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## China Agricultural Newsletter

April 2009

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## Laws, Regulations and Policies

### Rural land-use rights to regularize transfer<sup>1</sup>

China's industry and commerce authorities announced on Apr. 6 that it will work out and promote a model contract for rural land-use rights transfer to regularize the transfer of farmland-use rights and protect the rights of the farmers.

The model will clarify the object, time limit, payment, mode and time of payment of the deal, as well as the date of land transfer, rights and responsibilities of both parties, and the liability for breach of the contract, said the State Administration For Industry and Commerce (SAIC).

The move aims at ensuring the agricultural use of the land, SAIC said. It would also protect the rights of both parties of the contract, especially the rights of the farmers.

The State Council issued a landmark land policy in October last year to allow farmers to “lease their contracted farmland or transfer their land-use right ” to boost the scale of operation for farm production and provide funds for them to start new businesses.

### Funding announced for agriculture sector amid financial crisis<sup>2</sup>

<sup>1</sup> Xinhua News Apr. 6, 2009

<sup>2</sup> Xinhua News Apr. 22, 2009

China's State Council announced measures to support agriculture, given the negative impact of the global downturn on Apr. 22.

The measures were taken during a Council executive meeting, chaired by Premier Wen Jiabao. The meeting was told that the global downturn was still worsening and its negative impact on agricultural production and the rural economy had become more obvious, with global commodity demand and prices slumping. More should be done to stabilize agricultural production and increase farmers' income, according to the meeting.

It said 3 billion yuan (US\$439.2 million) in central funding would be allocated to support building standard pig and dairy farms. Strong steps must be taken to boost rural employment by increasing training and financial support, it said.

The meeting urged better methods in the state purchase and reserve of farm staples and promotion of agro-processing companies. It also demanded greater effort to improve the agriculture product circulation system and quality and safety supervision. It said 65 billion yuan (US\$9.5 billion) in central investment this year would go to fund the construction and improvement of rural infrastructure, including education, health care and irrigation.

### **Grain output target raised 10pc for 2020<sup>3</sup>**

A general meeting of the State Council chaired by Premier Wen Jiabao approved a national plan to raise grain production by 50 million tonnes over the next decade.

China had its fifth consecutive record harvest last year, with grain output rising 5.4 per cent year on year to 528.5 million tonnes. However, in the face of the global financial crisis, the central government has revised the grain output target this year to 500 million tonnes.

The government urged greater efforts to ensure there was at least 1.2 million sq km of arable land available for agriculture - the minimum needed to grow crops to feed the country's vast population. Of that, 1.04 million sq km should be prime land and 1.05 million sq km should be growing grain by 2020. Grain yield should reach 525 tonnes per sq km.

The Ministry of Land and Resources launched a nationwide arable land inspection campaign last month, ordering regional land authorities to tighten up on the use of farmland for other commercial purposes and to try to reclaim parcels from previously misallocated projects. The campaign will end in November.

The meeting echoed a warning from Yuan Longping, the man known on the mainland as the father of hybrid rice, who said China faced an uphill battle to maintain the minimum 1.2 million sq km of arable land needed to feed its people, due to urbanization.

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<sup>3</sup> South China Morning Post Apr. 9, 2009

## **Legislator: China won't copy U.S. and EU in bioenergy development <sup>4</sup>**

Rigid domestic demand for grain crops has forced China to turn its back on corn and rapeseed, the traditional raw materials used by the West for bioenergy production, and focus on crops whose annual output stands much higher, said an agricultural legislator.

At a rural economic forum closed on Apr. 20, Vice Chairman Yin Chengjie of the Agriculture and Rural Affairs Committee of the National People's Congress, China's top legislature, said the premise of China's bioenergy development strategy was "not to jeopardize food safety."

"The United States and the European Union have been grain-crop exporters for a long time. With the acceleration of their bioenergy production, however, they not only reduced exports but even imported more corn and rapeseed. That helped tilt the supply-demand balance and jack up the grain prices on international markets, " said Yin, "China must, and has the conditions to, explore a different road in biofuel production."

For China, the bottleneck was not in processing technology but the country's limited farmland resources and grain crop shortage. Growing population and the accelerating produce-processing industries would also raise grain crop consumption, said Yin.

Yin said a viable way out was to use non-grain raw materials - especially wheat or rice stalks. China produces 700 million tons of wheat stalks each year, compared to only five million tons of grain crops.

Under traditional farming, when people were less aware of recycling and clean energy, farmers would normally let stalks rot away in the fields or simply set a fire for a quick cleanup. More than 500 million tons of stalks were estimated to have been wasted each year.

State Energy Bureau chief Zhang Guobao has said in the year's national legislature meeting in March that China should learn from past experiences and put new energy development onto "an important strategic position."

An increasing number of rural households have learned to recycle stalks by adding them to livestock manure into methane pools for power generation. By the end of 2008, some 30 million households have built their own methane pools with an aggregated yearly methane output of 12 billion cubic meters, equivalent to 17million standard coal.

Another 67 stalk power plants were built as of June 2008, transmitting 2.613 billion kilowatt hours into the national power grid.

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<sup>4</sup> Xinhua News Apr. 21, 2009

### **Cropland grows, bumper harvest tipped<sup>5</sup>**

Grain farmland will increase for the sixth consecutive year to 108 million hectares in 2009, the National Bureau of Statistics said on Apr. 16. Figures show arable grain farmland will increase by 1.35 million hectares on last year.

Production of pork, beef and mutton was 16 million tons in the first quarter, an increase of 6 percent on the same period last year.

The central government has continued attempts to stabilize the price of agricultural produce this year. It will invest 716 billion yuan (US\$104 billion) in the agricultural sector, which is 120 billion more than in 2008. The subsidies for farmers will reach 123 billion yuan. The minimum purchase price for wheat and rice will rise by 0.11 yuan and 0.13 yuan per 500 gram.

Chinese Academy of Social Sciences (CASS) estimated the total grain output would reach 520 million tons this year and meat production would be 75 million tons.

### **Oilseed production to decline in 2009-10<sup>6</sup>**

China's total oilseed production is forecast to decrease slightly in 2009-10 while domestic consumption is expected to grow during the same period, the U.S. Department of Agriculture's Foreign Agricultural Service (FAS) said on April 15.

FAS said it expects China's total oilseed production to decrease slightly, to 56.9 million tonnes, due mainly to reduced soybean planted area. Despite efforts by the Chinese government to boost oilseed production, planting intentions for major oilseeds (except canola) are expected to decrease in response to the poor returns received by farmers in 2008-09. FAS said additional factors affecting oilseed planted area expansion include lack of preference in subsidization, competition for land from other crops and urban expansion.

Consumption of oilseeds in 2009-10 is forecast to grow at a modest rate of 3% to 94.3 million tonnes. Domestic oilseeds used for feed are slowly declining because of increasing food use and stagnant domestic production. Although oilseed imports declined in 2008-09, the gap between demand and domestic production is forecast to grow, according to FAS. Oilseed imports, mostly soybeans and canola, will also increase to meet domestic consumption demands. Oilseed imports are expected to grow by 4% to 38.8 million tonnes.

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<sup>5</sup> China Daily Apr. 17, 2009

<sup>6</sup> World-Grain.com Apr. 15, 2009

Soybean production in 2009-10 is forecast to decrease 2.5%, to 15.6 million tonnes, based on a reduced planted area of 9.1 million hectares and average yields.

Soybean imports in 2009-10 will increase to 38 million tonnes, up from the estimated 36.2 million tonnes in 2008-09, due to moderate GDP growth and continued concentration in the livestock sector, according to FAS forecasts. Although consumer demand is likely to be impacted by the slowdown of GDP growth in 2009, overall oilseed demand is forecast to continue growing in 2009-10 due to increases in animal production, use of industrially produced animal feeds, and higher human consumption, FAS said.

Canola planted area and production are both forecast to rise by almost 8% in response to higher prices and expanded subsidies, according to FAS.

### **Rapeseeds with record high oil content bred<sup>7</sup>**

Chinese scientists announced on Apr. 16 that they have bred rapeseeds with record high oil content up to 60 percent, which experts said is a “major breakthrough” to increase the country's cooking oil output and farmers' income.

The 20 new rapeseed species, with an oil content of 55 to 60 percent, have been planted on a trial basis in six Chinese localities including Tibet, Xinjiang, Qinghai, Gansu, Inner Mongolia and Heilongjiang since last year, said Prof. Fu Tingdong, a renowned botanist from Huazhong Agricultural University in Wuhan.

Fu and a group of other scientists attended an academic meeting in Xi'an to evaluate the new seeds, cultivated by researcher Li Dianrong, a renowned hybrid rape specialist based in Xi'an.

The seeds, crossbred from existing oil-rich rapeseed species, contain 12 to 17 percent more oil than the previous generation, said Li.

Lab analysis found two of the seeds, harvested in the northwestern Gansu Province, contained 60 percent oil, Li said, “Most of the other seeds contained 55 percent.” The new seeds are expected to raise China's per hectare vegetable oil output by nearly 30 percent, he said, which is equivalent to an additional 2 million hectares of rapeseed harvest.

China relies on import for about 60 percent of all its cooking oil consumption. Forty percent of domestic cooking oil comes from rapeseed while the remaining 60 percent from sesame, soybean and nuts.

### **Soybean import to keep rising in April on firm demand<sup>8</sup>**

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<sup>7</sup> China Daily Apr. 18, 2009

<sup>8</sup> Xinhua News Apr. 2, 2009

China's soybean import continues to rise as the lower price of the imported soybean is expected to boost demand from domestic processing plants in the following several weeks, according to a latest report by China National Grain and Oils Information Center (CNGOIC).

The report predicts China's soybean import will reach 3.8 million-4 million tons in April. Since imported soybean can bring better profits than the domestic soybean, Chinese processing companies are still active in soybean importing despite the drop of domestic soybean prices in the past two weeks.

CNGOIC forecasts that more processing plants in coastal areas will start production in April with increasing soybean import, which may lead to oversupply of soy meal and thus drag down its prices.

### **CGRC may release more soybeans<sup>9</sup>**

China Grain Reserves Corporation (CGRC), a state-owned company in charge of reserving grain for government reserves, sold 100,000 tons of imported soybeans to crushers last month, making its sales volume up to 500,000 tons this year.

A manager with a large trading company noted that CGRC may release a great amount of soybean into market if the soybean price rises by 200 yuan per ton (US\$29).

CGRC now holds about two million tons of imported soybean and 3.5 million tons of the domestic soybean. If soybean price climbs to 3,700 yuan per ton or more, CGRC is likely to sell soybean in large quantities, analyze traders.

Last month saw the American soybean surge 10 per cent to stand above 3,500 yuan per ton at Chinese major ports, driven up by 17.8 per cent rise of soy meal price. Such a big rise in soybean price reflects meat demand didn't slide as expected, say traders.

The manager said the fowl and pig breeding industry enjoyed stronger demand than expected, which may further push up soy prices.

According to a trader, CGRC had added soybean reserves and prepared to sell them at a higher price.

### **Early rice futures contract hoped to play a bigger global price role<sup>10</sup>**

China started the trading of early rice futures contracts on Apr. 20 on the Zhengzhou Commodity Exchange, in central Henan Province, with the goal of a larger role in global grain prices.

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<sup>9</sup> Asia Pulse Apr. 13, 2009

<sup>10</sup> Xinhua News Apr. 20, 2009

China is the world's largest rice producer and consumer, and its crop accounts for about 30 percent of the world's total. Over the past 30 years, annual rice output has ranged from 180 million to 200 million tonnes, about 40 percent of the total grain output.

Early rice futures trading would help to improve domestic grain pricing and provide grain traders with more risk control measures, according to Shang Fulin, Chairman of China Securities Regulatory Commission.

“China has chosen to start early rice futures trading at this particular time because it wants to improve its grain pricing system and eventually have more influence on global grain prices,” Nanhua Futures general manager Luo Xufeng said. The contract might help the country have a bigger say in global grain pricing and make it an information, trading and pricing center for grain, according to a statement from the Zhengzhou Commodity Exchange.

The early rice September contract ER909 rose 5.05 percent on Apr. 20 to close at 2,038 yuan per tonne.

### **WTO complaints filed over U.S. poultry ban<sup>11</sup>**

China filed complaints to the World Trade Organization (WTO) on Apr. 17 about a U.S. law effectively banning imports of Chinese poultry products, saying the law may violate WTO regulations.

Pursuant to Section 727 of the Omnibus Appropriations Act of 2009, which was already signed into law, the U.S. effectively prohibits the establishment or implementation of any measures that would allow poultry products to be imported from China, the Chinese WTO mission said.

The Chinese mission said it had sent a note to the U.S. mission requesting WTO consultations with the restrictive law. Related documents have also been sent to the WTO. “China reserves its right to raise further factual and legal issues and arguments during the course of the consultations, and in any future request for the establishment of a panel,” the mission said.

According to WTO's dispute settlement procedures, once complaints are filed, the two concerned parties usually have some 60 days to try to resolve their dispute through consultations.

If that fails, China can request the establishment of a WTO expert panel to investigate and rule on the legality of the U.S. measures.

### **Bird flu outbreak in Tibet<sup>12</sup>**

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<sup>11</sup> Xinhua News Apr. 17, 2009

<sup>12</sup> Poultry International Apr. 21, 2009

China's Ministry of Agriculture has confirmed a new outbreak of bird flu in Lhasa, southwestern Tibet Autonomous Region.

The national bird flu laboratory confirmed that the H5N1 bird flu virus was found in poultry sold at a poultry wholesale market in Chengguan District of Lhasa on Apr. 12.

It reported that emergency measures have been taken and the epidemic has been brought under control. A total of 1,679 fowl were culled after the outbreak.

### **Shineway signs US\$168 million chicken farm project with Nippon<sup>13</sup>**

China's largest meat producer, the Shineway Group, has signed an US\$168 million (1.15 billion yuan) joint project agreement with Japan's largest meat processing company, Nippon Meat Packers.

Under the deal, the two companies will build a facility in Henan province that will include feed processing, breeder production, broiler production, slaughtering, and processing. It is scheduled to be completed in 2010.

Shineway will own the joint project, and Nippon Meat Packers will be responsible for the broiler production. Currently, Henan-based Shineway Group produces processed chicken products, but does not operate any broiler farms or broiler slaughterhouses. The company's new plant is expected to provide 50 million birds to its own processing factories and food services every year, with 3 billion yuan of annual sales income. The new facility will help Shineway take on China's current market leader.

### **Growth in China's turkey industry<sup>14</sup>**

Eight years ago Zhou Xiufen started with three turkeys. Last year her company, Weifang Zhouxiufen Turkey Farm, raised 300,000 birds, selling day-old turkeys, frozen turkey meat and processed turkey products across China.

According to the USDA FAS, China's turkey consumption increased 588% from 2004 to 2008, from 8,000 metric tons to 55,000. Local producers cannot meet rising demands due to the small scale of their operations. As a result, imported turkey amount by weight increased from 4,000 tons in 2004 to 50,000 tons in 2008. Imported turkey accounted for 91% of total China's turkey consumption last year. "China is a growth market for the turkey industry," Hu Jijun, a manager at the Beijing office of the USA Poultry & Egg Export Council (USAPEEC) said, "China's broiler consumption is 600,000 tons every year, while its turkey consumption is only 50,000 tons. China's turkey market still has huge potential." By October 2009, anticipated turkey consumption and turkey imports will reach 65,000 tons and 60,000 tons respectively, according the USDA.

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<sup>13</sup> Poultry International Apr. 17, 2009

<sup>14</sup> Poultry International Apr. 17, 2009

## *New consumers*

In the past, turkey was mainly eaten in China by foreign residents or tourists, but this is changing. "Chinese people replaced expatriates as the major consumers of turkey products," Hu said. "This change is reflected in the import volume of different types of turkey products. Turkey parts account for the largest amount of total turkey imports now."

Unlike many Western customers, Chinese do not place a premium on meat. Instead, cooked turkey parts, typically wings or legs, are popular among Chinese people. As a result, the import amounts of frozen turkey parts, frozen whole turkey and prepared turkey respectively reached 45,157 tons, 15 tons and 3 tons in 2008 respectively, based on the latest statistics from China Customs.

During the past three years, turkey parts import rose sharply, in line with increasing Chinese turkey consumption. Imported frozen turkey parts increased from 16,756 tons in 2006 to 45,157 tons in 2008, an increase of 169.5%, according to China Customs. By comparison, imported frozen whole turkeys and imported prepared turkey increased by 20.5% and 53.5% during the same time period.

In the big cities in particular, it has becoming easier for consumers to buy turkey. Both cooked turkey meat and fresh turkey meat have been sold in China's retail sectors, such as supermarket chains Metro, Carrefour and Lotus.

## *Turkey, Chinese style*

Turkey meat – turkey breast meat in particular – has long been consumed by foreigners in China, popular in restaurants catering to expatriates. But today, local distributors are adapting turkey to local tastes, and to new distribution channels. Domestic processing plants usually purchase turkey parts, such as legs, wings and gizzards, to make cooked turkey products. Cooked turkey parts are also sold to local customers who are unfamiliar with cooking turkey. Meanwhile, Chinese people also buy cooked turkey products, like seven-kilo whole cooked turkeys, for their friends as gifts during the spring festival.

The wholesales prices of turkey drumsticks and turkey wings respectively reached 30 yuan per kilogram and 10 yuan per kilogram in December 2008, according to Yu, or roughly US\$2 per pound for drumsticks and US\$67 cents per pound for wings.

Imported turkey, mainly consisting of frozen turkey parts, are also used by processing companies, according to Chinese turkey importers. Because of different diet preferences, turkey legs from foreign sources are much cheaper than that from local producers. The price of imported turkey is only 9,000 to 10,000 yuan per ton now, or between 60 cents and 67 cents per pound.

In addition, as domestic and foreign producers work in closer cooperation, more turkey products are expected to be made in China, said experts. "Turkey meat can replace pork to

make hot dogs,” USAPEEC’s Hu said. “Foreign turkey producers are eager to work with local operations to develop this new product.”

Last November, five leading meat producers, including Jiangsu-based Yurun Group, Henan-based Swineway Group, Shandong-based Jinluo Group, Shandong-based XiwangFood Co., Ltd. and Shandong-based Qingdao BoNiYa Food Co., Ltd., joined in a Sino-American turkey industry forum in Zhengzhou. “Although higher production costs blocks the development of processed turkey products in China, ” said Hu. “Domestic large operations showed strong interests in these new products. We will continue working on further cooperation in the future.”

### ***Local weakness***

China’s turkey annual production increased from 4,000 tons in 2004 to 5,000 tons in 2008, an increase of 25%, according to government data. This was much lower than the growth of consumption, which rose from 4,000 to 55,000 tons during the same time period.

“I can only provide turkey to my clients during second half of the year, ” He Ning, general-manager at Zhejiang-based Jinyuan Turkey Farm, said, “I do not have enough money to buy more breeders. ” He's farm sells 25,000 birds annually, while most Chinese turkey producers average less than 10,000 birds, according to He.

### **Hog farmers lose millions in Fujian environment cleanup<sup>15</sup>**

The Fujian government restricted hog production along the Jiulongjiang River because of environmental concerns, resulting in more than 100 million yuan (US\$15 million) in losses to local producers over the course of the previous month.

As of March 19, more than 12,000 hog farms in Zhangzhou have been shut down, and about 700,000 head of hogs have been slaughtered or sold out, Xinhua News Agency reported, and further constriction is expected.

Hog prices dropped sharply when farmers rushed to sell off their stocks, with the prices of sows falling from 1,500 to 1,000 yuan per head.

Farmers who were able to shut down operations before their cut-off dates qualified for compensation of 50 yuan per square meter.

According to the local government, hog farms were responsible for the pollution in the Jiulongjiang River – the second biggest river in the Fujian province.

Under the new rules that went effect in February, no hog farm can be located within one kilometer of the river. In addition, no new farms can be established within five kilometers of the river.

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<sup>15</sup> Pig International Apr. 20, 2009

## **ACMC delivers 525 genetically-advanced breeding hogs to China<sup>16</sup>**

ACMC, the International pig-breeding company, has delivered 525 genetically-advanced breeding pigs to China, in a deal, including technical support, valued at one million pounds Sterling.

The pigs, which were flown, under veterinary supervision, from the UK to Shijiazhuang via Amsterdam, are being used to establish a brand new nucleus unit on a green-field site by processing and retailing company the ShiJiaZhuang ShuangGe Food Co Ltd from Shijiazhuang City in HeBei Province.

In addition to producing pigs for its own use under a 20-year franchise agreement, the company will be supplying improved breeding stock to other pig farmers within the province. This will enable them to produce over a million superior-quality pigs for slaughter annually, helping to feed HeBei's 64 million people. Production is starting late spring/early summer.

The agreement, negotiated personally by ACMC chairman Stephen Curtis, followed visits to China and Chinese delegations to the company's Beeford headquarters.

"A major attraction for the Chinese was the highly-prolific Meidam damline," he commented.

This was developed uniquely by ACMC from the Meishan breed, which was imported, paradoxically, from China in the 1980s, to boost output from European lines. The Meidam, Britain's newest registered purebred, combines with the company's Vantage Ultra sireline boar to produce stock which is capable of fast, lean growth and efficient feed conversion rate, without sacrificing this prolificacy.

Through electronic links and technical visits, ACMC will be providing a range of support services for the new nucleus herd's genetic and general administration. The company has developed its own windows-based herd management program. Genetic 'up-dates' will be supplied via boar semen from top sires at the company's genetic nucleus farm in the UK.

## **FDA on the lookout for tainted processed pork<sup>17</sup>**

Shanghai Food and Drug Administration (FDA) is closely monitoring pork products in local markets as the harmful chemical, clenbuterol, was found in processed pork in Anhui Province.

The Anhui FDA said that a batch of canned pork produced by the Yurun Group sold in Fuyang and a batch of bacon produced by the Hefei Laweisi Food Co sold in Hefei was

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<sup>16</sup> ThePigSite News Apr. 17, 2009

<sup>17</sup> Shanghai Daily Apr. 24, 2009

found to contain the poisonous chemical, which is fed to pigs to produce leaner meat.

The FDA has ordered the recall and destruction of the contaminated products.

Yurun said the contaminated products didn't enter Shanghai market but some local supermarkets have taken action on other Yurun-brand products such as ham sausage.

"Altogether there were about 100 boxes of questionable products," said an official at the company's headquarters in Nanjing, Jiangsu Province.

Company officials said the pork used in the contaminated pork came from a small butchery near Fuyang, but most of their pork comes from their own butcheries and is safe.

The Lotus Supermarket in Shanghai said the Yurun processed meat in its stores was produced at Yurun's factory in Nanjing. It has asked suppliers to show recent quality certificates for other Yurun products.

Local supermarkets such as Metro, Carrefour and NGS said they didn't carry the contaminated processed meat in its Shanghai outlets.

### **USGC held PRRS control seminars in Beijing, Nanchang and Guangzhou<sup>18</sup>**

Most recently, the US Grains Council (USGC) invited Dr. Rodney Baker, veterinarian and senior diagnostician at Iowa State University, to conduct seminars in Beijing, Nanchang and Guangzhou to provide services to discuss control and elimination of Porcine Reproductive and Respiratory Syndrome (PRRS), commonly referred to as blue ear disease.

Numerous examples of farm strategies which have successfully eliminated the virus from individual farms were demonstrated and discussed with Chinese producers. Dr. Baker has successfully eliminated the virus through a variety of methods avoiding depopulations of farms. Chinese swine producers asked many questions on how to apply Dr. Baker's methods into the Chinese situation, which indicated good acceptance of the seminar.

### **Yuhe announces record Q4 growth<sup>19</sup>**

China's second-largest day-old broiler breeder, Yuhe International Inc., announced record Q4 results with 212.4% growth in revenue to US\$18.3 million and US\$7.7 million in net income, according to a press release by the company. For the fiscal year 2008, revenue was US\$34.6 million, up 56.9% on the year-over-year basis and the net income was US\$10.5 million.

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<sup>18</sup> ThePigSite News Apr. 17, 2009

<sup>19</sup> Poultry International Apr. 3, 2009

These results rested on the company's increased productivity by expanding breeder farms. In 2008, the company built four new breeder farms bringing the total farm number to 14 and increasing the scale of production.

For the fiscal year 2009, Yuhe International Inc. is forecasting US\$50 million in revenues and US\$13 million in net income with an anticipated sales volume of 110 million day-old breeders.

### **Dairy sector seeks succor from government<sup>20</sup>**

The dairy industry is desperate for a government bailout after being hit hard by last year's contaminated-milk scandal and competition from overseas, industry experts have said.

Wang Dingmian, a director of the Dairy Association of China, said the amount of overstocked milk powder across the country has reached at least 250,000 tons, compared to "near zero" before the melamine-tainted-milk scandal last September.

Shaanxi and Hebei provinces, as well as Xinjiang Uygur and Ningxia Hui autonomous regions are listed as the most severely hit.

Wang said another national organization, the China Dairy Industry Association (CDIA), petitioned the Ministry of Industry and Information Technology (MIIT) for government help. The CDIA would not comment on the petition, but is believed to have proposed that the government buy a third of the milk powder in stock.

Vice-Minister of Agriculture Gao Hongbin acknowledged on Apr. 8 that the situation was grim. He said during an online interview that the industry's plight has affected the interests of dairy farmers, and called on governments at all levels to offer favorable policies to ease their woes.

Experts said three factors are behind the current overstock: The ripple effect of the melamine scandal, competition from overseas companies, and weakening purchasing power due to the current financial crisis.

Wang Weimin, Secretary-General of the Dairy Industry Development Association of West China, said the price of imported raw milk powder has dropped from more than 40,000 yuan (US\$5,850) per ton before the melamine scandal to around 22,000 yuan a ton, equivalent to domestic brands.

Chen Yu, an analyst specializing in the dairy market, said it's hard to say whether the price cuts can be considered "dumping", because it's not easy to compute the cost of production of foreign milk powder. But the low price of foreign products is harming the domestic dairy industry, and leading to mass slaughter of cows.

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<sup>20</sup> China Daily Apr. 10, 2009

Wang Dingmian said farmers have slaughtered at least 10,000 cows recently due to the drop in milk consumption. He asked for rapid government intervention, failing which there could be shortage of supply once demand recovers later this year. He said powder bought by the government can be offered to poor areas or regions affected by natural disasters, orphanages and old people's homes, or even the army.

### **Mengniu plans more raw milk bases<sup>21</sup>**

Liquid milk producer China Mengniu Dairy will invest more this year to expand raw milk bases in the country, according to a senior executive.

“Mengniu plans to pour more money to acquire shares in existing pastures or build up its own pastures,” Executive Director and Vice-President Yang Wenjun said on Apr. 17 at the sidelines of the eighth Boao Forum for Asia Annual Conference in Hainan province.

The company aims to increase the number of its mega-size pastures, each of which can house up to 10,000 cows, to 20 over the next three years. It currently has seven such pastures in Inner Mongolia, Shandong, Heilongjiang and Anhui.

By having more mega self-controlled pastures, the company plans to increase raw milk production and also ensure quality.

Self-controlled pastures, which can house between 4,000 to 10,000 cows, accounts for two-thirds of the company's total milk supplies.

### **China One to expand Canadian dairy in China<sup>22</sup>**

China One Corporation has announced that it has signed a number of additional contracts to develop dairy farms at various locations in China.

The contracts are between China One, operating as IND DairyTech Ltd., and a variety of strategic third parties. A series of new cooperation agreements, entered into since the last quarter of 2008, cover five farms. Total commitments for cows to be delivered in 2009 under these new agreements are approximately 11,000 cows.

China One's contractual partners have also agreed to provide China One with, or assist the Company in obtaining, term loans for working capital as Canadian Holsteins are delivered to the farms. Under one of the contracts with Meishan City, China One is to deliver 2,000 cows by the end of 2009 and another 3,000 cows by the end of 2011.

Under another contract with Lingbao City, the Company is to deliver 3,500 cows by the end of 2009 and another 2,500 cows by the end of 2011. Both contracts include a loan of

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<sup>21</sup> China Daily Apr. 19, 2009

<sup>22</sup> TheCattleSite News Mar. 31, 2009

10,000 RMB per cow delivered and the contract with Meishan includes 3,400 RMB per cow subsidy from the local government.

To date, the Company has received a subsidy of 1,600,000 RMB and a loan for 6,000,000 RMB at an annual interest rate of 7.29% for three years. In certain other agreements, China One may receive up to 13,000 RMB per cow by way of loans and, if certain production standards are achieved, subsidies.

### **New Zealand dairy giant Fonterra plans to buy Sanlu's shares in dairy farm<sup>23</sup>**

New Zealand's Fonterra Co-operative Group, the world's biggest dairy trader and former partner of Sanlu Group, plans to buy Sanlu's shares in a joint dairy farm.

Fonterra Chairman Henry van der Heyden said on Apr. 20 his company, who owns 85 percent of the dairy farm in Tangshan, a city in north China's Hebei Province, plans to buy the remaining 15 percent owned by Sanlu, without mentioning how much it plans to spend.

Sanlu's shares in the farm were put up for sale in the fourth and planned auction of Sanlu's assets, but the auction failed.

The dairy farm was established in April 2007 with an investment of 144 million yuan (US\$21 million) from Fonterra and Sanlu. It is the first dairy farm that Fonterra set up outside New Zealand. It has now 3,000 milk cows, of which 2,400 have begun giving milk. Each cow gives an average of 8,000 liters of milk every year.

### **East Hope to open 50 overseas subsidiaries<sup>24</sup>**

East Hope Group, one of the largest feed companies in China, will open 50 new overseas feed plants over the next five to seven years, reported the Shanghai-based China's First Financial Daily April 19.

With the 50 new plants, East Hope's annual feed capacity will increase from 1.2 million tons to about 20 million tons, Liu Yongxing, the company's president, told the newspaper. He said that Southeast Asia is an attractive destination for the new plants, because feed demand in the region is increasing in line with its fast economic development. As Eastern Europe's feed demand grows, East Hope may also consider building plants there, he added.

Due to quality control concerns and for production reasons, East Hope prefers building new plants rather than entering into joint ventures or purchasing local factories, the newspaper reported.

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<sup>23</sup> Xinhua News Apr. 14, 2009

<sup>24</sup> China's First Financial Daily Apr. 19, 2009

The company has six overseas feed subsidiaries in Vietnam, with a Singapore plant still under construction, said Chen. It operates more than 70 feed plants in China.

### **DSM opens fourth premix feed plant in North China<sup>25</sup>**

Netherlands-based Royal DSM N.V. will break ground for its fourth Chinese premix feed facility in Changchun, a major city in northeastern China, in May.

The new US\$5 million feed plant is expected to produce 25,000 metric tons of premix feed annually starting in December 2009, DSM spokeswoman Wang Ren said.

According to Wang, this feed factory will serve local farmers as well as animal feed producers in Jilin Province, Liaoning Province, Heilongjiang Province and Inner Mongolia.

DSM's first Chinese premix feed plant was opened in 1997. Today, the company has three factories in Shanghai, Shandong Province and Hunan Province.

### **China-Biotics signs poultry probiotic agreement<sup>26</sup>**

China-Biotics, specializing in the manufacture, R&D, marketing and distribution of probiotics products, announces it has signed an agreement with Dabeinong Group to supply probiotics as bulk additives for poultry feed products.

Under the initial purchase order, China-Biotics will provide probiotics such as lactobacillus acidophilus and streptococcus faecalis. These bulk additives will be used in several of Dabeinong's products and will help enhance the avian immune system and increase poultry survival and egg production rates in commercially raised poultry.

China-Biotics expects that the demand for probiotics from the poultry feed market in China will increase to up to 2,500 metric tons by 2010.

### **China and UN FAO jointly launch fishery project<sup>27</sup>**

Recently a freshwater aquaculture management project was jointly launched by China's Ministry of Agriculture and the Food and Agriculture Organization (FAO) of the UN in Pingjiang County, Hunan Province.

The project aims to improve the environment for aquaculture and reduce environmental impacts on freshwater aquaculture in order to promote the sustainable development of freshwater fisheries. Moreover, it will be promoted as a demonstration project throughout China.

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<sup>25</sup> Feed Industry Apr. 16, 2009

<sup>26</sup> WorldPoultry. net Apr. 23, 2009

<sup>27</sup> People's Daily Apr. 10, 2009

China's aquaculture output accounts for nearly 70 percent of the world's total, making it an important country in terms of aquaculture. Despite being an important daily food, small-scale production remains the main production model for freshwater fish in China.

Pingjiang County is China's most important region for freshwater fish production with an annual freshwater fish output of nearly 6,000 tons. It is also a state-level ecological demonstration zone and a green industry demonstration zone accredited by the UN Industrial Development Organization.

### **Wal-Mart rejigs jobs in China<sup>28</sup>**

Wal-Mart, the world's largest retailer, launched a job optimization and regrouping program to reduce labor costs in China on Apr. 14.

Under the program, the company plans to relocate some of the mid-management staff at its stores to similar posts in the new stores that are being opened in China. The company intends to start this by shifting five to six mid-management posts from each of its present stores, said Leally Huang, public relations manager, Wal-Mart China.

Wal-Mart had 144 stores across China by the end of 2008, and plans to open 23 new stores by the end of the first-quarter this year.

Hurt by the economic slowdown, Wal-Mart's global sales revenue dropped by 0.1 percent in the last five weeks of 2008, which according to the company, is far below its expectations. The company, however, said markets like China, Brazil and Mexico are still showing robust growth. In 2008, Wal-Mart opened 19 stores in China, compared to 30 in 2007.

### **McDonald to open more outlets this year<sup>29</sup>**

Kenneth Chan, the newly appointed chief executive officer of McDonald's China, said on Apr. 14 the chain will open more outlets this year to keep pace with rising business growth. The company will also incorporate more performance-oriented metrics and raise employee salaries nationwide by at least 6.3 percent, Chan said.

This is Chan's first public announcement of the company's strategy for the year after his appointment last month following the exit of Jeffrey Schwartz, the former China chief who bid farewell to McDonald's after working with the chain for 40 years.

“Actually, I am not concerned about China, as I am confident about the long-term potential of the market,” Chan said. “This year will mark the beginning of the company's most rapid expansion in China.”

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<sup>28</sup> Xinhua News Apr. 15, 2009

<sup>29</sup> China Daily Apr. 14, 2009

In 2008, the head count at McDonald's China outlets grew by 8.9 percent, double that of the United States and the European Union, making China its fastest growing market worldwide. In the interview, Chan refused to disclose new outlet numbers for the year.

McDonald's set up its Hamburger University in Hong Kong in 2000, also its seventh worldwide, to train its Chinese staff. The company plans to open another on the Chinese mainland next year. The company also launched the China Development Leadership Program this year, which aims to develop skills that will help employees find the best location for new outlets.

### **North China region strives to build more wind power plants<sup>30</sup>**

The wind power will spread to the vast countryside in north China's Inner Mongolia Autonomous Region.

Zhao Shuanglian, vice chairman of the autonomous region, stated on Apr. 20 that wind power installed capacity of Inner Mongolia will reach 5 million kilowatts by 2010. "Wind power-installed capacity reached 3 million kilowatts in 2008 in the Inner Mongolia, accounting for one-third of that of the country's total," he said, at a ceremony for the region's first 850-kW wind power generator was successfully produced in Hohhot, capital of Inner Mongolia. There are 16 companies producing wind power equipments in the Inner Mongolia, and five of them have started operation.

There are about 4,000 large, three-blade turbines that generate electricity in Inner Mongolia, said Ya Saning, director of the region's economic commission. The region is striving to construct wind power plants, the installed capacity of which will be more than 10 million kilowatts, almost half of that of the country's largest hydropower project at the Three Gorges.

China's total wind power-installed capacity increased from 400,000 kilowatts in 2001, to the fifth highest in the world of 10 million kilowatts in 2008, 1.5 percent of country's total installed electricity capacity, according to a report of the National Development and Reform Commission.

North China's Hebei Province will also construct wind power plants with an installed capacity of more than 10 million kilowatts as of 2020, said Zhao Weidong, an official with the provincial Commission of Development and Reform, in March.

### **Overseas investment fair to be held in November<sup>31</sup>**

The first China Overseas Investment Fair would be held from Nov. 3 to Nov. 4, which aims to facilitate domestic companies to make overseas investment.

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<sup>30</sup> Xinhua News Apr. 20, 2009

<sup>31</sup> Xinhua News Apr. 6, 2009

Hosted by China Industrial Overseas Development & Planning Association (CIODPA), an organization under the National Development and Reform Commission, the fair would convene in China World Trade Center, said the organizer.

Both Chinese and foreign government officials, international industrial and commercial leaders, chambers of commerce, companies and professional service agencies such as accounting and law firms would be invited, said CIODPA.

According to statistics from the Ministry of Commerce, China's direct overseas investment reached 52.15 billion U.S. dollars in 2008, up 96.7 percent year-on-year.

## Statistics

For the first two months 2009, China exported US\$5.31 billion of agricultural products, down 15 percent than the year earlier. In February, Ag products valued at US\$2.16 billion were exported, decreasing by 31.3 percent than the previous month, and 16.9 percent less than the year before.

Meanwhile, China imported agricultural products worth US\$6.12 billion, decreasing by 26.7 percent than the same period 2008. The February imports were US\$3.22 billion, up 11.1 percent as compared to the previous month and 15.2 percent lower than February 2008.

### Top 3 Countries Exporting Major Agricultural Produces to China (Jan. – Feb. 2009)<sup>32</sup>

Quantity: Tonnes Amount: USD 10,000

Top 3 Markets	Jan. – Feb. 2009		Jan. – Feb. 2008		Var. percent Jan. – Feb. 2009/2008	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
<b>Soybean: Total</b>	6,289,978.2	249,872.6	5,464,532.8	297,995.0	15.1	-16.1
1. United States	5,203,852.4	205,652.7	3,954,869.4	218,379.3	31.6	-5.8
2. Argentina	717,457.0	29,822.7	1,434,482.8	76,051.6	-50.0	-60.8
3. Brazil	230,356.8	9,038.0	66,620.4	3,236.2	245.8	179.3
<b>Soybean Oil: Total</b>	57,658.6	4,236.3	500,238.7	51,975.1	-88.5	-91.8
1. Argentina	44,549.0	3,241.4	351,548.7	36,209.7	-87.3	-91.0
2. Brazil	13,100.0	992.3	85,606.6	8,938.4	-84.7	-88.9
3. United States	5.4	1.9	63,078.3	6,826.1	-100.0	-100.0

<sup>32</sup> China General Administration of Customs

<b>Corn: Total</b>	<b>523.3</b>	<b>72.2</b>	<b>358.8</b>	<b>42.4</b>	<b>45.8</b>	<b>70.4</b>
<b>1. Germany</b>	<b>16.4</b>	<b>37.7</b>	<b>11.3</b>	<b>24.0</b>	<b>45.5</b>	<b>57.2</b>
<b>2. United States</b>	<b>506.5</b>	<b>34.1</b>	<b>347.0</b>	<b>17.9</b>	<b>46.0</b>	<b>90.8</b>
<b>3. France</b>	<b>0.1</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Mix Animal Feed: Total</b>	<b>14,076.8</b>	<b>2,174.2</b>	<b>23,331.5</b>	<b>3,265.9</b>	<b>-39.7</b>	<b>-33.4</b>
<b>1. United States</b>	<b>7,584.6</b>	<b>682.5</b>	<b>12,088.8</b>	<b>1,281.2</b>	<b>-37.3</b>	<b>-46.7</b>
<b>2. France</b>	<b>1,401.4</b>	<b>223 .0</b>	<b>1,427.1</b>	<b>289.4</b>	<b>-1.8</b>	<b>-22.9</b>
<b>3. Canada</b>	<b>48.5</b>	<b>210.9</b>	<b>36.0</b>	<b>105.2</b>	<b>34.7</b>	<b>100.4</b>
<b>Broilers: Total</b>	<b>114,410.0</b>	<b>13,582.6</b>	<b>103,964.9</b>	<b>12,950.3</b>	<b>10.0</b>	<b>4.9</b>
<b>1. United States</b>	<b>94,783.8</b>	<b>11,204.5</b>	<b>75,085.4</b>	<b>9,605.4</b>	<b>26.2</b>	<b>16.6</b>
<b>2. Argentina</b>	<b>14,863.9</b>	<b>1,759.6</b>	<b>28,879.5</b>	<b>3,344.8</b>	<b>-48.5</b>	<b>-47.4</b>
<b>3. Chile</b>	<b>4,250.2</b>	<b>554.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>