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Laws, Regulations and Policies

Food Safety Law approved¹

A long-awaited Food Safety Law was approved by National People's Congress Standing Committee, China's top legislature, on Feb. 28 and will go into effect on June 1, in a bid to end repeated scandals involving dangerous food products in the country.

The Law has been in the works since last October after a huge scandal erupted over contaminated milk which killed at least six children and sickened nearly 300,000 others in China.

“The Law will see the establishment of a monitoring and supervision system, a set of national standards on food safety, a recall system, and severe punishment for offenders,” the official Xinhua news agency said. The law would make health authorities directly responsible for approving additives in processed foods and prevent food safety authorities from issuing inspection exemptions to major food producers, as happened in the tainted milk scandal.

According to the Law, the Ministry of Health has been given primary responsibility and a range of new tasks including evaluation of risks, setting standards, investigating accidents and releasing information. Another major change is that the Law brings under its purview the supervision of health food. The Law stipulates that health food must not cause any harm to people, their labels and instruction leaflets must be true, and cannot

¹ Xinhua News Feb. 28, 2009

claim the products can prevent or cure illness. The State Council is required to release a detailed regulation on health food.

Central food safety commission to set up²

China's State Council will set up a state-level food safety commission to strengthen the country's food monitoring system, whose low efficiency has long been blamed for repeated food scandals. The decision was written in the newly approved Food Safety Law.

The commission will be a "high-level coordination and guidance" body, and details of its responsibilities and authority will be decided by the State Council. The head of the proposed commission could be of vice-premier level, said Chen Junshi, a senior researcher with the National Institute for Nutrition and Food Safety affiliated to the Ministry of Health, indicating it will be a powerful body.

China's current food safety system involves at least five departments, including health, agriculture, quality supervision, industry and commerce administration, and food and drug supervision.

Grain reserves to be checked nationwide³

China will soon start a nationwide check of grain stock to provide the baseline for government policy-making in grain production.

"Every warehouse must be checked. Every inventory book must be examined. And the examination must be complete and thorough," Vice Premier Li Keqiang told a national video conference called to prepare for the job. "As a development country with a population of more than a billion, grain has always been the first and foremost issue to maintain peace and stability," Li said. "Only when we know the exact amount of our grain stock, can we make wise decisions in purchasing and stocking grain, and managing the grain stock to cope with the need of development and reform."

China had its fifth consecutive summer grain bumper crop in 2008. Grain output rose 5.4 percent year-on-year to a record 528.5 million tonnes in 2008.

Auto stimulus plan detailed for rural residents⁴

Chinese government has detailed a stimulus plan to encourage farmers to buy automobiles, which may bring an auto sales surge in rural areas.

Following an announcement in January that the central government would float 5 billion yuan (US\$732 million) to subsidize rural residents who buy automobiles, the Ministry of

² The PoultrySite News Feb. 26, 2009

³ China Daily Mar. 26, 2009

⁴ Xinhua News Mar. 15, 2009

Finance announced on Mar. 13 the subsidies would be 10 percent and 13 percent, respectively, for those who purchase automobiles and motorcycles.

Farmers who buy light trucks and minivans from March 1 to Dec. 31, would get a 10 percent discount, with the ceiling subsidies of 5,000 yuan. Subsidies of 2,000 and 3,000 yuan can be use to replace old three-wheeled and four-wheeled vehicles respectively. From this Feb. 1 to Jan. 31 in 2013, farmers who buy motorcycles would get 13 percent of the purchase price back, with ceiling subsidies of 650 yuan. Every rural household may purchase two motorcycles at most.

Industry and Business Watch

Agriculture, farmers hit hard by financial crisis⁵

At a press conference in Beijing during the annual session of the National People's Congress, Wei Chao'an, Vice Minister of Agriculture, illustrated the challenges posed by the financial crisis.

Prices of agricultural products will continue on a downward movement which began in September 2008, and will squeeze farmers' income. The excessive supply on the international market will be made even more evident because of the global increase in major crops output, less consumption in bio-fuel amid oil price plunge, and withdrawal of international investment.

The hard time for labor-intensive small and medium sized enterprises in more developed coastal areas is draining jobs away. Recent surveys by the Agriculture Ministry show that some 10 percent of migrant workers have returned to their hometowns after they lost their jobs. The problem is likely to be even more serious in May or June this year.

Exports of agricultural products with competitive advantages have slowed down. In 2008, the value of exports of vegetables, fruits, livestock products and aquatic products all grew slower than that in 2007. Exports of apple juice were down both in value and volume for the first time.

There is mounting pressure on township enterprises and the industry of agri-products processing. Township enterprises relying on European and US markets have seen the value of their orders and deliveries shrink notably since the second half of 2008.

According to statistics from the Agriculture Ministry, township enterprises delivered 265 billion yuan of exports a month on average in the fourth quarter of last year, 8.9 percent below the monthly average for the whole year. The export delivery for the whole year

⁵ People's Daily Mar. 12, 2009

stood at 3,490 billion yuan, up by 11.4 percent over that of 2007 but the growth rate is 7.46 percentage points lower than that in 2007.

716.1b yuan to invest in agriculture in 2009⁶

Premier Wen Jiabao pledged in his government work report to invest 716.1 billion yuan (US\$104.72 billion) in agriculture, farmers and the rural areas in 2009, a year-on-year increase of 120.6 billion yuan.

The investment would be used for improvement or construction of rural public facilities, expanding agricultural subsidies to farmers, subsidies for the purchase of agricultural machinery and tools, and popularizing agricultural science and technologies.

Call for more loans to back rural areas⁷

Thirteen domestic lenders, including the Agricultural Bank of China and the Bank of Shanghai, agreed on Mar. 9 to lend 65 billion yuan (US\$9.5 billion) to support Shanghai's rural economy against the backdrop of a global economic downturn.

The loans will be used in infrastructure projects such as railways, renovating houses and boosting the rural cooperative medical system.

Vice Mayor Tu Guangshao urged more small-credit firms and village banks to support small businesses, especially in rural areas. Shanghai has approved the formation of 27 small-credit companies, 17 of which have already started operations. The city will help these firms to develop their lending system and implement preferential policies to help the industry.

Last month, Chongming County welcomed the city's first village bank which can issue loans within five days for small businesses and three days for rural entities. Shanghai Pudong Development Bank and China Minsheng Banking Corp are also expected to open their outlets in rural areas this year.

Tu also called for more sources of financial support such as private equity and venture capital, and he said the city is preparing for an over-the-counter market which can be another channel for PE and VC.

US\$30 million trust fund set up for African agriculture⁸

China has set up a US\$30 million trust fund to back agricultural projects, mainly in Africa, carried out by Food and Agriculture Organization, the UN food agency said on Mar. 25.

⁶ China Daily Mar. 5, 2009

⁷ China.cn Mar. 10, 2009

⁸ AFP Mar. 25, 2009

The money is aimed at helping developing countries to improve farming output with a view to achieving Millennium Development Goals, the Rome-based FAO said in a statement, adding that Beijing had joined the FAO's "donor community" with the agreement.

"This historic agreement underlines the importance of the role which China has come to play in the global arena today," said Jose Maria Sumpasi, FAO's assistant director-general.

Sumpasi signed the agreement with Chinese Deputy Agriculture Minister Niu Dun on Mar.24.

The fund will last three years, with Beijing releasing US\$10 million (7.4 million euros) a year.

Soybean and corn reserves advised to be cancelled in 2010⁹

Yue Guojun, general manager of China Oil and Food Corporation (COFCO), suggested Chinese government cancel state reserves for soybean and corn, and grant subsidies directly to farmers instead next year.

Yue predicts that China's corn consumption and demand will drop this year, causing corn stocks to rise over last year. China should allow processing enterprises to join corn reserves to relieve pressure from selling reserved crops and provide opportunities for these companies to enjoy subsidies, Yue said on the sidelines of the annual parliamentary session.

Since last year, China has raised corn reserves in four rounds to absorb 40 million tons, accounting for about 24 percent of the total domestic output last year. All the corn reserve plans were carried out by COFCO.

Top Vet warns of animal disease threats¹⁰

Jia Youling, a leading veterinarian at the Ministry of Agriculture, has issued a grave warning about the high risk of the emergence of new strains of the bird flu and foot and mouth disease viruses. Problems with animal diseases are grave. A higher number of bird flu outbreaks in and around China and a new variant of foot-and-mouth disease are the biggest threats, he said.

"Disease outbreaks have been sporadic so far," which does not indicate any epidemics, Jia said. Still, type A foot and mouth disease is a challenge to deal with as no vaccines are commercially available, he said. Last month, Shanghai veterinarians culled 440 cows after an outbreak of the type A foot-and-mouth disease.

⁹ Xinhua News Mar. 11, 2009

¹⁰ Bloomberg Mar. 6, 2009

Bird flu outbreaks have also risen this year, with authorities in Hetian district of Xinjiang culling over 13,000 domestic fowl in February after an outbreak of the H5N1 strain.

China still has many live poultry markets, where viruses can live long and spread quickly, endangering humans, Jia warned. Controls on Blue Ear disease, which killed tens of millions of pigs in 2007, have “significantly improved” after successful vaccination, he said.

MOA denies reports of closing live poultry markets nationwide¹¹

Ministry of Agriculture (MOA) on Mar. 10 denied a report by the local newspaper Beijing Times that said all live poultry markets in large and medium-sized cities would be closed this year.

The newspaper said on Mar. 9 that the ministry planned to close all live poultry markets in large and medium-sized cities this year, citing an unnamed MOA official. The report was then carried by some major web sites including the People's Daily.

The ministry said the reports were not true. No officials from the ministry made that statement and the ministry is notable to make such a decision unilaterally because market supervision involves several departments.

The ministry reiterated that it had made careful plans on prevention of all kinds of serious animal-related epidemics. So far, there has been no major bird flu epidemics in the country.

HK bird tests positive for H5N1¹²

A dead chicken found in the southern Chinese territory has tested positive for the deadly H5N1 strain of the bird flu virus, said Hong Kong authorities.

Laboratory tests have confirmed that the chicken found floating in the sea off Hong Kong on March 2 carried the deadly strain. According to a government statement, there were no poultry farms within 3 km of where the dead bird was found.

WTO complaint plans to file over US poultry ban¹³

Chinese government plans to file a complaint with the World Trade Organization against US measures that ban chicken imports from China, the Ministry of Commerce (MOC) said on Mar. 11.

The US Senate on Mar. 10 passed an omnibus act on government spending, which includes an article targeting Chinese poultry products. It stipulates that “none of the

¹¹ Xinhua News Mar. 10, 2009

¹² WorldPoultry.net Mar. 9, 2009

¹³ China Daily Mar. 12, 2009

funds made available in this Act may be used to establish or implement a rule allowing poultry products to be imported into the United States from the People's Republic of China”.

Experts say although the ban involves only a small monetary value, it smacks of US trade protectionism amid the global economic downturn.

“This is a typical discriminatory and protectionist measure, ” said Yao Jian, spokesman for the MOC. Yao said that apart from filing a WTO complaint, China “retains the right to take further measures.”

“The trade value of poultry products is a tiny part of bilateral trade, but it sets a bad example for US trade policies, ” said Tu Xinquan, a WTO expert at the University of International Business and Economics. “It is against WTO rules, and it especially picks on China,” he said.

The poultry sector also said the measure is unfair and has a negative influence on business. Qiu Huaiyuan, a manager at Qinhuangdao Chiatai Co Ltd, one of the country's major poultry exporters, said: “The move is one-sided and unreasonable. ” He noted that the US has exported many poultry products to China at a low price to compete in the domestic market.

China and the US agreed in 2004 to resume trade in poultry products, lifting a suspension after the bird flu outbreak. China has opened its market since, but no Chinese poultry products have been exported to the US due to the restrictions. The US has said there are no problems with Chinese poultry products in terms of food security, and it only has to pass the legal procedures, according to the MOC.

China has imported more than 4 million tons of poultry products from the US over the past five years, accounting for more than 75 percent of total poultry imports and 7 percent of the country's total poultry market.

Some members of the National People's Congress attending the annual session in Beijing have urged the government to take retaliatory action against US poultry exports to China. But Yao said China would act according to WTO rules instead of taking retaliation measures.

Poultry industry squeezed by bird flu and global crisis¹⁴

The impact of bird flu and the economic slowdown may have cut China's poultry numbers by about a third or more in the last month, executives in the poultry feed industry said on March 3.

¹⁴ Reuters Mar. 4, 2009

Although China has not disclosed any significant outbreaks of bird flu or the extent of the impact on the industry, feed company executives say the sector has suffered a dual blow from disease and a drop in demand that could keep stocks in short supply into the third quarter.

“There have been very few re-stocks after the Chinese Lunar New Year. Poultry stocks could have fallen by 30 to 40 percent compared to last year, ” said one executive from a leading feed and poultry producer.

Families traditionally feast over the Lunar holiday, which fell at the end of January this year, causing a bump in demand.

Consumption has also taken a big hit from weakening demand. “Overall demand is falling, particularly from migrant farmers, who used to be the major force in poultry consumption. Urban consumption has also seen a decline, ” said the executive, who declined to be named.

Traders said that weak poultry breeding is to blame for a sharp fall in prices of soybean meal, a protein-rich feed, which has prompted some cancellations of US soybean cargoes from China.

Chinese officials have said 20 million migrant labors have lost their jobs after factories making export goods such as toys and textiles closed because of the global economic recession. That has slashed demand from factory canteens. “With many migrant labors returning home, consumption of meat and eggs has fallen and pig prices are also down a lot because of the high stocks of pigs and low consumption, ” said Sun Zhiqiang, an official with China Feed Industry Association. He said many chicken slaughter houses are closed, including half of those in the largest poultry producing province of Shandong, mainly because of outbreaks of bird flu.

Market rejects “tainted” pigs¹⁵

Guangzhou Tianhe Livestock Market stopped farmers from bringing in 151 pigs suspected to have been fed clenobuterol hydrochloride on Mar. 24.

“Urine samples of the animals, transported all the way from Mengjin county in Central China's Henan province, was soon sent for testing, ” a manager with the market said. “The pigs are under observation and those that are found with clenobuterol hydrochloride traces will be culled, ” the manager said. “And we will ban all farmers from Henan province from entering our market with live pigs from tomorrow on.”

Clenobuterol hydrochloride, a fattening drug some farmers would feed pigs with, was banned after it was found to be hazardous to human health. Eating tainted pork may

¹⁵ China Daily Mar. 25, 2009

result in symptoms of dizziness, fatigue, increased heart rates, involuntary shaking of hands and vomiting.

Official statistics indicated that Guangzhou has successfully rejected and culled 43 batches of pigs suspected to have been fed the illegal drug in the past month.

The use of clenbuterol hydrochloride is very common in many pig farms for the high percentage of profits it could lead to, said a report in Nanfang Rural News. Some farmers begin feeding pigs with clenbuterol hydrochloride 15 to 20 days before they are sold. The drug can help save about 1kg of feed even as it makes each animal gain 1kg weight per day, leading to a profit as high as 275 per cent.

HK partially relaxes Canadian bone-in beef import suspension¹⁶

The Center for Food Safety of Hong Kong (CFS) announced on Mar. 9 that the processing of applications for bone-in beef import from Canada would resume with immediate effect.

“In view of Canada's implementation of enhanced control measures against Bovine Spongiform Encephalopathy (BSE), we will partially lift the suspension of imports of Canadian bone-in beef,” a CFS spokesman said. According to the spokesman, only beef rib cuts and other bone-in products from cattle less than 30 months old are allowed to be imported from Canada at the initial stage. Each and every consignment of bone-in beef products must have the CFS's prior written permission and be accompanied by a health certificate. “We will closely monitor the situation and review our import requirements as and when necessary,” he added.

The import of beef from Canada has been temporarily suspended since May 2003, after the detection of a case of BSE in Alberta, Canada. The ban on import of boneless beef from Canada was lifted in November 2004.

Shanghai to check for water-shot beef¹⁷

Shanghai industrial and commercial authorities plan to launch a widespread inspection of farm-product wholesale markets to stop the sale of waterlogged beef, officials said on Mar. 16.

Local concern was raised after consumers complained that beef whose weight had been artificially inflated by water had been sold at the Shanghai Southwest Agriculture Trade Market.

A shopper said he bought 500 grams of rump steak over the weekend and found that the beef appeared to be injected with water. He reported his complaint to the Minhang District branch of the Shanghai Industrial and Commercial Administrative Bureau.

¹⁶ Xinhua News Mar. 10, 2009

¹⁷ Shanghai Daily Mar. 17, 2009

After investigation, the bureau confiscated about 5 kilograms of unsold beef from the vender, whose beef came from Jiashan in Shanghai's neighboring Zhejiang Province.

The municipal bureau said it will carry out a citywide inspection in the near future. Venders selling the adulterated meat will be fined and evicted from the market, officials said.

Sanyuan buys Sanlu assets to fuel growth¹⁸

Sanyuan Foods Co. Ltd won the bidding on Mar. 4 for the core assets of the bankrupt Sanlu Group Co. with an offer of 616.5 million yuan (US\$90.1 million). The Beijing-based dairy maker will acquire Sanlu's land use rights, buildings, machinery and equipment as well as one of its subsidiaries.

Sanyuan won the assets for a price that was well below earlier estimates of 800 million yuan to 1 billion yuan, beating out a single unidentified rival. The auction was held in north China's Hebei Province at the Intermediate People's Court of ShiJiaZhuang, where Sanlu was headquartered.

Most of China's leading dairy makers, including Inner Mongolia-based Mengniu Dairy Co and Yili Industrial Group Co, could not take part in the bidding as it was open only to firms not implicated in the melamine scandal.

Playing down market concern that the purchase of the discredited firm might hurt Sanyuan's reputation and short-term profit, Sanyuan Chairman Zhang Fuping said the acquisition will help improve the company's product structure and boost capacity for expansion.

Analysts said they expect asset acquisition to boost Sanyuan's competitiveness in a struggling industry. "Sanyuan has picked up the assets at a low price, and the deal will enable it to gain stronger control over raw milk," said Wang Peng, a dairy analyst at Shenyin and Wanguo Securities Co Ltd. Wang said raw milk from Beijing, Tianjin and Hebei Province, areas where Sanlu previously was the market leader, accounts for 17 percent of the nation's total supply. "But it remains uncertain whether Sanyuan has sufficient management experience to deal with such considerable assets," he said.

Though the purchase helps Sanyuan narrow the gap against Mengniu and Yili, the smaller firm has a long way to go before challenging the bigger players, which each have revenue exceeding 20 billion yuan a year, said Huang Mao, a Gosen Securities Co analyst. Sanlu Group's revenue reached 10 billion yuan in 2007, while Sanyuan's was only 1 billion yuan. Sanyuan estimated that it would recover 30 percent of Sanlu's annual sales revenue this year and the Sanlu assets would start contributing to profits in 2010.

¹⁸ Shanghai Daily Mar. 5, 2009

Watchdogs stop whey tainted by bacteria¹⁹

Whey protein imported by infant-products manufacturer Beingmate Group Co. Ltd and Wahaha Health Food Co. Ltd - both based in Hangzhou, Zhejiang Province - was found to contain a potentially fatal bacteria that can cause meningitis and damage bowel tissue in children, China's quality watchdog said on Mar. 17.

Thirty-seven tons of whey protein imported by Beingmate from the United States and 5.2 tons of Wahaha protein imported from New Zealand were tainted with enterobacter sakazakii bacteria, according to a blacklist containing the names of 159 substandard or inferior imported food and cosmetics products that was released by the General Administration of Quality Supervision, Inspection and Quarantine. All the items on the list were banned from entry or destroyed, and none were sold in domestic markets, according to the agency's Website.

Beingmate said in a statement on Mar. 17 that the whey protein was intended to be raw material and that none was used in local production. The baby food manufacturer said it uses only qualified raw material and all its baby formula sold in domestic stores has passed quality checks.

Wahaha Health Food officials were not available for comment.

The state quality supervisor also found problems with other foods, snacks and beverages, including frozen seafood, chocolates and grape juice from 25 countries such as the US, Japan and France.

Among them, a 2.9-ton batch of the salt ferrous sulfate imported by formula producer Intel Child Nutrition Dairy Co Ltd had faulty packaging and failed to meet standards. Snack-food producer Mars Inc failed quality checks for a batch of malt balls imported from the Great Britain.

Coca-Cola bid to buy Huiyuan rejected²⁰

China Ministry of Commerce said on Mar. 18 it had rejected the US\$2.4 billion bid by Coca-Cola to acquire the nation's top juice-maker Huiyuan, scuttling what would have been the biggest foreign takeover of a Chinese firm.

The Ministry said it would not allow the acquisition of Huiyuan because “consumers would have been forced to accept higher prices and a smaller choice of products.”

The purchase was seen as a major first test of how China would apply a new anti-monopoly law. Concerns had emerged that the law, in force since last August, would be used to bar foreign enterprises from key sectors of the economy.

¹⁹ Shanghai Daily Mar. 18, 2009

²⁰ AFP Mar. 18, 2009

When Coca-Cola's plans were first announced last year, they were met with a storm of criticism from sections of the Chinese public who were concerned about losing a valuable local brand to foreign buyers. The juice-maker controls one of China's most recognizable brands and boasts about 40 percent of the domestic market in pure fruit juices. Huiyuan's rivals had also opposed the deal, arguing it threatened to force them out of business because Coca-Cola would take control of a large share of the product distribution network.

The Financial Times, when reporting earlier that the deal might not materialize, said its collapse would be a "blow to multinational companies seeking to make acquisitions in China."

Coca-Cola expressed disappointment over the decision. "We are disappointed, but we also respect the MOC's decision," Muhtar Kent, president and chief executive of Coca-Cola, said in a statement, according to Dow Jones Newswires.

Coca-Cola has big ambitions for China, announcing this month it would invest US\$2 billion in the Asian country over the next three years, separate from the Huiyuan deal, and compared with just US\$1.6 billion spent since 1979.

Shuanghui achieved 24 percent rise in 2008 net income²¹

Henan Shuanghui Investment & Development Co (HSIDC), the Shenzhen-listed arm of China's biggest meat processor Shuanghui Group, posted a 24 percent increase in 2008 net profit, thanks to robust meat sales and improved inventory control and production management.

Net income rose to 699 million yuan, or 1.15 yuan per share, while sales climbed 19 percent from a year ago to 26 billion yuan, the company said in its earnings report.

The company, based in Central China's Henan province, slaughtered 3.17 million live pigs last year, down 16.36 percent from a year earlier, while its processed meat products totaled 834,000 tons, the company said. Improved inventory management and measures such as energy-saving and joint bulk procurement helped the company reduce negative impact on its business performance last year.

The meat processor, in which US bank Goldman Sachs and Cayman Islands-registered CDH Investment have a combined 51.45 percent stake, said it will spend almost 3 billion yuan (US\$439 million) on acquisitions and expansion this year as the financial stifles affect operations of smaller rivals. The investment, 50 percent more than last year's, will be used to build or acquire slaughterhouses and meat-processing plants, said Chairman Wan Long. The cheaper price of pork, which has plunged by about 40 percent from a record high last year, should spur consumption again, Wan said.

²¹ The PigSiteNews Mar. 20, 2009

Wan said the company will sell 3 million tons of meat products this year, compared with 2.5 million last year. Its full-year profit may rise by 52 percent to 3.2 billion yuan this year because of lower water, electricity and gas costs while sales may grow to 40 billion yuan from 35 billion yuan last year. The company's sales may jump to 50 billion yuan in 2010.

According to the China Meat Association, the number of pigs slaughtered in China last year rose 7.6 percent from a year ago to 608 million head, while stocks as of December had increased 5.2 percent from a year ago to 463 million. Meat production is expected to register 3 to 5 percent annual growth until 2010. Total number of live pigs is forecast to reach 730 million next year and meat output will amount to 87 million tons, of which 14 million will be processed.

AMD plans rural push for growth in China²²

The U.S. company AMD would work closely with the Chinese local governments and its partners in China to facilitate the government plan to boost rural consumption and sell more computers, China Daily reported on Mar. 21

Senior vice-president Nigel Dessau of AMD was quoted by China Daily as saying that the company's China team would work closely with authorities and local OEM to provide the right products at the right prices to ensure rural residents "get the right experience".

But he declined to say whether the company is going to cut processor prices to suit China's rural markets, the paper said.

Dessau said the company would also introduce a broad range of products in the next three to six months to replace its existing lineup of processors in the market.

To fight the downturn and boost domestic consumption, the Chinese government is initiating a program to help farmers buy household appliances, such as TV sets, washing machines, cell phones, computers, air conditioners, among others, by subsidizing their purchases. Starting on Feb. 1, all of China's more than 700 million farmers have become eligible for subsidies equal to 13 percent of the price of designated home appliances.

Lenovo targets rural market²³

Lenovo, China's largest personal computer maker, aims to sell 5 million computers in rural areas within three years.

The company plans to establish 700 sales and service outlets at township level, and to cover 320,000 villages across the country through 7,800 sales networks in the following three years.

²² Xinhua News Mar. 21, 2009

²³ People's Daily Mar. 6, 2009

It will introduce 15 new models specifically designed for the rural market. The retail prices of these models are set at as low as 3,000 yuan (about US\$440), according to Xia Li, Lenovo's vice president.

Fast food group Yum! Brands to buy 20% stake of Little Sheep²⁴

Yum! Brands China Division said on Mar. 25 it would acquire 20 percent of Little Sheep, an Inner Mongolia-based hot pot business with outlets around China.

The deal was announced by Yum! Brands China Division, which has its headquarters in Shanghai, during a joint teleconference with Little Sheep, based in Baotou, Inner Mongolia Autonomous Region.

The deal, valued at HK\$493 million (US\$63.7 million), will make Yum! Brands the second-largest shareholder in Little Sheep, after Possible Way International, which is registered by Little Sheep in the British Virgin Islands.

Little Sheep said Yum! Brands would acquire more than 205 million shares from two British-based private equity firms, 3I and PraxCapital, and Little Sheep's controlling shareholder, Possible Way International. Yum proposed buying the Little Sheep shares at HK\$2.4 each, an 8.4 percent discount to the Mar. 24 closing price.

The deal is subject to approval by Hong Kong's Securities and Futures Commission and is expected to be completed by this summer. The proposed deal will be reported to China's Ministry of Commerce, although its approval is not required.

Little Sheep was founded in Baotou in August 1999 and runs mutton-based hot pot catering and franchising businesses. It went public in Hong Kong last June, according to its website. As of Feb. 28, the group owned 130 restaurants and 246 franchises in the mainland, plus more than 20 overseas restaurants.

Lallemand products approved²⁵

Lallemand Animal Nutrition announced that the company has successfully completed the registration process of two of its key microbial based feed additives in China.

Alkosel, the company's premium source of bioavailable selenium, has been recognized safe and effective, and thereby registered for use as a mineral feed supplement.

Monogastric specific probiotic bacteria Bactocell (*Pedococcus acidilactici* CNCM MA 18/5M) has been registered as a microbial biotic feed additive.

China Agritech to make granular organic fertilizer²⁶

²⁴ Xinhua News Mar. 25, 2009

²⁵ Feed E-News Mar. 16, 2009

²⁶ CommodityOnline Mar. 17, 2009

China Agritech, Inc., a leading national liquid and granular organic compound fertilizer manufacturer and distributor, has completed the construction and testing of its first facility for granular organic compound fertilizers in China. Located in Anhui Province, the facility is expected to begin production in April 2009.

The new granular production line, which is housed in a new plant next to the company's existing liquid organic fertilizer factory, has a 100,000 ton annual production capacity. It recently obtained the production license and fertilizer registration from the local government in Anhui Province, which also granted the company exemption from the VAT for granular organic fertilizers.

“We are excited that our first granular fertilizer production base is strategically located in Anhui Province, one of China's biggest fertilizer markets, ” Mr. Yu Chang, Chairman and CEO of China Agritech, said. "Being in one of China's biggest grain-producing regions with 50 million farmers and abundant low-cost labor enables us to service our customers in a quicker and more economical way. In addition, the local government has always supported the growing use of organic fertilizers, which surpass chemical fertilizers in safety, efficacy and environmental friendliness. With the new Anhui plant, we could reposition our existing Beijing plant as an R&D center to focus on the development of the core ingredients to supply our granular production bases internally."

Wind turbine maker Vestas increases China investment by US\$90 mln²⁷

Vestas, the world's largest wind power equipment manufacturer by market share, announced on Mar. 7 it had increased investment in its China subsidiary for a fifth time in a bid to tap growing business opportunities.

The Danish company invested another US\$90 million, increasing the total investment in Vestas Wind Technology (China) Ltd. to US\$363 million.

The wholly-funded subsidiary was established with an initial investment of US\$30 million in Binhai New Area, a northern port city of Tianjin, in 2005.

The new investment would fund expansion of production capacity of wind turbine blades and reduce its reliance on imports from Europe, the company said in a press release.

The China subsidiary produces wind power blades, nacelles and generators. The control systems and machine plants are expected to start work this April, it added.

Vestas announced late December that it had received three orders for wind power equipment with a total capacity of 200 megawatts from China's power companies.

Renewable energy sector gets a big push²⁸

²⁷ Xinhua News Mar. 7, 2009

China will construct two hydropower stations and two wind farms with a total capacity of 2,001 megawatts in a bid to increase the share of renewable energy in the national energy matrix.

The National Development and Reform Commission (NDRC) said on its website on Mar. 12 that it has approved for construction the Luding Hydropower Station (four units of 230 megawatt each) in Sichuan province and the Dongjing Hydropower plant in Guizhou province, consisting of four units each with 220 megawatt capacity.

The two wind farms, the Rudong wind farm in Jiangsu province and Guyuan wind power station in Hebei province, are of the same capacity, at 100.5 megawatts.

Zhang Guobao, head of the National Energy Administration, said on the sidelines of the annual session of the National Committee of the Chinese People's Political Consultative Conference that it was “time to restructure the nation's energy mix” by exploring renewable energy alternatives and boosting clean energy consumption.

Developing new sources of energy is important to restructure the energy mix and expand domestic demand, said Ren Dongming, vice-director of the Renewable Energy Development Center, Energy Research Institute, NDRC.

The 4-trillion-yuan stimulus package includes a 210-billion-yuan investment in energy conservation and ecological engineering, the NDRC said.

“Part of the 210-billion-yuan spending that was distributed between November 2008 and March 2009 went to local wind turbine manufacturing and household biogas in rural areas,” said Ren.

VIV China becomes annual show²⁹

VIV China returns in 2009 as the exhibition changes from biennial to annual frequency.

Organizer VNU Exhibitions confirms dates 19-21 October 2009, at the New China International Exhibition Center (NCIEC) in Tianzhu, Shunyi District, Beijing.

The show will be open from 9:30 a.m. to 5:00 p.m., 19-20 October, and 9:30 a.m. to 3:00 p.m. on 21 October.

²⁸ China Daily Mar. 13, 2009

²⁹ Pig International Feb. 6, 2009