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China Agricultural Newsletter

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Laws, Regulations and Policies

Guideline on maintaining agricultural growth issued¹

The State Council published a guideline to maintain current agricultural development and promote income for farmers on May 11.

It consists of 22 items in eight parts, calling for more efforts to expand domestic demand, promote exports and stabilize grains' prices.

The guideline calls for more support for spring sowing, including pest control, guarding against natural disasters and science and technology services. It also stresses the importance of granting subsidies to farmers and setting grain prices.

Rural finance firms get boost²

The Ministry of Finance said on May 20 that rural financial institutions will be given subsidies to provide more credit to less-developed regions.

Qualified rural financial institutions will receive subsidies equal to 2 percent of their average loan books. Rural banks, lending companies and credit cooperatives that posted a growth in loans in the previous year and whose loan-deposit ratio is at least 50 percent will receive the subsidies, the ministry said.

Meanwhile, the ministry is also giving similar favorable policies to stimulate lending in five pilot provinces - Shandong, Henan, Hunan, Heilongjiang, Yunnan - and the Xinjiang Uygur Autonomous Region. If a county-level financial institution issues at least 15 percent more agriculture-related loans than the previous year, the ministry will award the company 2 percent of the part that exceeded the previous year's total.

China will support rural economic and social development to achieve balanced growth

¹ Xinhua Economic News May 11, 2009

² Shanghai Daily May 21, 2009

between the countryside and urban areas. Overseas banks such as HSBC and Standard Chartered have opened branches in rural China while CitiBank has opened lending companies, which are banned from accepting deposits.

Animal monitoring to be set up amid global flu outbreak³

Vice Premier Hui Liangyu promised to tighten animal epidemic monitoring in light of the global influenza A/H1N1 outbreak. Hui made the statement during a visit to central Hubei Province from April 29 to May 1. Besides strict monitoring, the government would enhance animal immunity measures, he said.

Prevention of the new flu was important for China's livestock and farm produce market, which were struggling amid the global downturn, Hui said. "We should pay more attention to preventing pork prices from dropping too much, " he said, adding that the government would "fully" implement all support policies for pig farming.

Hui asked government departments to educate the public about the new flu so as to reduce misunderstanding of pork consumption.

Pesticide POPs phased out⁴

China has phased out all pesticides containing persistent organic pollutants (POPs) by May 17, as required by the Stockholm Convention, Vice Minister of environmental protection, Zhang Lijun said in Beijing on May 18.

The production, sale, use, import and export of chlordane, mirex and DDT, three kinds of pesticides listed in the Convention, have been banned in China from May 17.

Persistent in the environment, POPs can travel vast distances through air and water, and are highly toxic. Exposure to POPs can lead to serious health effects including cancer and birth defects.

With help from the United Nations Development Program and the World Bank, China has started projects to introduce alternatives to these pesticides, such as comprehensive termite treatments, according to Zhang.

Stimulus to help push renewable energy bid⁵

Stimulus package is being drafted for the renewable energy industry that seeks to more than double the output from power sources such as solar and wind by 2020 compared with an earlier goal.

³ Xinhua News May 3, 2009

⁴ China Daily May 19, 2009

⁵ Shanghai Daily May 6, 2009

The plan, which will join other industry-specific rejuvenation packages approved earlier by the State Council, is expected to be unveiled in the coming months, Shi Dinghuan, who serves on the council and is also president of the Chinese Renewable Energy Society, said at a solar energy conference on May 5.

Under the original plan, set in 2007, the government targeted 1,800 megawatts of solar capacity, 300,000MW of hydropower, 30,000MW each for wind and biomass and 40,000MW for nuclear energy by 2020, accounting for 15 percent of China's overall energy mix.

The plan called for a 2 trillion yuan (US\$293 billion) investment in the alternative energy sector by 2020 to reduce reliance on polluting fuels like oil and coal.

Since then, the government has already more than tripled the 2020 goal for wind power to at least 100,000MW and is expected to easily break the target for nuclear, although the majority of the renewable energy target is still focused on hydro.

The exact capacity goals under the new stimulus package and the amount of spending were not revealed.

For solar, however, a sector that is gaining attention after the government unveiled a generous subsidy program in late March, output by 2020 may grow tenfold from the original goal, reaching to 10,000MW in 2020 and possibly 20,000MW, Wang Zhongying, an official with the National Development and Reform Commission, said at the energy conference.

Wang said the renewable energy stimulus plan may include an improved tariff mechanism that would help connect solar power to the nation's electricity grids.

Industry and Business Watch

National spot checks to be launched on grain stockpiles⁶

China is to carry out spot checks on its grain stockpiles, said Administrator Nie Zhenbang from State Administration of Grain on May 11. The aim is to check the condition of the national grain reserves and aid grain management.

The spot checks will be carried out by ten departments including National Development and Reform Commission, Ministry of Supervision, Ministry of Finance, Ministry of Agriculture, National Audit Office and State Administration of Grain.

⁶ Xinhua News May 12, 2009

The checks are expected to start from mid-May in ten major grain-producing provinces, including Hebei, Shanxi, Jilin, Heilongjiang, Jiangsu, Anhui, Henan, Guangdong, Sichuan and Shaanxi.

1 million tons of soybeans to be added for state reserve by end-July⁷

Chinese government plans to purchase an additional one million tons of soybeans for reserve from Heilongjiang Province, the country's largest soybean production base, by the end of June, according to the Heilongjiang grain bureau.

This is the government's fifth round of soybean stockpiling besides the earlier four rounds involving a total purchase of 7.25 million tons in a bid to stabilize grain market and protect farmers' interest.

The grain authority hasn't mentioned the price for the temporary purchase.

Storage facilities to be built for staple farm products⁸

The Chinese government will arrange investments in construction of storage and logistics facilities for staple farm products, announced China's State Council in its guidelines for stabilizing agricultural development.

It aims to build grain depots with a capacity of 15 million tonnes, oil tanks with capacity of 1.75 million tonnes, state-owned sugar depots with capacity of 400,000 tonnes, and cotton depots with a capacity of 500,000 tonnes in 2009 and 2010. It also has instructed local governments to grant subsidies for building stockpiling facilities for potatoes.

Major wheat producer forecasts bumper harvest⁹

China's leading grain producer Henan province could see the sixth consecutive summer grain bumper harvest, despite a prolonged drought, said Henan Provincial Department of Agriculture.

The announcement is important because Henan produces a quarter of China's wheat output, the province has broken its own summer grain harvest record five years in a row. In 2008, Henan reaped 30.6 million tonnes of grain, the majority of which is wheat. About 78.9 million mu (5.26 million hectares) or 99.5% of the province's farmland is used to grow wheat.

China to sponsor UN rice-planting program¹⁰

⁷ Xinhua News May 18, 2009

⁸ Asia Pulse May 11, 2009

⁹ Asian Agribusiness May 26, 2009

¹⁰ Shanghai Daily May 5, 2009

China will sponsor a UN program to promote its self-developed hybrid rice planting in countries facing food shortages, the United Nations Asian and Pacific Center for Agricultural Engineering and Machinery said in Beijing at a conference on food security in the Asia Pacific on May 4.

The program is aimed at helping relatively underdeveloped countries in the region to enhance grain production at a time of financial crisis, according to UNAPCAEM, the project's executor. The program is expected to start in August, though no timetable has been made available yet.

Hybridized rice technology, developed by Chinese scientists in the past three decades, could raise yields by 15 percent to 20 percent, or a ton per hectare. "The program, supported by the Chinese government, will play a positive role in lifting grain production capacity and easing food shortage in developing countries of Asia and the Pacific (region)," said Ai Yuxin, senior expert at UNAPCAEM.

Edible oil price hike in the offing¹¹

Edible oil prices are set to go up in China following the surge in the prices of imported soybean from the US, reflecting how domestic prices are dependent on external factors.

Most of the major edible oil processing companies have announced plans to raise the prices, according to media reports. Yihai Kerry Group, the country's largest edible oil processing company, will increase the price of its products, including the leading brand Arawana, by 10 percent.

Soybean futures in the international market have been on the uptrend in the last two months. They rallied to the highest levels in over seven months on May 14, when the May soybean contract rose 12.5 cents to \$11.50 a bushel on the Chicago Board of Trade, and the most-active July soybean contract climbed 10.5 cents to \$11.28.

The price increase is largely due to fears of a shortage in supplies this year. The shrinking forecasts for Argentina's soy crop due to a damaging drought are expected to keep world importers looking to the US for soy supplies.

That has led to an increase in cost for domestic oil processing companies as over 80 percent of China's imported soybeans are from the US. The domestic output of soybeans was 16.5 million tons in 2008, and it imported over 37.4 million tons from the US, a record high in history, according to Customs figures.

China imported over 10 million tons of soybeans during the first quarter of 2009, up 30.4 percent over same period last year. Over 80 percent of the imported soybean, or 8.41 million tons, are from the US, up by 44.4 percent.

¹¹ China Daily May 19, 2009

Government to invest US\$439 million on pig and cow breeding¹²

China has earmarked RMB 3 billion yuan (US\$439 million) this year to support the large-scale breeding of pigs and cows in a bid to stabilize agricultural development and help raise farmers' incomes, the State Council said in a statement on May 10.

The Cabinet urged governments at all levels to put into effect all subsidy and stimulus policies regarding pig and cow breeding.

Statistics released by the National Development and Reform Commission showed pork prices in major Chinese cities averaged RMB10.13 yuan (US\$1.5) per kg at the end of April, down 10.4 per cent from the same period last year.

Zhang Xiaoshan, director of the rural development research institute of the Chinese Academy of Social Sciences, said the central government's announcement of the fresh investment will help stabilize pork prices, amid fears of the A(H1N1) flu.

Bailout plan for pig farmers as price plummets¹³

Pig farmers are warned to stop expanding their farms after fear of the A(H1N1) flu and a glut of hogs caused China's pork prices to plummet.

The price of pork dropped 28.6 per cent year-on-year in April, according to the latest National Bureau of Statistics data.

The decrease has prompted the Chinese government to consider buying up large quantities of pork to stabilize the price. Zhou Wangjun from the National Development and Reform Commission said the program would likely start in a month but did not give further details. "All I can say is that the price would be relatively higher than the current market price," he said.

Millions of families earn a living from pig farming in China, the world's largest pork producing country. The total output was at 46 million tons in 2008, more than 80 per cent of the nation's total red meat production.

Mr Zhou said the falling price was related to oversupply and also the seasonal influence of consumers eating fewer pork dishes in warmer months. In addition, A(H1N1) flu - known initially as swine flu - had impacted pork sales although consumer fears had now eased, he said. The price is expected to continue to decline into the second quarter of 2010, even though it should appear to stabilize around the end of this year.

AgFeed forms a joint venture with M2P2 to create Pan Asian pork consultancy¹⁴

¹² ThePigSite News May 12, 2009

¹³ ThePigSite New May 13, 2009

¹⁴ Meat & Poultry May 13, 2009

As one of the largest independent hog production and animal nutrient companies in China, AgFeed Industries Inc., has entered into a letter of intent to form a joint venture with M2P2, a leading U.S. hog production and industry management consulting company.

The joint venture will be a Pan Asian-based production management company focused on introducing the western model of modern production systems. The management services offered will include facility planning, international staff training, science based genetics, bio security and interactive information systems to upgrade pork production systems throughout Asia.

AgFeed will be the first customer of this joint venture. AgFeed's expansion plans will utilize the expertise in this joint venture to design, build, and operate a western model of hog production. AgFeed's operation will be staffed by U.S. trained Chinese employees applying proven western management production technology to maximize production with superior genetic animals that are "green" certified and exceed the standards of the food safety laws to be introduced in China in June 2009.

This initiative will also explore the joint development of genetics programs to distribute world-class genetics and best bio-security practices throughout Pan Asian markets, according to a news release.

30,000 Chinese cows to give birth to German calves¹⁵

Xinjiang has begun large-scale improvement of its dairy cow breed, and is promoting a project officially launched recently to import frozen semen from high-quality German cattle. A total of 75,000 doses of high-quality frozen semen will be distributed to the north and south of the Tianshan Mountain Range; after nine months, over 30,000 Xinjiang dairy cows will give birth to "German calves."

According to the Department of Animal Husbandry of the Xinjiang Uygur Autonomous Region, Xinjiang has purchased from Germany 15,000 doses of frozen semen from the Holstein cattle breed and 60,000 doses from the Simmental cattle breed.

The providers of this batch of frozen semen are mostly breeding bulls that rank among the top 100 in the world. 75,000 Xinjiang dairy cows will be artificially inseminated. With a 50 percent success rate, there will be 30,000 dairy cows producing high-quality German "offspring."

2009 Global Pig Forum held in Chengdu

Organized by the Pig Industry Division of China Animal Agriculture Association, co-sponsored by U.S. Meat Export Federation, British Pig Association, Canadian Swine Exporters Association, Danish Meat Association, Boehringer Ingelheim Animal Health GmbH, 2009 Global Pig Forum was held on May 14-15, 2009 in Chengdu, Sichuan Province, with more than 500 representatives coming from foreign and domestic

¹⁵ TheCattleSite News May 15, 2009

governments, industry associations, hog breeding and raising farms, feed and additive manufacturers, animal health companies, equipment manufacturers, universities and research institutes.

With the pig industry development and food safety as the theme, the Forum was divided into three parts - Global pig production and development trend; Pig production and food safety; Environmental protection and disease control. The representatives discussed about a wide range of topics, such as the impact of the financial crisis upon the global pig industry and the industry development strategy, improvement of productivity and economic benefit of pig farms, disease prevention and control, building a food security system, and the environmental technology in pig production and its application, etc.

Argentina's broiler exports to China grow on price advantage¹⁶

As a result of Argentina's low production costs, broiler exports to China have grown at a remarkable rate – an increase of 652% from 2005 to 2008, from just 24,188 tons in 2005 to 181,828 tons in 2008, according to China Customs statistics.

The value of the exports soared 1,084%, from US\$19 million in 2005 to US\$225 million in November 2008, the latest data available from China's Ministry of Commerce.

According to China Customs, the exports mostly consist of chicken paws, which accounted for 85% of broiler export value, with more than 150,000 tons of paws exported from Argentina to China in 2008.

Argentina is an attractive source for China's poultry buyers due to its cheap feed and inexpensive labor. The cost, insurance and freight for Argentine frozen chicken paws was US\$50 per ton less than that of U.S. frozen chicken wings, according to 2008 China Customs statistics.

As a result, Argentine frozen chicken paws accounted for 34% of total frozen chicken paw imports in 2008, an increase of 14 percentage points compared to 2007, according to official statistics. Meanwhile, U.S. frozen chicken paws accounted for 60% of total Chinese frozen chicken paw imports in 2008, an increase of 4 percentage points compared to 2007.

AI among migratory birds confirmed¹⁷

The Ministry of Agriculture announced that the National Avian Influenza Reference Laboratory confirmed avian influenza among migratory birds in Qinghai province.

Regional veterinary departments in Gahai found dead migratory birds on May 8, and on May 19 the birds were confirmed to be infected with H5N1 avian influenza by the National Avian Influenza Reference Laboratory, according to the briefing.

¹⁶ Poultry International May 5, 2009

¹⁷ Poultry International May 19, 2009

In response to the outbreak, access to the affected area was restricted for disinfection and culling of backyard poultry. All 121 dead wild birds and 600 culled poultry have been processed.

No outbreak among poultry has been found in the Qinghai province.

The 1st international dairy symposium held in Beijing¹⁸

On May 5-7, more than 600 dairy cattle scientists, farmers and dairy products producers from the US, Canada and China gathered in Beijing for the 1st International Symposium on Dairy Cow Nutrition and Milk Quality.

Six experts in the field of milk quality and safety gave in-depth explanations on the Canadian Quality Milk (CQM), how to ensure milk and dairy products safety from the food law and regulations, how to create a quality and safety system from farm to market.

Beijing Sanyuan forms new agribusiness group¹⁹

Beijing Sanyuan Group, a major dairy producer in China, has absorbed the asset of Beijing Huadu Group and will manage the operation of Beijing Dafa Chia Tai Co.

After the restructuring, Sanyuan Group will be renamed Beijing Capital Agriculture Group and have a total asset of CNY 15 billion (USD 2.2 billion). The move will help lower production costs and raise efficiency of state-owned assets and the new company will make full use of the capital market to seek more ways to raise capital.

Sanyuan Group currently has dairy, pig and Peking Duck production. In March the Group acquired the core asset of Sanlu Group at RMB616.5 million (US\$90.5 million), which went bankrupt as a result of the melamine scandal.

China's feed output rises year on year²⁰

In 2008, China's feed industry has continued to show a trend of stable development.

The output of China's feed industry in 2008 reached 131 million tonnes, an increase of 6.2 per cent year-on-year. Among them, compound feed achieved 99.5 million tonnes, up 6.8 per cent year-on-year; concentrated feed made 26 million tonnes, an increase of 4.4 per cent year-on-year; additive premix feed contributed 5.4 million tonnes, an increase of 3.7 per cent year-on-year. In 2008, China exported 6 million tonnes of feed and the total value was \$3 billion; imported 2.5 million tonnes and worth \$2 billion.

¹⁸ Asian Agribusiness May 6, 2009

¹⁹ Asian Agribusiness May 25, 2009

²⁰ TheCattleSite News May 1, 2009

At present, pig and poultry feeds account for 80 per cent of China total feed production, while the global feed industrial structure is pigs, poultry and cattle feed account for one-thirds each. As expected that in terms of the improvement of living standards, pork consumption will decrease and poultry and beef will increase, and aquatic products will increase as well.

It is expected that in the next 5-10 years, after the rapid formation of industrialization of China's breeding industry, the number of feed companies will quickly reduce. Through mergers and acquisitions, those companies who have advantages in technology, scale and brand will occupy more market share. In recent years, the market concentration of China feed industry has been rising, and further mergers and acquisitions are on the way. In 2008, there were 13 feed companies whose annual production capacity reached over one million tons in China and accounted for one-third of China total feed output.

In order to reduce the stress from the upstream and downstream industries, some feed companies started to extend their industry chain into the downstream breeding industry, such as Sichuan New Hope Agribusiness Co., Ltd, Tongwei group, Tech-bank and Zhengbang Group. To extend into the downstream breeding industry can help feed enterprises more closely to market demand, thereby enhancing the quality of feed processing, raising sales, and also through the integration of industrial chain are able to intensify feed companies' ability to deal with industrial cyclical fluctuations and promote the level of comprehensive profitability.

European food firms head to China²¹

A delegation of 11 European food firms led by EU's Commissioner for Agriculture and Rural Development Mariann Fischer Boel visited China during the 3rd week under the "Tasty Europe" banner.

The aim is to make a promotional effort to increase joint business opportunities in the agri-food sector between EU and China, especially for products that have already gained recognition in that market, such as dairy, meat and fresh fruit.

Fischer Boel will also meet with the Chinese Minister of Agriculture Sun Zhengcai, as well as other government officials and business leaders.

China becomes world's 4th in wind power capacity²²

With total installed capacity of 12 million kilowatts, China has become the world's fourth country in terms of wind power-installed capacity, an official said on May 25.

"Concerning wind power-installed capacity, China is next only to the United States, France and Spain," Lu Yanchang, vice chairman of the China Science and Technology

²¹ Asian Agribusiness May 19, 2009

²² Xinhua News May 25, 2009

Association, made the above remarks at the fifth China Energy Strategy Forum. Wind power has become a main force in China's new energy development cause, said Lu, adding that the country had built more than 200 wind power plants as of 2008, with 12.8 billion kwh electricity generated.

China's total wind power has accounted for 1.5 percent of country's total installed electricity capacity. The country will build more wind power projects before 2010, in east coastal areas, and vast western regions, according to Lu.

Inner Mongolia, covering 1.18 million square kilometers, boasts 100 million kilowatts of wind energy resources, with enormous white turbines standing high to capture the strong winds from the heartland of Mongolia and Siberia. The region is striving to increase installed capacity of wind power to more than 10 million kilowatts in 2010, almost half of that of the country's largest hydropower project at the Three Gorges, said Ya Saning, director of the region's economic commission.

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.

Tianjin becomes a manufacturing center of wind power-generating equipment²³

According to the Tianjin Wind Energy Association, to date, 50 enterprises engaging in the manufacture of wind power-generating equipment, key components and parts, as well as supporting services are located in Tianjin. These enterprises enabled the city to form an industry cluster primarily consisting of wind power manufacturing, which will be supported by the wind power service sector, and also components and parts manufacturing.

Denmark-based Vestas, the world's largest wind power-generating equipment manufacturer, is a global leader in the R&D, manufacture, sales and maintenance technology of wind turbines. In 2005, Vestas invested to establish a factory in Tianjin. Over five occasions, the company has invested a total of US\$363 million, making its Tianjin factory an important manufacturing base in China. Meanwhile, Spain-based Gamesa Corporation and India-based Suzlon Energy, the world's second and fifth largest wind power equipment manufacturers respectively, have also invested in Tianjin.

A group of enterprises engaged in the manufacture of wind power units, gearboxes and wind power materials, including Belgium-based Hansen Transmissions International NV (Hansen Transmissions), US-based Reichhold Inc, Sichuan-based Dongfang Electric and Guangdong-based Mingyang Electric, have rushed to invest in Tianjin. Of them, Hansen Transmissions, the world's largest wind turbine and transmission gear producer, is a global leader in the design and manufacture of key wind power generating components and parts,

²³ People's Daily May 5, 2009

as well as the development and utilization of renewable energy. Its factory commenced production in 2008 following an investment of 300 million euros. US-based Reichhold, the world's largest unsaturated polyester resin supplier of complex material producers, is a global leader in the R&D and manufacture of the unsaturated polyester resin, which is the specialized raw material used in the manufacture of wind turbine blades.

Statistics

China major meat sales price (05/01/09-05/10/09)²⁴

Pork (Lean):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 05/01/09-05/10/09	B. 04/20/09-04/30/09	C. 04/01/09-04/10/09	D. 05/01/08-05/10/08	(A-B)/B	(A-C)/C	(A-D)/D
20.50	21.26	22.26	28.72	-3.57%	-7.91%	-28.62%

Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 05/01/09-05/10/09	F. 04/20/09-04/30/09	G. 04/01/09-04/10/09	H. 05/01/08-05/10/08	(E-F)/F	(E-G)/G	(E-H)/H
14.64	14.56	14.64	15.32	0.55%	0.00%	-4.44%

²⁴ China Animal Agriculture Association

Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 05/01/09-05/10/09	J. 04/20/09-04/30/09	K. 04/01/09-04/10/09	L. 05/01/08-05/10/08	(I-J)/J	(I-K)/K	(I-L)/L
33.70	33.54	33.70	33.96	0.48%	0.00%	-0.77%

Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 05/01/09-05/10/09	N. 04/20/09-04/30/09	O. 04/01/09-04/10/09	P. 05/01/08-05/10/08	(M-N)/N	(M-O)/O	(M-P)/P
7.44	7.36	7.18	6.98	1.01%	3.70%	6.70%