its vice-executive said.

The average price of chicken meat was RMB 9,395 yuan (USD 1,400) per ton in the first nine months last year, but the price fell to RMB 8,000 yuan per ton last October and slid another 500 yuan last November.

The price drop could inflict a revenue loss of RMB 150 million yuan, he said.

Wang Wei, deputy manager of COFCO Bio-Chemical Energy (Yushu) Co Ltd, said falling starch prices and corn price hike have put his company "on the brink of bankruptcy".

"The downstream industries like beer and paper making are all suffering amid the economic crisis," he said. "Thus, the low demand for starch has led to a sharp price drop."

The plant, which has an annual production capability of 400,000 tons of starch, has seen a deficit since last October and registered a loss of about RMB 20 million yuan during the fourth quarter, he said.

Statistics from the Jilin agricultural committee show most corn processing firms in the province suffered losses last year, and the operating rate of major process plants is only 70 percent.

Grain price stable in 2009 on efficient drought-relief work⁹

The grain price in China is to maintain stability or rise mildly this year, bulwarked by efficient drought-relief work, bumper harvest in the past few years and generous grain stockpiles, predicted Mao Changqing, a senior analyst with CITIC Securities.

⁸ ThePoultrySite News Feb.10, 2009

⁹ Asia Pulse Feb. 11, 2009

China's drought-relief work has displayed obvious results, with over 60 percent of the drought-hit winter wheat cropland being irrigated by February 9. It's expected that irrigation will cover most of the wheat in drought-stricken areas within 10 days, effectively reducing the impact of drought on grain output, according to a press conference of the Chinese government on Feb.11.

China has attached great importance to rural irrigation infrastructure in recent years. In the fourth quarter last year, China allocated RMB 20 billion yuan of its 100 billion yuan government fiscal expenditure for rural infrastructure. It will also allocate a quarter of the four trillion yuan (USD 586 billion) in its stimulus package for rural development in 2009-2010.

According to Mao, the drought is expected to cost winter wheat output by about 5 percent and annual grain output by around 0.8 percent.

Statistics showed that China purchased about 40 percent of total wheat output for reserve last year, accounting for 70 percent to 80 percent of the marketed wheat.

Affected by drought, wheat prices in some regions recently rose. However, this is just short-term market behavior, said Mao. Once the government increases wheat supplies to the market, the price will come right back down, he added.

Wheat production estimated to drop 5 percent¹⁰

China's wheat production could drop by 5 percent because of lingering drought conditions in the northern region of the country, according to Beijing Orient Agribusiness Consultants Ltd. (BOABC)

Since October 2008, North China and the region between the Yellow River and Huai River have been plagued by a drought, for precipitation has been 80 percent to 95 percent less in 2009 compared to a normal year.

BOABC predicts that winter wheat production may drop to 100.1 million tonnes during the 2009-2010 season, a slip of 5.6 million tonnes or 5.4 percent on the year-on-year basis. But the market balance is not likely to be much affected. Year-end wheat inventory is estimated to be 52 million tonnes and the safety index may drop 1.8 percent on the year-on-year basis.

BOABC presumes that the Chinese government may take several measures to ensure wheat production and protect farmers' interests. The government could increase cash subsidies to farmers for drought relief. Also, wheat procurement prices could increase by 10 percent to 15 percent.

¹⁰ World-Grain.com Feb. 12, 2009

Corn market stable in 2009 on supportive policy¹¹

Corn prices are expected to stay at a stable level this year as the government raises its capacity in price regulations by taking advantage of large corn reserves, said experts.

Last year, China raised corn reserves in three rounds to absorb 30 million tons, accounting for 20 percent of the output in crop year 2008-09 and about 45 percent of the output from the country's largest production base. Such reserves are enough for the government to curb sharp ups and downs in the corn market this year, noted experts.

The corn price on the domestic futures market is predicted to hover around a benchmark of RMB 1,500 yuan per ton (USD 219.50) in 2009. Potential remains for the price to hit RMB 1,700 yuan if corn supplies are depleted in marketing areas, some analysts said.

Soybean imports surged in 2008¹²

China imported 37.44 million tons of soybeans last year, 21.5 percent more than that in 2007, China's General Administration of Customs said on Feb 11.

The value of the imported beans totaled USD 21.8 billion, with a 90.1 percent increase year-on-year and the average price jumped 56.5 percent to USD 582.7 per ton over previous year.

Imports from the US, Brazil and Argentina accounted for 98.7 percent of the total, the Customs said.

However, as the average price of the imported beans kept falling in the second half, domestic soybeans' market share further shrank as more food processing companies shifted their focus to imported beans.

Less edible vegetable oil imported in 2008¹³

China's edible vegetable oil imports fell in 2008 due partly to production driven down by a strike of farmers in Argentina, which had for years been the largest supplier for China.

The General Administration of Customs said on Feb. 19 that last year China bought from abroad 8.163 million tonnes of edible vegetable oil, a decline of 2.6 percent from the previous year.

The arrivals were valued at USD 8.98 billion, up 44 percent. The average price was up 47.8 percent to USD 1,100 dollars per tonne. The customs administration noted the price change was in response to movements of farm produce prices on international markets.

¹¹ Asia Pulse Feb. 5, 2009

¹² China Daily Feb. 12, 2009

¹³ Xinhua News Feb. 21, 2009

ASEAN (Association of Southeast Asian Nations) members replaced Argentina to become the largest suppliers for China with imports of 5.277 million tonnes, or 64.6 percent of the country's total arrivals of edible vegetable oil. Major imports were palm oil and soybean oil, which made up of 88.6 percent of the nation's total arrivals. Palm oil imports were 4.647 million tonnes, up 5.9 percent, and soybean oil imports were 2.586 million tonnes, down 8.4 percent.

Rice futures likely to be launched around March¹⁴

China may launch rice futures around March, focusing on the product of early non-glutinous rice, China Securities Journal reported.

Zhengzhou Commodity Exchange (ZCE), one of China's three futures exchanges for farm products, has submitted the related plan to the country's securities regulator for approval, striving to list early rice futures contracts for trade in February or in March at the latest.

ZCE launched pilot delivery services of early non-glutinous rice futures for Hunan Jinjian Cereals Industry Co., Ltd. (not less than 10,000 tons) in late January. Insiders note that rice futures would play an important role to discover price, stabilize market, allocate social resources and maintain grain safety.

McDonald to open 175 new outlets, creating 10,000 jobs¹⁵

McDonald China announced on Feb. 4 an expansion plan to set up 175 new outlets and create more than 10,000 jobs this year on the Chinese Mainland despite global economic downturn.

The expansion was the largest of its kind ever made by McDonald's across the world.

“The move will bring more opportunities for cooperation to food-related industries in China,” said McDonald's China CEO Jeffrey Schwartz.

The U.S.-based food chain store group has 50 suppliers in China, with more than 95 percent of its food materials coming from local market.

On the same day, the group announced its decision to launch a RMB 16.5 yuan (about 2.4 U.S. dollars) discount meal in its Chinese outlets.

“The price is even lower than that of a similar product in this market a decade ago, ” said Schwartz. He added the company's management of material supply and its increasing presence in China helped cost control and made the big discount possible.

¹⁴ Xinhua News Feb. 9, 2009

¹⁵ Xinhua News Feb. 4, 2009

McDonald's has opened more than 1,050 outlets in China in the past two decades.

Foot-and-mouth disease found in a cattle farm of Shanghai¹⁶

Foot-and-mouth disease was found in Shanghai, said the Ministry of Agriculture on Feb. 4.

On Feb. 3, 41 milk cows developed the symptom of foot-and-mouth disease in the Wusi cattle farm in Fengxian district on the outskirts of Shanghai, while the disease was confirmed by national lab.

Emergency measures were taken and some 440 cows in the cattle farm were culled. No outbreak of the disease has been discovered outside the cattle farm yet.

Imports of pork and pig offal increased in 2008¹⁷

Chinese imports of both pork and pig offal increased sharply in 2008 as a result of production shortages and strong demand, reports the European Market Survey, citing Chinese customs data.

Pork imports showed a rise of more than 300% to 373,000 metric tons, according to the data. The U.S. was the largest supplier in 2008 with a market share of 47 percent and a 365 percent increase in shipments. Imports from the EU, mainly Denmark and France, rose nearly 500 percent to 154,000 metric tons. Frozen pork shipments from Canada increased by 94 percent. The average import price was reportedly only €30 per metric ton, suggesting that not all of this was carcass meat.

Chinese pork and pig offal imports, Jan-Dec

		2006	2007	2008
		000 tonnes		
Pork frs/frz		23.8	85.7	372.9
from:	EU-27	5.2	25.7	153.7
of which:	Denmark	1.0	9.8	76.1
	France	4.3	15.7	72.9
	Ireland	0.0	0.3	4.6
from:	Non EU-27	18.6	60.0	219.2
of which:	United States	2.1	38.1	176.5
	Canada	15.8	21.7	42.1
Pig offal		194.9	387.3	541.1
from:	EU-27	111.7	270.9	372.1
of which:	Denmark	16.9	73.8	184.5
	France	92.9	191.4	176.2
	Ireland	0.4	2.2	11.3
from:	Non EU-27	83.2	116.4	169.0
of which:	United States	57.8	84.7	118.4
	Canada	25.4	31.5	50.3

Source: China Customs, GTIS

¹⁶ TheBeefSite News Feb. 12, 2009

¹⁷ Pig-International.com Feb. 16, 2009

Imports of pig meat offal increased by 40 percent in 2008 to 541,000 metric tons; 69 percent was supplied by the EU. Imports from the EU increased by 37 percent due a doubling in trade with Denmark, whereas imports from France declined by 8 percent. Imports from the U.S. increased by 40 percent.

According to the European Market Survey, there is some doubt about the level of imports from the EU. Figures from the European Commission (EC) for January-October 2008 reportedly indicate that EU fresh and frozen pork exports to China amounted to 20,600 metric tons, compared with 8,100 metric tons a year earlier.

This growth was partly facilitated by export refunds until they were removed in August. The EC data indicates pig offal exports of 105,000 metric tons for January-October 2008, plus 2,900 metric tons of pig fat and lard, says the European Market Survey.

Over 1,000 pigs killed by blue ear disease¹⁸

The death of 1,056 pigs in Hongdong County in north China's Shanxi Province was caused by blue-ear disease or PRRS (Porcine Reproductive & Respiratory Syndrome), local authorities said on Feb. 9.

According to an official with the provincial agricultural bureau, experts went to the scene on Feb. 7 to conduct autopsies. The lab of the Shanxi provincial center for animal disease control and prevention reached its diagnosis on Feb.9.

More than 1,000 pigs were found dead in Wan'an Township, Hongdong. The animals belonged to 65 households in 10 villages. About 80 percent of the dead animals were less than one month old, said Qiao Yongsheng, deputy head of Hongdong County.

A thorough inspection was carried out in the county. According to Wang Zhijian, vice director of the Hongdong public security bureau, so far 637 pigs had been buried and 25 burned. In seven slaughterhouses around the county, 30 sick pigs were found, said Jing Beiji, head of the Hongdong bureau of commerce.

To date, no contaminated pork had been discovered at supermarkets, markets or restaurants, said Shi Hongtao, head of the Hongdong bureau for industry and commerce.

New pig supply base for Hong Kong¹⁹

A live pig supply base for Hong Kong is to be set up in Henan province, and expected to supply 400,000 live pigs to Hong Kong consumers in 2011, accounting for 25 percent of the total live pig sales in Hong Kong, according to local government sources.

For the target, the province plans to build the country's biggest base to supply live pigs to

¹⁸ ThePigSite News Feb. 10, 2009

¹⁹ ThePigSite News Feb. 12, 2009

Hong Kong. The base will be built by a joint venture between Hong Kong-based NG Fung Hong Limited and a local firm. With an initial investment of RMB 250 million yuan, the base is designed to breed one million pigs in five years.

Henan province supplied 203,000 live pigs worth USD 40.73 million to Hong Kong in 2,220 batches in 2008. This represents increases of 5.1 percent, 50.2 percent and 2.7 percent for each measure, respectively, compared to one year ago. The province is ranked number one by the volume it supplies.

NG Fung Hong is part of China Resources (Holdings) Co., Ltd.

Philippines pork banned imports to prevent virus spread²⁰

China's top quality supervisor has banned imports of Philippine pork products after the country reported finding of Ebola-Reston virus in four pig herds on its Luzon Island at the end of last year.

All pork products from Philippine already at Chinese ports should be turned back or destroyed, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) said in an online announcement on Feb.11.

The administration also said no to pigs or pork products coming to China via delivery and travelers. Pork products found on foreign ships, planes or trains staying in the country will be frozen.

At the same time, the administration urged people from Philippines having symptoms such as fever, muscle pain, blood loss or fetter to report to quarantine institutes and seek medical help as soon as possible.

Ebola virus, first found in the 1960s, has four types. It could communicate among people via sweat, blood and saliva and cause fevers with a death rate over 80 percent. There have been few reports of human deaths from Ebola-Reston type so far.

Netease to launch a new website and demonstration project on hog raising²¹

The leading Chinese information and game portal Netease.com will launch a new website on raising hogs and documenting the porkers' journey from farm to fork.

The IT firm will start by rearing up to 10,000 swine in farms in Zhejiang province, where the animals will be raised in a “pastoral environment and fed strictly on an organic diet”, Netease founder and CEO, William Ding said.

The first batch of pigs will reportedly be made up of select black hogs from Japan's

²⁰ Xinhua News Feb. 11, 2009

²¹ ThePigSite News Feb. 23, 2009

Kagoshima prefecture. Consumers will be able to track the lives of the pigs online, including what they eat and when they relieve themselves, Netease said. Pig farmers will also be able to exchange breeding tips.

Mr Ding said concerns over the country's food safety and quality were the main motivations behind the move. "We don't expect to make much money from this, " he said. "But we are hoping to explore a new business model that provides safe, high-quality food while creating job opportunities in rural areas. " Details of the plan will be disclosed in April, he said.

Feng Yonghui, an independent industry analyst, said in his latest report that although the price of pork in China saw a significant increase in 2007 and early 2008, profits from pig farming have declined since late last year as the government raised subsidies to boost supplies.

8th bird flu case this year²²

A 21-year-old woman in central China is ill with H5N1 bird flu, bringing the country's total number of infected people infected by the disease to 8.

The Chinese Health Ministry reported that the woman, a farmer in Hunan, fell ill on 23 January after handling birds that had died of the disease. She was hospitalized 3 days later and was in a stable condition and recovering.

China has reported 7 other cases of H5N1 since January, 5 of which were fatal.

Consumers reluctant to buy poultry at markets²³

Despite raising hygiene standards, poultry stall holders in Beijing are reporting a slump in sales but consumers are still happy to buy chicken from supermarkets.

Beijing Dongjiao Market's 50-odd poultry stalls present a tidy look, and the meat appears fresh and hygienic. But vendors do not attract as many buyers as before, thanks to the bird flu scare, say official sources.

Yu Kejun, a vendor, said many individual customers had been staying away from poultry for the past two months, because they were afraid of contracting the virus. It is only because of bulk sales to restaurants that the vendors have been able to make ends meet.

Though many customers have been buying poultry meat during the holidays, prices have been much lower than they should be, Yu said. More people prefer trusted stores and brands, such as Carrefour or Walmart.

²² WorldPoultry.net Feb. 2, 2009

²³ The PoultrySite News Feb. 6, 2009

Yuhe exceeds its “make good” target in 2008²⁴

Yuhe International Inc., a leading supplier of day-old chickens raised for meat production in China, has announced its preliminary unaudited results for the fourth quarter ended 31 December 2008. Revenue for the quarter was USD 17 to 19 million, with pro forma USD 34.8 to 36.8 million for the year. Net income for the quarter was approximately USD 7.5 million to 8.0 million, with pro forma USD 10.5 million to 11.0 million for the year.

These preliminary unaudited results exceed management's previous guidance that it would achieve its “make good” target of USD 28.0 million in revenues and USD 9.0 million in net income for the year ended December 31, 2008.

Founded in 1996, Yuhe is the second largest day-old broiler breeder in China. The company's main operations involve breeding, as all broilers are sold within a day of hatching. With headquarters in Weifang, Shandong province, the company has modern facilities and is led by an experienced team which includes experts in chicken breeding, disease prevention and animal husbandry science. Yuhe has two operational subsidiaries, Weifang Yuhe Poultry Co. Ltd. and Weifang Taihong Feed Co. Ltd. which largely supplies the company's internal demand for chicken feed. Currently, 85 percent of the company's sales are in Shandong province with a customer base of 27 local agents. The company has imported state-of-the-art equipment from the United States, Germany and Japan and has passed ISO9001 certification, allowing it to adhere to international standards of operation.

Mirror on melamine as dairy exports drop²⁵

China's dairy products exports dropped 10.4 percent year on year to 121,000 tonnes in 2008 in the wake of the tainted baby milk powder scandal.

The General Administration of Customs said the decline was due to shrinking demand from overseas after the Sanlu milk powder scandal that broke last September.

Dairy products export was valued at USD 300 million in 2008 amid a worldwide price rise, representing an increase of 24.5 percent year on year. Average export price was USD 2,501 per tonne, up 39 percent year on year.

Export of milk powder in 2008 rose 2.9 percent to 64,000 tonnes, accounting for 52.9 percent of the total dairy products export.

The report also said import of dairy products surged as some customers tended to buy foreign products instead of domestic ones as a result of declining confidence in domestic brands.

²⁴ ThePoultrySite News Feb.18, 2009

²⁵ The DailySite News Feb.12, 2009

The country imported 351,000 tonnes of dairy products at a cost of USD 860 million last year, up 17.4 percent and 15.8 percent year on year, respectively.

The report shows, Hong Kong, Venezuela and the East Union were the main export destinations, while most of the imports were from the U.S., European Union and New Zealand.

Danone products probed safety²⁶

The Shanghai Municipal Bureau of Quality and Technical Supervision is investigating whether Danone Dumex, the powdered-milk unit of France's Danone Group, had produced milk powder contaminated with a harmful chemical, Shanghai Daily said on Feb. 11.

The probe came after recent media reports in China that some infants here had fallen ill after consuming melamine-tainted Dumex products.

Danone Dumex issued a statement on its Chinese website that called the reports of tainted milk powder false and said all its products were safe.

Health Ministry: Mengniu's additive is safe²⁷

China's health ministry said on Feb.14 an investigation had found a protein additive used by one of the country's top milk producers, Mengniu Dairy, posed no public health risk.

However, Mengniu could face punishment for using osteoblast milk protein (OMP) as it is not yet listed in China as a legal food additive, the ministry said in a statement on its website.

Mengniu was ordered on February 2 to stop production of affected products until the OMP additive's safety could be determined. A government probe into use of the bone-building additive had been announced by the country's top product-quality regulator.

The company issued a statement saying the protein had been well-researched internationally and widely used for many years.

The additive used by Mengniu was imported from New Zealand and had a safety certification from the New Zealand Food Safety Authority, Xinhua News said.

Aquatic production and trade maintain stable growth in 2009²⁸

China's aquatic production in 2009 is forecast at 49.5 MMT, up 2 percent from the estimated 48.6 MMT in 2008, says a USDA Foreign Agricultural Service report.

²⁶ Shanghai Daily Feb. 11, 2009

²⁷ Xinhua News Feb.14, 2009

²⁸ TheFishSite News Jan. 2009

Production growth is mainly driven by strong domestic consumption due to greater disposable income and export-oriented aquatic processing.

Total aquatic trade value in 2009 is forecast to increase moderately from the estimated USD 13.1 billion with export value at USD 9.7 billion in 2008. Despite an expected weak demand by major importing countries as a result of the current financial crisis, export-oriented aquaculture and the dynamic processing trade are likely to grow at a marginal rate. The United States is the second largest recipient of China's processed aquatic exports while ranks as the second largest supplier of China's seafood imports. Aquatic trade between China and the United States is forecast to grow in 2009 with "Fish/Frozen" (HS Code 0303) continuing to be the major category imported from the United States.

Home appliance subsidies could mean RMB 1.6 trln yuan in sales by 2012²⁹

As many as 600 million home appliances worth about RMB 1.6 trillion yuan (USD 234 billion) could be sold in rural China by 2012 as government subsidies expand to cover more people and more products, the Ministry of Finance estimated on Feb.11.

Starting on Feb. 1, all of China's more than 700 million farmers became eligible for subsidies equal to 13 percent of the price of designated home appliances. The subsidy was originally offered in a pilot program in three provinces in 2007.

Subsidies were expanded to 12 provinces in December 2008 and four more items were added to the list: motorcycles, personal computers, water heaters and air conditioners. Originally, the subsidies covered such items as color TVs, refrigerators, washing machines and mobile phones.

In the first 20 days of January, Chinese farmers bought more than 160,000 items of home appliances on government subsidies, 90 percent of the total in last December, citing Ministry of Commerce sources.

Fertilizer import tariff quota set at 13.65 mln tonnes for 2009³⁰

China set the import tariff quota for fertilizers this year at 13.65 million tonnes, said China's Ministry of Commerce on Jan.30.

The quota, under which the imported goods could enjoy favorable tariff, included 3.3 million tonnes for carbamide, 6.9 million tonnes of diammonium phosphate and 3.45 million tonnes of compound fertilizer, the ministry said.

China has removed all government control over fertilizer prices starting on Jan. 25, leaving the prices of domestically produced fertilizers and all fertilizer imports except potash fertilizers to be decided by the market.

²⁹ Xinhua News Feb. 12, 2009

³⁰ Xinhua News Jan. 30, 2009

China used to ask fertilizer producers and retailers to get approval for price increases and exercised controls on the extent of price increases in 2004, in order to stabilize soaring prices at that time to protect farmers.

Nitrogen fertilizers urged to cut use³¹

Excessive use of nitrogen fertilizers in the past few decades has polluted China's groundwater, given rise to acid rain, soil acidification and increased greenhouse gas emissions, Chinese experts said.

An article published in the Proceedings of the National Academy of Sciences urges farmers in the country to reduce their use of synthetic nitrogen fertilizers and change their farming practices.

It also calls for the introduction of certain legislative controls in China, similar to the ones in the European Union. These include removing government subsidies, introducing a nitrogen fertilizer tax, educating farmers on environmental awareness, employing practices that avoid serious environmental degradation

The study showed that while annual grain production increased to 484 million tons in 2005 from 283 tons in 1977 in China, its use of synthetic nitrogen fertilizers ballooned to 26.21 million tons from 7.07 tons over the same period.

Feed supplier audit service launched³²

The UK-based F.A.C.S. Ltd. has announced the launch of a new service aimed directly at the global animal feed and feed additive market. The company has opened an office in Beijing with the intention to provide a bespoke second party audit service for feed and premix companies around the world that are looking to source raw materials, feed additives and medications from China. F.A.C.S. Ltd is responsible for the animal feed supply chain audits for the UK largest supermarket and therefore has considerable experience of supplier approval auditing

Managing director, Jon Ratcliff, said, "We are able to provide highly qualified and specialized local auditors that will carry out a full audit inspection and process risk assessment tailored to the clients needs. The service will be aimed not just at external companies looking for supplier approval but also companies within China that are looking to demonstrate to their customers the highest levels of food safety."

China Wind Systems begins production at new facility³³

China Wind Systems has announced that it has begun producing forged products at its new facility in Wuxi City after successfully completing equipment test runs.

³¹ Reuters Feb. 16, 2009

³² The CattleSite News Feb.24, 2009

³³ Energy-Daily.com Feb. 17, 2009

Pursuant to preliminary agreements signed last September, China Wind Systems has delivered sample products to Wuxi Lida Gear Manufacturing, Gansu Keyao Electrical Power, and Hangzhou Advance Gearbox all of which have inspected and approved the company's product prototypes.

Both Wuxi Lida and Gansu Keyao previously signed preliminary agreements with China Wind Systems to purchase up to 1,350 tons of rolled rings and 3,300 tons of wind tower flanges, respectively. Wuxi Lida and Gansu Keyao are expected to sign definitive purchase agreements with China Wind Systems upon receipt and approval of the initial units to be delivered pursuant to the preliminary agreement.

Hangzhou Gearbox has initially ordered 150 tons of gear rims from China Wind Systems. The company will begin shipping orders immediately and expects the utilization rate of the new facility to ramp up as it fine-tunes the manufacturing automation process in the coming months.

Solar energy R&D stepped up³⁴

The Chinese Academy of Sciences (CAS) has launched an initiative to boost the development of solar energy technology, in a bid to turn it into a major energy source in China by 2050.

A CAS official said that the academy had organized academicians and experts to make an action plan and will set up a platform to support scientific innovations involving solar energy.

The plan will be carried out in three phases, including “distributed utilization” by 2015, “alternative utilization” by 2025 and “large-scale utilization” by 2035, respectively. This action plan aims to form value chain on technological innovation including basic studies, application studies and market research.

CAS experts said that China has a big potential for solar energy development. The duration of sunshine for two-thirds of its territory is more than 2,200 hours a year. It also has vast desert areas, where solar energy could be "harvested".

Frost & Sullivan: Bio-fuel industry to maintain growth³⁵

The Chinese bio-fuel industry is divided into two sub-segments, the bio-ethanol sector and the bio-diesel sector. In terms of market size, China has the third largest bio-fuel market around the globe, only after the U.S. and Brazil.

China was estimated to produce more than 360 kt of bio-diesel and 1,620 kt of bio-ethanol in 2008. During the past eight years, China has primarily established a legal and

³⁴ Xinhua News Jan. 26, 2009

³⁵ Frost & Sullivan Feb. 11, 2009

administrative system for bio-fuel, especially for the bio-ethanol industry.

Frost & Sullivan's China Consultant for Chemicals, Material & Food Practice Frank Xie says: "For 2009 and 2010, the shortage of feedstock remains the top challenge for the Chinese bio-fuel industry. However, most of these shortages can be resolved as more entrepreneurs join the market in the forecasted period. For bio-ethanol, with feedstock transitions from corn and wheat to non-food celluloses and potatoes, all major bio-ethanol manufacturers are forced to utilize alternative feedstock. For bio-diesel, the unstable supply of waste cooking oil may threaten the continuity of bio-diesel production. Only some leading bio-diesel producers have effectively managed the supply chain to ensure the stable supply of feedstock."

According to Xie, government support is vital for the healthy development of the Chinese bio-fuel industry. Subsidies, tax exemptions, or allowances help increase the competitiveness of producers as well as ensure their continuous development.

"Although the non-food feedstock has been advocated since 2006, China does not impose bio-fuel producers to immediately adopt non-food feedstock. A step-by-step plan has been devised to conduct the gradual shift. Therefore, during 2007 and 2008, the Chinese bio-fuel market maintained a CAGR of 15.5 percent in terms of volume. Under the impact of the global financial crisis, growth has declined; but from a medium-to-long term perspective, the bio-fuel market is likely to maintain moderate growth," he says.

In terms of industry specifics, Xie says that the exploitation of new feedstock will enhance the future of Chinese bio-fuel market. "New feedstock, including sweet potato and sugar cane for bio-ethanol and *Jatropha* for bio-diesel, feature low carbon dioxide emission, good weather endurance, and easiness of plantation. This new feedstock is believed to only be available in great quantities from 2010 to 2012 with leading industry producers, like Gushan Environmental Technologies Co Ltd, encouraging the research and development of *Jatropha* seeds. Similar pilot studies are also being carried out for sweet potatoes in China," he adds.

Industry consolidation is likely to be facilitated by big participants in the current market. He continues, "Although the bio-ethanol industry is still entirely operated by state-owned enterprises, there have been more active M&A cases among the producers and distributors. COFCO is the most active bio-ethanol producer in China. COFCO acquired the Heilongjiang alcohol factory from China Resource Vanguard Group in 2007 and expanded its capacity from 100 kt to 150 kt p.a. Together with other existing bio-ethanol plants in Jilin, Hebei, and Guangxi, COFCO integrated the Heilongjiang plant into its national production network."

"The Chinese bio-fuel industry is entering an adjustment period in 2009 with declining prices. However, given China's increasing demand for energies, the bio-fuel market is expected to recover gradually from the current recession in late 2010 to early 2011. The

growth rate of the Chinese bio-fuel market is expected to be around 9 percent in 2009, Xie says. ”

During the forecasted period, China is to complete and improve its current bio-fuel laws and regulations system. According to Xie, in addition to the national standard on bio-ethanol, China issued the standard for B100 (without blend of mineral diesel) bio-diesel in May, 2007 and is currently working on the B5 and B10. The effectiveness of new bio-fuel standards is believed to improve the industry and social environment.

“The plummeting of export businesses, the decline of crude oil price, and the unavailability of new feedstock are all restraints for the bio-fuel business in China. Bio-diesel is expected to fare better than bio-ethanol, due to less government interference and better processing technologies,” he adds.

2009 Global Pig Forum held on May 14-15³⁶

The Global Pig Forum will be held at the New International Convention & Exposition Centre in Chengdu, China, on 14-15 May 2009, announced the China Animal Agriculture Association (CAAA).

Topics for discussion will include global trends and food safety in relation to pork production, developments involving China's pork integrators, the national market for breeding pigs, environmental protection and disease control.

Statistics

For the year 2008, China exported USD 40.22 billion of agricultural products, up 9.8 percent than the year earlier. In December, Ag products valued at USD 3.76 billion were exported, increasing by 8.2 percent than the previous month, but 7.3 percent down than the year before.

In 2008, China imported agricultural products worth USD 58.33 billion, 42.4 percent more than 2007. The December imports were USD 4.43 billion, down 4.9 percent as compared to the previous month and 3.7 percent lower than the year 2007.

Top 3 Countries Exporting Major Agricultural Produces to China (Jan. – Dec. 2008)³⁷

Quantity: Tonnes Amount: USD 10,000

Top 3 Markets	Jan. – Dec. 2008	Jan. – Dec. 2007	Var. percent Jan. – Dec. 2008/2007

³⁶ China Animal Agricultural Association

³⁷ China General Administration of Customs

	Quantity	Amount	Quantity	Amount	Quantity	Amount
Soybean: Total	37,434,026.4	2,182,417.2	30,818,403.3	1,146,547.3	21.5	90.3
1. United States	15,430,057.9	843,636.8	11,569,541.9	423,141.9	33.4	99.4
1. Brazil	11,653,147.5	728,424.8	10,582,819.0	389,084.2	10.1	87.2
3. Argentina	9,847,977.9	580,449.4	8,276,477.3	318,072.1	19.0	82.5
Soybean Oil: Total	2,585,678.7	333,383.2	2,821,853.4	214,550.8	-8.4	55.4
1. Argentina	1,721,089.0	220,503.8	2,246,708.3	170,430.5	-23.4	29.4
2. Brazil	688,632.8	92,220.2	403,464.4	31,458.4	70.7	193.1
3. United States	175,345.9	20,593.7	162,896.9	11,939.7	7.6	72.5
Corn: Total	50,024.2	1,307.6	35,429.4	691.2	41.2	89.2
1. Laos	19,624.3	401.3	16,265.5	208.0	20.7	93.0
2. United States	5,697.2	349.3	3,848.3	159.6	48.0	118.8
3. Burma	24,470.2	318.5	15,097.8	161.3	62.1	97.5
Mix Animal Feed: Total	125,996.9	20,943.4	102,519.6	14,448.5	22.9	45.0
1. United States	67,966.7	8,321.0	49,470.6	5,304.7	37.4	56.9
2. France	9,590.9	1,950.3	4,465.1	952.2	114.8	104.8
3. Britain	751.9	1,427.3	595.2	943.7	26.3	51.2
Broilers: Total	799,480.6	104,721.6	785,673.1	92,811.4	1.8	12.8
1. United States	584,329.6	77,664.2	520,168.4	59,925.0	12.3	29.6
2. Argentina	192,252.5	24,007.5	102,090.2	13,421.6	88.3	78.9
3. Chile	12,372.2	1,695.5	0	0	0	0
Fishmeal: Total	1,348,675.5	139,736.3	966,353.3	101,072.1	39.6	38.3
1. Peru	876,338.4	86,286.6	516,556.6	52,621.6	69.7	64.0
2. Chile	239,351.5	26,269.5	187,563.1	21,593.1	27.6	21.7
3. United States	76,978.3	9,971.5	72,163.0	8,879.6	6.7	12.3