



## China Agricultural Newsletter

July 2008

### Laws, Regulations and Policies

#### **State Council: A mid to long-term plan approved to ensure grain security<sup>1</sup>**

China's State Council on July 2 approved a plan to ensure the country would be 95 percent self-sufficient in grain over the next 12 years after hearing how farmers faced tremendous challenges in increasing output. The Cabinet agreed at an executive meeting the plan to ensure grain output exceeds 500 billion kilograms until 2010, and reaches 540 billion kgs by 2020.

The State Council agreed the country faced grim challenges in grain security. They approved a mid to long-term plan to ensure national grain security, which would make the country more than 95 percent self-sufficient. Relentless efforts should be made to ensure a minimum of 120 million hectares of arable land. Agriculture infrastructure and water facilities should also be improved. Grain production subsidies would increase annually to boost farmers' incomes, but no details were given.

China produced 501.5 million tons of grain last year, 15 million tons less than the total demand.

However, Premier Wen Jiabao has said the country has 40 to 50 million tons of rice reserves to cushion it against global price rises.

This year, the country could see the fifth consecutive bumper harvest of summer grain, the first such run of harvests since 1949, the Ministry of Agriculture said. The summer crops, which usually account for about 23 percent of the nation's annual grain output, would surpass the 115.34 billion kg for 2007.

#### **State Council: Ratify major project of breeding new varieties of transgenic**

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<sup>1</sup> Xinhua News Agency, July 2

## organism<sup>2</sup>

Presided over by Premier Wen Jiabao, an executive meeting of China's State Council reviewed then approved major project of breeding new varieties of transgenic organism on July 9, a project estimated to invest 20 billion yuan, including 10 billion yuan from central government, and the left afforded by local government and social funding. 20% of the investment will be used for inspection of biosafety and related facility construction.

According to Xinhua News Agency, the committee members think implementing this project has great strategic significance in enhancing China's independent innovation of agricultural science and technology, improving biological breeding level, advancing agricultural sector efficiency and farmers' income, increasing agricultural competitiveness.

At present, China is leading in the world in R & D of super rice, transgenic insect-resistant cotton, dwarf abortion wheat, avian influenza vaccine. The "Development Planning of Agricultural Science and Technology" (2006-2020), issued by the State Council in 2005 as a guideline to direct innovation of Ag sector, emphasized while keeping China's leading edge in these areas, to make breakthroughs in breeding high-quality livestock, poultry and aquatic species by focusing on basic research of biological gene, and gene transfer of productive and scaled agricultural produces. Meanwhile, it also required to strengthen inspection of GMOs biosafety and management.

## **MOFCOM: Require earnest settlement on the difficulty of selling agricultural produce<sup>3</sup>**

Recently, MOFCOM released the Notice which required all local competent commercial departments and all kinds of circulation enterprises to undertake feasible, flexible and effective measures for settling the difficulty of selling agricultural produce.

Affected by production method, natural disaster, circulation cost and some other factors, China always suffers from sluggish selling of agricultural produce by season, region and structures. The Notice required all local competent departments to attach great importance and earnestly strengthen the organizing administration of settling the difficulty of selling agricultural produce, to perfect working system, make clear for the responsibility, to summarize and analyze the selling difficulty occurred in recent years, so as to formulate responding working scheme through combining with local fact.

The Notice stressed that the market monitoring and pre-alarming work should be further strengthened by local competent departments. The effective way should be fully utilized, such as urban and rural market information service system and rural commercial information service system, so as to provide convenient and high-effective public

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<sup>2</sup> <http://science.aweb.com.cn/2008/7/10/359200807100823980.html>

<sup>3</sup> <http://www.mofcom.gov.cn/aarticle/zhengcejid/bl/by/200807/20080705637962.html>

information service for the production and circulation of agricultural produce.

The Notice also made requirement and deployment on such works as broadening purchase and selling channel for the agricultural produce and enhancing infrastructure facility construction for the circulation of agricultural produce.

### **China to straighten out Ag-related prices and fares<sup>4</sup>**

NDRC and Ministry of Finance jointly issued a notice, requiring local governments to screen, reset or cancel some prices and fares charged to farmers.

In recent years, at the process of promoting overall reform in Ag sector, China has implemented a series of policies for supporting this sector, including strengthening supervision of Ag-related prices and fares, which effectively alleviated farmers' burden.

However, some unreasonable fares and high prices in utilities still cause burdens to farmers. The Notice required local governments put focus on water and electricity prices in agriculture, charges on houses built by farmers, primary and middle school education in rural area, and other charges already permitted to cancel. The Notice also required, by the end of this September, all items cancelled, lowered charges or prices should be published to the public.

## **Industry and Business Watch**

### **Importance of agricultural production stressed<sup>5</sup>**

Vice Premier Hui Liangyu said recently that agricultural production and effective rural administration this year were extremely important to maintain economic and social development.

During a field inspection in the agricultural province of Hebei, Hui said it would be an arduous job to reap grain harvests this year, although the country had almost finished bringing in bumper crops of summer grain. "Unswervingly, we should ensure steady growth of agricultural production and farm incomes and ensure the sufficient supply of agricultural produce," he stressed.

Hui said agricultural development and grain harvests were extremely important for China to ensure national food security and halt the rapid increase of prices, with grain prices soaring on international markets.

The massive earthquake in Sichuan Province on May 12, combined with ongoing flooding in southern China triggered by heavy rains, had caused serious problems for agricultural

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<sup>4</sup> <http://news.aweb.com.cn/2008/7/10/117200807100825430.html>

<sup>5</sup> Xinhua News Agency, June 19

production in these regions.

It was expected that typhoons, flooding and drought in the remainder of the year would mean more difficulties for agricultural and grain harvests.

In addition, prices of farm inputs, such as fertilizer, had remained high, which certainly added to the difficulty of reaping grain harvests throughout the year.

### **Expert: Summer grain harvest can help curb inflation<sup>6</sup>**

This summer's grain harvest could greatly help China to ease inflation pressure, according to Ma Xiaohe, a senior researcher with the National Development and Reform Commission (NDRC).

The crop is predicted to top 120 million tonnes this summer, 2.5 million tonnes more than a year ago, said Agriculture Minister Sun Zhengcai.

Although China faces some difficulties in securing a grain harvest this autumn, "the effective macro-economic policies and stable grain supplies will slow the consumer price index (CPI) rise pace," said Ma. Officials have unveiled measures to encourage planting, as soaring food prices have become the major driver of consumer inflation.

The central government vowed this year to spend 562.5 billion yuan (US\$ 81.9 billion) to support farms and the rural sector, 130.7 billion yuan more than last year.

It decided in March to allocate another 25.25 billion yuan to this year's rural budget, mainly to subsidize farmers' purchase of seeds, diesel, fertilizer and other production materials.

The CPI rise in the second half of this year would slow down by 2 to 3 percentage points and the annual CPI rise would hover between 5 percent and 6 percent, partly due to the sufficient agricultural products supply, China Business News quoted Li Huiyong, a Shanghai's Shenyin & Wanguo Securities senior analyst, as saying.

China has set an annual CPI target of 4.8 percent this year.

### **China likely to see steady price rises for rice<sup>7</sup>**

Prices of rice on the Chinese mainland are to largely remain stable with a modest upward trend in the coming months.

Chen Yao, head of the Heilongjiang grain association, a major cereal growing area in northeastern China, said that factors behind further paddy price rises included government policies to support agricultural production and the mounting costs of paddy growing and processing.

Chen noted price rises on international rice markets and short supplies worldwide would

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<sup>6</sup> Xinhua News Agency, June 24

<sup>7</sup> Xinhua News Agency, July 8

increase farmers' and traders' resistance to selling, and that frequent natural disasters across the mainland would possibly trigger a rice dearth in some areas.

China was predicted to produce 185.7 billion kilograms of paddy this year, a growth of 210 million kg, or 0.11 percent, from 185.49 billion kg last year, according to Chen.

The slightness of the change would deprive paddy and rice prices of conditions to rise sharply, Chen said, adding that the prices would linger at a high notch with a steady upward trend.

The Chinese government said early this year that the nation's grain reserves were at 150 million to 200 million tonnes, including 40-50 million tonnes of rice.

Bai Meiqing, head of China National Association of Grain Sector, said China's paddy and rice production was still beset with two major problems: one was that production was yet to return to a record high level, and the other, processing still fell behind the world's most advanced standard.

### **Top government official explains nation's biofuel development strategy<sup>8</sup>**

China's corn-based ethanol production capacity is only 1.3 million tons. With the largest population in the world, China will not develop biofuel at the cost of grain security, said Zeng Xiao'an, a deputy department director of the Ministry of Finance, adding the government will strictly implement its policy of not approving new biofuel projects involving grains.

But Zeng said the central government will offer financial support for development of biofuel from agricultural waste, such as wheat straw, corn stalks, animal feces and non-grain farm produce.

Every year, China produces about 700 million tons of agricultural straw and 3 billion tons of animal waste. It also has about 100 million hectares unsuitable for growing grain but which can be used to cultivate plants for fuel production.

The country has long been encouraging farmers to dig biogas pools. Generally, Chinese farmers recycle crop straws, grass, husk and animal dung and use it as biogas. This produces organic and environmentally friendly fertilizer.

Some 26 million households in the country's rural areas were using methane for cooking and heating by the end of last year. Another 5 million households will do so this year.

The country produced 750,000 tons of bio-ethanol last year and is scheduled to boost output to 5 million tons by 2010, according to the Ministry of Agriculture.

### **Jilin Province launches integrated 5-year plan to boost grain output<sup>9</sup>**

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<sup>8</sup> Xinhua News Agency, July 9

<sup>9</sup> Xinhua News Agency, July 3

Jilin Province has started an ambitious program to increase grain output by more than 5 billion kilograms within five years. If it succeeds, Jilin, in northeast China, will become the country's fifth-biggest grain producer after Henan, Shandong, Jiangsu and Heilongjiang provinces.

Seen as a national grain security issue and approved by the State Council, the program will cost 26 billion yuan (about 3.72 billion USD), including 10 major projects: water diversion, expansion of the irrigated area of Jilin's central and western regions, further mechanization of farming, cultivating and popularizing improved grain varieties and disseminating advanced farming techniques.

The funds will come from special government allocations and subsidies, bank loans and funds raised by Jilin Province, according to Vice Governor Wang Shouchen, who is in charge of agricultural affairs.

Jilin will have another 200,000 hectares of arable land under the plan. It will also upgrade 1.33 million ha of low- to medium-yield farmland and improve 2 million ha of high-yield farmland. It has 5.33 million ha of farmland and is capable of producing 25 billion kg of grain annually.

Situated deep in the Songliao Plain, which is formed by the Songhua, Nenjiang and Liaohe rivers, Jilin boasts fertile farmland and is one of the world's top three corn production belts.

### **China's agricultural product trade deficit for the first five months up 14.3 times over last year<sup>10</sup>**

Statistics from the Ministry of Agriculture showed that in the first five months of 2008, the total trade volume of imports and exports for agricultural products was USD 39.93 billion, up 36.1% from the same period last year. In which, export volume was USD 16.18 billion, up 12.2%; import volume USD 23.75 billion, up 59.2%. The agricultural product trade deficit was USD 7.57 billion, up 14.3% compared with the same period last year.

Researcher Chang Xiuze from NDRC said major reasons of such high deficit attributed to major agricultural produces imported rose up prices dramatically, including high volume of soybean. China imports soybean more than 30 million tons each year, with import dependence reached 68%.

Statistics also showed import volumes of edible oil seeds, edible vegetable oil were much over export volumes. Import volume of edible oil seeds was 14.258 million tons, up 20.9% from the same period last year, edible vegetable oil 3.58 million tons, up 11.2%.

### **5.5 million live hogs loss from the Sichuan devastating earthquake<sup>11</sup>**

According to the Sichuan Provincial Animal Husbandry Bureau, last month's devastating

<sup>10</sup> <http://finance.sina.com.cn/china/hgjj/20080710/07355074357.shtml>

<sup>11</sup> <http://www.thepigsite.cn/swinenews/19659/>

earthquake caused direct loss of 5.5 million live hogs. It was estimated pork production in Sichuan reduce by 700,000 to 1 million tons this year.

To make things worse, traffic disruption by the quake made it difficult to transport hog feed, such as soybean meal, fish powder. Most of local feed manufacturing facilities were located in quake hit area.

However, the local official said the loss would not affect pork price in Sichuan or in China this year. Some local companies already started building breeding hog farms. It was anticipated the loss of local live hogs and pork production would be recovered within three years.

### **Cost for raising live hogs goes up due to piglets and feed prices hiking<sup>12</sup>**

Recently, because of rising prices of piglets and feed, cost for raising live hogs goes up, cooling down farmers' enthusiasm on hog cultivation.

A survey in Yanggao County at Shanxi Province showed, in the first half this year, sales price for a piglet was RMB 550 to 600, increasing RMB 250 compared to the same period last year, reaching 52% cost of the hog ready for slaughtering. Besides, feed price also skyrocketed, corn price was RMB 1.5 per kg, up 5%, concentrated drink RMB 5 per kg, up 50%, finished feed RMB 22 to 24 per kg, up 40%. The survey also showed for each hog ready for slaughtering, total cost is about RMB 1,420, up 34% and RMB 370 more than the same period last year. In which, piglet cost increases by RMB 250, feed cost is up RMB 120.

Rising cultivation cost increased farmers' burden as well as concerns to future market expectation. Farmers are reluctant to expand hog raising size, because they worried that government will take measures to control pork price, as a way to combat inflation.

Some experts called for control of feed price, especially corn, adding allowances to key farmers, in order to ensure hog raising benefits, stabilize pork price.

### **NDRC: RMB 2.8 billion for expansion of breeding and building of large hog farms<sup>13</sup>**

An investment plan recently released by NDRC disclosed RMB 2.8 billion from central government budget will be used to expand breeding and large-scale raising farms of live hog farms. The reasons, excerpted from the plan, was for implementing fine variety breeding system, improving scale raising standard, advancing stable production, and ensuring market supply.

So far NDRC has accumulated arranging RMB 5.6 billion from central government budget to support building 55 stock seed farms of live hog, expanding 375 breeding farms, building 41 variety source farms, 20,000 standardized raising farms, and 70 chicken

<sup>12</sup> <http://animal.aweb.com.cn/2008/0710/3114094219110.shtml>

<sup>13</sup> <http://cj.zhue.com.cn/jinrijujiao/guonaxinwen/200807/14-38565.html>

breeding farms.

Due to negative impact to livestock production from large snow storm in south China early this year and devastating earthquake in Sichuan on May 12, NDRC decided to give more supports to disastrous area to recover local animal husbandry. Investment to snow storm hit provinces - Hunan, Jiangxi, Guizhou, Hubei, Guangxi, and Anhui - increased by RMB 5.3 million, as compared to the same period last year, and investment to quake hit area - Sichuan, Shaanxi, Gansu – increased by RMB 50 million.

## Statistics

### Top 3 Countries Exporting Major Agricultural Products to China

Quantity: Tons Amount: USD 10,000

Top 3 Markets	Jan. - May 2008		Jan. – May 2007		Var. % Jan. – May 2008/2007	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
<b>Soybean: Total</b>	13,651,492.4	792,106.4	11,335,035.5	369,324.5	20.4	114.5
1. United States	8,532,243.2	495,369.4	7,146,055.5	230,696.8	19.4	114.7
2. Brazil	2,936,540.3	176,605.4	2,986,881.9	100,165.9	-1.7	76.3
3. Argentina	2,167,384.7	119,509.5	1,197,001.0	38,299.9	81.1	212.0
<b>Soybean Oil: Total</b>	1,131,009.1	128,305.3	1050,652.8	70,409.1	7.6	82.2
1. Argentina	762,723.6	85,136.4	814,310.4	54,408.2	-6.3	56.5
2. Brazil	210,233.1	24,845.3	112,407.3	7,544.5	87.0	229.3
3. United States	157,993.0	18,309.0	119,884.1	8,157.6	31.8	124.4
<b>Corn: Total</b>	6,820.2	361.0	6,630.7	237.6	2.9	52.0
1. United States	2,369.0	133.6	1,371.9	51.4	72.7	160.1
2. India	30.8	67.7	35.0	87.5	-12.2	-22.7
3. Germany	33	65.1	3.7	5.7	782.7	1048.5
<b>Mix Animal Feed: Total</b>	62,227.4	8,680.6	36,006.9	5,092.9	72.8	70.4
1. United States	35,672.9	3,719.9	13,617.7	1,568.3	162.0	137.2
2. France	3,171.9	618.0	1,425.4	349.3	122.5	76.9
3. Holland	5,750.8	498.8	2,945.7	213.8	95.2	133.3
<b>Broilers: Total</b>	332,682.0	41,476.6	321,126.3	31,237.8	3.6	32.8
1. United States	235,503.7	29,886.2	205,550.1	18,724.7	14.6	59.6
2. Argentina	95,652.8	11,400.3	14,508.2	1,585.2	559.3	619.1
3. France	1203.5	148.0	0.0	0.0	0	0

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