



China Agricultural Newsletter

June 2008

Laws, Regulations and Policies

Ministry of Finance: Import tax cuts to relieve pressure on price rises¹

The Ministry of Finance said on May 28 that tariffs on frozen pork will be lowered from 12% to 6% from June 1 to the end of the year. Tariffs on soybean and peanut meal, two major livestock feed products, will be reduced to 2 % from 5% during the same period. Temporary tariffs on frozen fish will be reduced to 5% from 10-12%. Tariffs on infant formula will be lowered to 5% from 10-15%. Tariffs on coconut oil and olive oil will be lowered from 10% to 5%, effective June 1 to the end of September.

Tariffs on medical products have also been cut. No tariffs will be levied on blood product antiserum, vaccines and antibiotics from June 1 to the end of December. The previous level was 3%.

Cotton imported in excess of annual quotas will be levied RMB 357 (\$52) per ton from June 5 to October 5. The previous level was RMB 570 per ton.

The government's move to temporarily reduce import taxes on 26 commodities, including food items, medical products and cotton, will help reduce inflationary pressure, analysts said.

State Council promulgated Regulations for Administration of Live Hog Slaughter²

Promulgated by Decree 525 of the State Council of China on May 25th and implemented as of Aug. 1st, 2008, the Regulations for Administration of Live Hog Slaughter requires the state execute the system of designated slaughter, and centralized quarantine.

¹ http://www.agri.gov.cn/xxlb/t20080529_1050760.htm

² http://www.agri.gov.cn/zcfg/nyfg/t20080603_1054132.htm

As the competent administrative department, Ministry of Commerce will supervise and

administrate the industry of live hog slaughter at national level. Local Bureaus of Commerce will execute supervision and administration within their respective jurisdiction. The state will have grading management system implemented in live hog slaughter factories or houses, for the purposes of encouraging, guiding and supporting improvement of production and technologies, strengthening quality safety management. Detailed implementation measures on grading system will be drafted by Ministry of Commerce, on consultation with related departments in charge of animal husbandry and veterinary medicine.

Industry and Business Watch

NDRC: Quake has minimal impact on China's GDP³

An announcement from China's top economic planner National Development and Reform Commission (NDRC) stressed on May 28 that the massive earthquake in Sichuan is not likely to have a significant impact on the country's overall economic growth.

Vice minister Mu Hong at NDRC said that there were clearly immediate losses from the quake. But he also emphasized "Most of the quake-hit areas are in the northern part of Sichuan and Sichuan's economic growth only accounts for 4% of the country's total. So we do not expect massive impact on regional and national GDP. The central budget has earmarked RMB 70 billion for reconstruction start-ups this year. More funds will be also arranged next year."

Meanwhile the NDRC says as much as 384,000 tons grain have been set aside for quake relief, while the price of grain and foods are likely to be stable for the rest of the year. And this is largely because farmers in Sichuan managed to reap most of the wheat planted during the harvest season.

Ministry of Commerce: Special funds to support the building of rural market⁴

An official at Department of Market System Development under Ministry of Commerce (MOFCOM) said on May 27 that special funds will be given to implement two projects, i.e. building up commodity distribution system in rural area, and strengthening agricultural products logistic infrastructure.

The official said according to an understanding memorandum of cooperation signed by the state Post Bureau and MOFCOM, the former will offer RMB 10 billion lines of credit in 3 years, and the latter will actively recommend good projects in the two area.

³ http://www.agri.gov.cn/jjps/t20080529_1050779.htm

⁴ <http://www.99sj.com/News/138701.htm>

Meanwhile, MOFCOM will work hard to lower distribution cost in rural area, ensure

enough lands used for building up agricultural produce wholesale markets and warehouse facilities, abolish administration fee on countryside fairs, and individual businesses.

MOFCOM also encourages large enterprises owning chain grocery stores purchase directly from rural area, establish direct purchase bases, set up long-term producing and marketing alliance with farmers and farm organizations, in order to promote and expand production based on orders, advance industrial management of agriculture. In coordination with financing and tax governmental agencies, MOFCOM will support the large enterprises to build up production bases, organize experts to compile “Guide on Agricultural Products From Fields to Supermarkets”.

Updates on import and export of major agricultural produces in China⁵

During the first 4 months, both import and export of agricultural produces grew steadily, import growth rate far greater than export growth rate. As compared to the same period of last year, the deficit continued to expand to USD 5.47 billion. The total trade amounted to USD 30.87 billion, in which export amounted to USD 12.7 billion, growing 10.6%, import reached USD 18.17 billion, up 56.9%.

During the 1st quarter, cereal kept net exporting, but export volume decreased dramatically, with total 1.035 million tons exported, down 72.8%, and 530,000 tons imported, down 2.6%. In which, rice products⁶ exported 601,000 tons, up 38.1%, imported 179,000 tons, up 18%; corn products⁷ exported 82,000 tons, down 97.2%, imported 945.7 tons; wheat products⁸ exported 196,000 tons, down 45.9%, imported 2,721.6 tons, down 95.9%; barley products⁹ imported 339,000 tons, increasing by 9.8%.

Soybean imports continued to increase significantly, and edible vegetable oil grew steadily. 423, 000 tons edible oil seeds were exported during the 1st quarter, up 13.3% than the same period of last year, 8.192 million tons imported, up 36.8%. In which, soybean were exported 190,000 tons, up 44.4%, and 7.781 million tons imported, up 36.1%.

Edible vegetable oil exported 49,000 tons for the 1st quarter, down 3.7%, imported 2.013 million tons, growing 9.1%. In which, soybean oil was exported 22,000 tons, up 43.9%, imported 720,000 tons, up 23.8%; rapeseed oil was exported 1769.5 tons, down 89.1%, imported 34,000 tons, down 59.2%; palm oil was imported 1.248 tons, increasing by 8.4%.

Briefing of China’s Agricultural Machinery Industry

5 http://www.agri.gov.cn/xxfb/t20080508_1034922.ht

6 Rice products include rice, rice flour, paddy, and paddy seeds

7 Corn products include corn, corn flour, other processed corn, and corn seeds

8 Wheat products include wheat, wheat flour, and wheat seeds

9 Barley products include barley, processed barley, and barley seeds

With rapid development of China's economy, the level of farming mechanization is growing. Statistics by China Association of Agricultural Machinery Manufacturers

showed that in 2006 the mechanization level in rural area for soil tillage was over 70%, for sowing about 50%, and for harvesting less than 30%.

Since 2003, the growth of total output value of agricultural machinery and sales income exceeded 20% per year. Total output value was anticipated to be over RMB 150 billion in 2007.

Number of agricultural machinery enterprises reaching certain scale (with employees more than 100) was 1,735 in 2006, in which: state-owned and state-owned controlled enterprises 10.9%, private enterprises 78.73%, and three kinds of foreign-invested enterprises 10.37%

Gross output value of the whole industry was RMB 131.984 billion in 2006. State-owned and state-owned controlled enterprises accounted for 22.91%, private enterprises 66.59%, foreign-invested enterprises 10.5%. Total assets were RMB 75.394 billion, total profits RMB 5.601 billion, with 369,000 employees.

The output of large and medium-sized tractors was increased by 4.6 times in 2006 than 2002. The output of self-propelled combines in 2006 was 4.32 times more than that in 2002. The holding volume for tractors, self-propelled combines would be 200,000 sets, 50,000 sets in 2007.

The output volumes of main agricultural machinery in 2006 are shown in the following table.

Names	Unit	Output
Large and medium-sized tractor	Set	207,328
Small-sized tractor	Set	1,915,079
Diesel engine	10,000 Kw	45,217
Harvest machinery	Set	355,837
Farm transportation machinery	Set	1,844,993
Grain processing machinery	Set	1,685,025
Feed processing machinery	Set	169,804
Pump	Set	37,524,727

China's domestic supply of agricultural machines can not meet the demand, especially most of the large agricultural machinery have to rely on imports. For example, from 2004 to 2006, Heilongjiang Province invested RMB 2.5 billion in upgrading the large agricultural machinery, purchased 1,000 sets large-power tractors from John reere and Case. Xinjiang Autonomous Region used government loan and enterprises' own funds to purchase more than 1,000 sets large-power tractors and more than 300 sets cotton pickers.

Overview on feed market for the 1st quarter¹⁰

As compared to the 1st quarter in 2007, prices of feed products continued to grow. Soybean meal and Methionine prices surged up, fish meal decreased, Lysine was priced higher. Exports of soybean meal, fish meal, and Methionine reduced, imports increased.

Prices of swine formula feed increased month by month, up 27.71%. The average price was RMB 2.51/kg, RMB 2.55/kg, and RMB 2.59/kg for the first 3 months, respectively.

Prices of broilers and layers formula feed also went up. In January, they were RMB 2.66/kg and RMB 2.41/kg, up 22.02% and 22.33%. In March, they were RMB 2.74/kg and RMB 2.47/kg, up 23.42% and 22.22%.

Reasons for the pricing up can be traced raw materials cost of feed went up, and demand for formula feed grew due to more livestock on stock.

Overview on egg market for the 1st quarter¹¹

As compared to the 1st quarter in 2007, the average wholesale price of egg increased a little bit, RMB 6.23/kg, 1.92% higher. Since last Oct., egg price continued dropping for 4 months.

While egg price has maintained at high level, profits of raising layers dropped, because feed price continued to run at high level, average RMB 2.47/kg, up 22.28%, egg chickens were purchased at high cost, too.

Egg kept large surplus in trade. During the first two months, China exported 242 million eggs, up 58.21%, valued at RMB 2.019 million, up 88.09%, imported 31,000 eggs, down 70.81%, valued at RMB 58300, up 101%.

Overview on the pork market for the 1st quarter¹²

For the 1st quarter, China imported large live hog products, showing trade deficit. For the first 2 months, live hog products, including fresh and frozen pork, processed pork, chopsuey, and live hogs, were imported USD 146 million, up 308%, in which fresh and frozen pork accounted for 51.78%, chopsuey 46.60%. Meanwhile, live hog and its products were exported USD 136 million, down 2.18%, in which live hog accounted for 38.34%, processed pork 33.83%, fresh and frozen pork 27.74%.

¹⁰ http://www.agri.gov.cn/xxfb/t20080422_1021458.htm

¹¹ http://www.agri.gov.cn/xxfb/t20080421_1020565.htm

¹² http://www.agri.gov.cn/xxfb/t20080422_1021456.htm

Imported soybean price going up for 10 months¹³

During the first 4 months this year, China has imported 1.017 million tons soybean, up 21.5%. Since last July, import price of soybean has kept growing for 10 months. This April, it reached the highest USD 613 per ton, up 82%, comparing to last April.

New Application or Technology

Ethanol made of cassava promoted use in Guangxi Province¹⁴

This April, ethanol made of cassava started being promoted use in China's Guangxi Province, signaling China developed its bioenergy to "non-grain" materials. Guangxi Province is famous for producing cassava, mainly used for making starch, feed. For example, in Beihai City, within 150,000 Mu¹⁵ planting area, 225,000 tons fresh cassava would be produced each year. For a annual 200,000-ton fuel ethanol project, 1.5 million tons fresh cassava would be consumed.

Second to Brazil and United States, China ranks the 3rd in the world in terms of ethanol production, resulting in the skyrocketing price of corn, and more and more farmers gave up soybean production, changed to corn. Right now 4 million tons corn are needed for ethanol production each year, which means 4.7 million Mu arable lands would be occupied, correspondingly reducing 1.65 million tons of soybean. China's annual soybean output shrinks to 15 million tons, with import dependence up to 67%.

Recently, international grain price surged up dramatically, prices of wheat, corn have increased by 112%, 47% since the end of last year. As the largest populated country in the world, to achieve sustainable development, China has to look for new ways and materials to develop renewable energy, instead of relying on grains.

Plant polysaccharides developed for replacing traditional bread gluten fortifier¹⁶

Through many years' efforts, researchers in China developed a new-structured plant polysaccharides, extracted high purity sugar from endemic plants and used as bread gluten fortifier. Different from traditional gluten fortifier made of potassium bromate, it has no harmful and side-effect to human body.

The polysaccharides has special microstructure – micrometer tube, which can be formed

¹³ http://www.aptc.cn/news_view_50291.aspx

¹⁴ http://www.agri.gov.cn/jjps/t20080430_1029394.htm

¹⁵ 1 Mu equals to 0.1647 acres. So 150,000 Mu equals to 2470.5 acres

¹⁶ http://www.agri.gov.cn/xfpd/zxdt/t20080529_1051021.htm

into film. When it mixes with flour into dough, the polysaccharides film will parcel flour, seal air inside evenly when baking, making bread soft, uniform stomata, more delicious.

Events and Exhibitions

China International Seeds Industry Expo 2008

Time: June 13-15, 2008

Venue: Hunan International Convention & Exhibition Centre

Contacts: Cheria Cai

Add: Room 338, CCPIT South Bldg, 182 Chaoyang Road,
Changsha City, Hunan, 410001, China

Tel/Fax: +86-731-4142558/ +86-731-4117118

Email: cisie_ap@hotmail.com; wensicarter@yahoo.com.cn

Website: www.cisie.net/en/index.html

The 2nd Exhibition of Engineering, Construction, Agricultural Machinery and Parts at Bohai Economic Circle

Time: Sep. 6-8, 2008

Venue: Qingzhou International Exhibition Center, Shangdong Province

Contacts: Wang Fang

Add: No. 999, Tuoshan North Road, Qingzhou City, Shandong Province

Tel/Fax: +86-536-3308207, 3308208, 3308209 /+86-536-3308203, 3308203

Email: wangfang2065@126.com; jianxinghuizhan@hotmail.com

The 5th Nutriment, Health Food, Organic Products (Guangzhou) Exhibition

Time: Sep. 5-7, 2008

Venue:

Contacts: Jiang Guifa

Add: Room 2406, Yinyan Building, No. 25-27 Yanling Road,
Guangzhou, 510507, Guangdong Province

Tel/Fax: +86-20-61078749 / +86-20-61089459, 61089469

Email: fa020@163.com

Website: http://www.gzxazl.com/show_view.asp?showid=17

Statistics

Top 3 Countries Exporting Major Agricultural Products to China

Quantity: Tons Amount: USD 10,000

Top 3 Markets	Jan.- Apr. 2008		Jan. – Apr. 2007		Var. % Jan. –Apr. 2008/2007	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Soybean	10,172,217.20	582,311.8	8,370,786.2	270,161.6	21.5	115.5
1. United States	7,393,691.90	425,854.50	6,511,352.50	209,400.00	13.60	103.40
2. Argentina	1,850,005.50	101,156.90	536,142.30	16,344.70	245.10	518.90
3. Brazil	914,321.90	54,719.40	1,319,708.50	44,304.60	-30.70	23.50
Corn	1,924.00	240.6	6,401.70	226.7	-69.9	6.1
1. India	30.8	67.7	35.0	87.5	-12.2	-22.7
2. United States	1,189.20	66.3	1,143.60	40.8	4.0	62.3
3. Germany	33	65.1	3.7	5.7	782.7	1050.2
Soybean Oil	1,016,390.0	113,273.2	792,379.5	53,112.9	28.3	113.3
1. Argentina	697,947.6	76,605.4	587,487.4	39,225.0	18.8	95.3
2. Brazil	171,389.1	19,791.1	81,500.0	5,473.6	110.3	261.6
3. United States	146,993.9	16,862.2	119,884.1	8,157.6	22.6	106.7
Mix Animal Feed	50,664.8	7,021.9	25,284.9	3,837.1	100.4	83
1. United States	29,262.8	3,025.5	7,826.4	1,114.1	273.9	171.6
2. France	2,625.0	513.7	986.4	259.1	166.1	98.3
3. Holland	5,750.8	498.8	2,945.7	213.8	95.2	133.3
Broilers	263,037.8	32,318.4	259,426.7	23,840.6	1.4	35.6
1. United States	187,067.6	23,464.9	170,469.9	14,700.4	9.7	59.6
2. Argentina	75,577.3	8,809.4	12,303.4	1,287.0	514.4	584.5
3. France	392.9	45.0	0.0	0.0	0	0

Source: China Chamber of Commerce of Import and Export of Foodstuffs, Native Produce and Animal By-Products.