



China Agricultural Newsletter

August 2008

Laws, Regulations and Policies

Chinese President underscores breakthroughs in reform, development in rural areas¹

Chinese President Hu Jintao stressed three breakthroughs in rural restructuring, modern agriculture and rural public facilities to push forward reform and development in the countryside.

Hu made the remarks during a visit to central Henan Province from Monday to Wednesday, where he met with local officials, farmers and entrepreneurs.

Vigorous efforts should be made to improve rural operation mechanism, promote the transformation of agricultural business mode and optimize the system supporting the development of agriculture and rural areas, Hu said.

He said governments at all levels should pay more attention to grain production, which is closely linked to economic growth and social stability.

All the policies to boost grain production should be fully implemented to raise farmers' enthusiasm to grow crops, he said, while both policy and technology are indispensable to achieve this goal.

Hu also urged local governments to encourage leading enterprises to boost the industrialization of agriculture through various means and find more ways to increase farmers' income.

Calls for Livestock Waste Control²

Official sources report that China's State Council is targeting improved water quality and pesticide pollution prevention as its main focus for environmental protection in rural areas

¹ <http://english.people.com.cn/90001/90776/90785/6497356.html>

² The PigSite News Desk

from 2010.

It declared that up to a 10 percent rate rise should be achieved in the treatment of sewage and consumer waste, as well as in the livestock and poultry waste utilization rate.

The plan also called for the living environment of rural citizen and ecological conditions to be greatly improved by 2015.

Vice-Premier Li Keqiang, stressed that environmental protection in rural areas is of great concern and of vital interest to rural citizens. It is also needed for the country's sustainable development.

Mr Li emphasized the government should make great efforts in solving environmental problems that damage health and threaten food safety.

He said that the focus of the latest protection work was to ensure water safety in rural areas and further promote the building of sewage treatment facilities.

Industry and Business Watch

China's GDP to grow 10%, CPI rise 6.1% in Q3³

A consensus estimate produced by 17 Chinese and foreign institutes is that China's GDP will grow 10 percent and the CPI will rise 6.1 percent during the third quarter, down 0.1 percentage points and 1.7 percentage points, respectively, from the second quarter.

“The government's tight monetary policy is beginning to work to bring down inflation with the quickened pace of renminbi appreciation and a slowdown in money supply and GDP growth,” Lu Feng, a professor at Peking University and one of the forecasters, said.

Song Guoqing, another Peking University economist, said: “A large portion of the 'hot money' is deposited in banks to profit on interest rate and foreign exchange rate differentials. Plunging stocks have caused wealth losses. These are being translated into a slower pace of fund circulation. Considering changes in the pace of fund circulation and money supply, the growth rate in overall demand is expected to continue slowing.”

China's GDP grew 10.6 percent in the first quarter and 10.1 percent in the second, with 10.4 percent growth for the first half of 2008. The CPI stood at 7.9 percent in the first half.

Grain output to exceed 510 m tons in 2008⁴

China National Grain and Oil Information Center, a state-owned forecaster, said in a report on Sep. 10 that an increase in grain output is expected for the fifth consecutive year in 2008, with production to exceed 510 million tons. In which, 18.73 million metric tons paddy may be harvested, 0.84 percent more than last year, and wheat output will be 112.5

³ http://www.chinadaily.com.cn/bizchina/2008-07/28/content_6883209.htm

⁴ Shanghai Daily Sep. 11, 2008 Xinhua News Agency Sep. 11, 2008

million metric tons, up 2.64 percent.

The center's report also forecasted that corn yield will be reaching 156 million metric tons, 4.17 million metric tons more than last year; Soybean output may rise 36.72 percent from a year ago to 17.5 million metric tons. China's higher output may slow its growth in soybean imports, which are set to reach a record 34.4 million tons in the year through September 30.

China has adopted multiple measures and policies since late last year in a bid to stabilize grain prices and promote agricultural production, including curbing grain export, raising subsidies for farmers and tackling fertilizer price increase, among others.

Food alliance formed⁵

China's largest agricultural trading and processing company, COFCO, has enlisted Japanese trading house Itochu Corp to help it prepare for possible increases in demand for grains and other food from around the world.

Itochu, Japan's fourth biggest trading company, said it and the Chinese company were discussing joint purchases of grains, dairy products and meat to boost their buying power in the international market, after signing a strategic alliance last month.

Rapidly increasing wealth in China has also opened the way for sales of high-quality farm produce from Japan, as tastes in the world's most populous nation turn to meat, dairy products and imported food.

At the same time a rally in international grain prices, such as corn and soybeans and higher fuel and freight costs have made it difficult for food importers to find stable supplies at reasonable prices.

COFCO is expanding its food-processing business as part of an effort to diversify away from grains trading, which is losing importance as China's economy opens up.

120 million hectares arable land guaranteed on grain security concern⁶

Recently, China's Cabinet approved the general outline for the land use plan during 2006-2020 period to ensure the proper use of arable land and guarantee a minimum of 120 million hectares of arable land.

The State Council agreed at an executive meeting the plan to make sure the area of the country's arable land remains at 121 million hectares by 2010 and no less than 120 million hectares by 2020, to ensure grain security, economic and social stability, according to the meeting, presided over by Premier Wen Jiabao.

The outline also called for tightened restrictions on the acquisition of farmland for construction of housing and factories and urged local authorities to intensify monitoring of land use. Any unlawful land seizure should be timely adjusted.

⁵ China Daily Sep. 5, 2008

⁶ Xinhua News Agency Aug. 31, 2008

Experts believed the arable land pollution, together with a declining area of farmed land, had posed a severe threat to the country's food security.

According to the outline, relentless efforts would be made to improve land using efficiency and achieve a structure balance between the ecological land use and lands for other usage. Efforts will be made to push legislation to regulate land use.

Rising prices eating into farmers' income⁷

Farming one mu (0.066 hectares) of wheat will yield 153 yuan (\$22) of net income this summer, a recent official survey on farmers' income has showed. Rising production costs was cited as a major reason behind the decrease in income.

Thinner profit margins have forced the farmers to downsize their planting acreage. Li Taiai, a 58-year-old farmer in Zhongcaiwan village of Shandong province, said: "More and more grain growers are shifting to planting vegetables, which can generate much higher profit in a shorter time." Just a few years ago, half of the land was used to grow wheat and other grain, he said.

Pork prices likely to fluctuate⁸

China's pork prices had almost doubled since last summer because of rising costs, shrinking supplies and blue ear's spread. But the country's pig supply levels have rebounded through government subsidies, lowering pork prices.

Industry statistics show there were about 470 million pigs in the first half of the year, about a 10 percent increase over the same period of 2007.

Beijing-based market analyst Yi Mingqi believed the pork market would be saturated by the end of the year. Yi predicted prices would spike around Spring Festival before hitting a low point in the second season of 2009.

The Ministry of Agriculture recently said the pork price has been continuously dropping since January, and prices have declined 13 percent on average since then.

The current average price in major markets is about 20 yuan (\$2.92) per kg, down about 3 yuan from January.

The ministry said pig farmers could currently make a profit of 160 yuan per 100 kg on average - less than half the 400 yuan they could earn at the peak season at the end of 2007.

China consumes an average of about 50 million tons of pork annually but only consumed 42 million tons last year due to the shortage. The figure is expected to be 46 million this year.

⁷ http://www.chinadaily.com.cn/china/2008-07/25/content_6876031.htm

⁸ <http://www.thepigsite.com/swinenews/19035/pork-prices-likely-to-fluctuate>

While the pig population's rapid increase might lead to surplus pork supplies, rising feedstuff costs might diminish the industry's profitability. Experts believe this might lead to a new wave of market fluctuations.

Soybean output set to increase⁹

Chinese government will ramp up soybean production and guide development of the soybean processing industry to reduce reliance on imports, according to a guideline for the soybean processing industry released on Sep. 3 by the National Development and Reform Commission (NDRC).

Last year, China imported 30.82 million tons of soybeans, accounting for 40.9 percent of the world's total soybean trade and pushing up the country's dependence on imports to 78.7 percent, according to this guideline.

This year, China's soybean planting area increased 1.06 million hectares from a year ago and will reach 9.65 million hectares. Output is expected to rise to 17.5 million metric tons, up 36.7 percent from 2007. Efforts to develop new strains of high-yield soybean seeds and introduce advanced planting technologies are also expected to boost output.

Rapid growth of the soybean extraction industry in the past few years led to excess production capacity of 77 million tons in 2007, but the operation rate across the industry was only 44.2 percent, the NDRC said.

The guideline stipulates soybean extraction capacity should be under 75 million tons a year by 2010, and further reduced to 65 million tons a year until 2012.

The NDRC also urged the soybean processing industry be upgraded through mergers and reform, and major soybean processors be set up in the coastal region.

The guideline also sets out stringent environment protection rules for soybean processors, requiring energy and water consumption be reduced by 15 and 30 percent respectively by 2012.

China tightens control over exporting livestock, poultry genetic resources

BEIJING, Sept. 4 (Xinhua) -- China has moved to tighten the control over the export of genetic resources of livestock and poultry with the promulgation of a new ordinance that will take effect on October 1.

The government will ban the export of genetic resources of newly-discovered, unidentified livestock and poultry breeds that are unique to the country, according to the ordinance signed by Chinese Premier Wen Jiabao on August 28.

It will be unlawful to cooperate with overseas institutions or individuals in studying and utilizing those resources forbidden to be exported, said the ordinance.

⁹ China Daily Sep. 4, 2008

No agencies or individuals will be allowed to transfer the information of the country's livestock and poultry genetic resources to overseas agencies or individuals without government permission.

Besides, breed resources listed under national protection must not be carried abroad if it threatens Chinese animal husbandry production and exports.

The move was to "protect and make proper use of the genetic resources of livestock and poultry, prevent them from flowing off and boost the sustainable, healthy development of animal husbandry," said the ordinance.

The ordinance also stipulated the introduction of such resources into the country must make no threats to the safety of domestic breeds and ecological environment, with their source regions free of epidemics and their use clearly stated.

China boasts 576 breeds of livestock and poultry, about a sixth of the world's total. In the past two decades, at least 10 varieties disappeared, with more than 20 on verge of extinction and over 100 breeds seeing a sharp drop in number.

China's animal husbandry posted an output of more than 1.3 trillion yuan (190 billion U.S. dollars) in 2005, accounting for 35 percent of the total agricultural production.

Eco pig farms wave of future

September 03, 2008

At China's largest eco-friendly pig-raising farm, there is no smell and no pig manure underfoot. The 200 million yuan facility in Fengxian county, Jiangsu province, has more than 6,000 organically bred pigs.

In contrast to traditional pig farms, this farm is much tidier, thanks to newly developed technology, which can compost pig manure. In the pigpen there is a bed of micro-organisms, straw, manure and rice hulls which composts wastes without leaving behind any foul smell.

The owner of this eco pig farm, Nanjing-based Fu Teng Agriculture and Animal Husbandry Company, said it intends to build a nationwide network of pig farms to raise 1.8 million pigs within the next five years. The company currently has another two eco pig farms under construction in two counties in Nanjing.

"Pigs raised in this way are much tastier because they are cleaner, and are organically bred," said Meng Xianjun of the company's sales and marketing department. He added that these pig farms are also more productive than conventional types.

As thousands of smaller pig farms are shut down by environmental pollution reduction measures, companies like Fu Teng are promoting what they see as the future of pig farming in China.

Liu Guoze, director of the Wuxi bureau of agriculture and forestry animal husbandry

department, said centralized and eco-friendly pig farms have enormous market potential in the future development of the industry.

Aside from the environmental benefits, eco pig farms are also cost efficient. Fu Teng finds that it can save 75 to 90 percent of water consumption and 30 to 50 percent of labor power, compared to a conventional pig farm.

Fu Teng has also worked with local farmers to teach them how to breed pigs ecologically. "They find it very rewarding, since it saves labor, and breeds better pigs," said Meng.

"Over the next few years, we will expand and promote this eco technology around the country," he added.

Source: China Daily

Saving every drop to nourish the corn belt

On a routine stroll in her 11.2 hectares of cornfields one recent morning, farmer Cui Shulan heaved a sigh of relief. This year, she will get a bumper crop of corn.

"Nature has treated us kindly this year," said the 61-year-old farmer from Dongling village in Jilin province. "We've had ample sunshine and adequate rainfall. If all goes well, we could get a yield of 17,500 kg in the fall."

Like millions of small farmers who eke out a living on small patches of land, Cui's fortunes are dependent on Mother Nature.

"Crop plantation in Jilin is still at the mercy of weather," Cui said simply. "One year we have a bumper harvest, while another very poor one."

Despite being the world's largest agricultural country with the bulk of its population - 56 percent - in rural areas, China's farming practices have changed very little throughout the centuries. The country's rapid urbanization and economic growth in the last few decades have only widened the gap between the rural and urban economies.

The increasing gap in income between city and country has prompted the central government to focus more attention on rural areas, and on agricultural development.

This is especially important for a province like Jilin, which is home to one of the world's top three corn production belts, the other two being in the United States and Ukraine.

In Jilin, the main factor that has hampered agricultural development is lack of water due to a poor farmland irrigation system. Although the province has had good crop yields for five consecutive years, it is still beset by frequent natural disasters.

"We can raise our grain production capacity if we can improve water conservation," said Su Zheng of the water resources department of the Jilin province.

Cui, whose village on the edge of the Songnen plain is one of the country's major corn producers, agreed: "Without a good water conservancy project, droughts and floods still threaten our crops every year. Due to a severe drought last year, our yield was only a little more than 11,500 kg."

Most of the villagers rely on well water. The well water, Cui said, was "only enough for drinking and our daily use. Other than praying for rain, we could do nothing to relieve the drought."

The central government has increased its investments in construction of farmland irrigation in recent years, but they have mainly been for projects along major rivers, large reservoirs and for flood control in urban areas, according to Su of the Water Resources Department. Little of the money has trickled down to small and medium sized systems, he added.

Most of the irrigation systems in Jilin province were constructed some 40 to 50 years ago, and all have leaks, Su said. No money has been invested in the province's 135 medium-sized irrigation systems since then.

Small fields like Cui's rely mainly on small and medium-sized reservoirs, and small river basins. "As long as natural disasters strike, grain output will decline," Su warned.

The province has just launched a 26 billion yuan program to address these issues in hopes of increasing its grain output by more than 5 billion kg within the next five years.

Jilin Vice-Governor Wang Shouchen, who is in charge of agricultural affairs, said: "The program includes 10 major projects such as water diversion, expansion of the irrigated area of Jilin's central and western regions, further mechanization of farming, cultivating and popularizing the use of improved seeds and disseminating the use of advanced farming techniques."

Jilin governor Han Changfu, said that through improved water conservation, land reclamation, cultivation of high-grade farmland, promotion of mechanization and popularization of new grain seeds, the province hopes to see its annual grain production capacity rise from the current 25 billion kg to 30 billion kg in five years.

Experts have expressed optimism for the average grain output per hectare of land to increase given sufficient irrigation. The State Council approved the program in early July.

Jilin has positioned itself as a pillar of the country's longstanding policy of maintaining 95 percent self-sufficiency in grain. The province hopes to become the country's fifth-biggest grain producer after Henan, Shandong, Jiangsu and Heilongjiang provinces.

Last year Jilin produced 17.8 million tons of corn.

According to Jilin Agricultural Development Commission statistics, of the 3.3 million hectares of land in the province, only 40 percent are drought resistant. Less than 10 percent is irrigated with water-conservation systems.

This meant that in 2006, grain output hit a record high of 27.2 billion kg, while in 2007 a drought caused output to drop to 25 billion kg.

Three water diversion projects will help ease the water shortage in the middle and western areas of the province, according to Wen Guozhi, deputy director of the Jilin Provincial Development and Reform Committee.

A national artificial rainfall demonstration zone will be constructed in Songhuajiang Valley, according to the plan. The project is expected to increase rainfall by 1 billion to 2 billion cubic meters annually through weather modification.

This year, China expects the fifth consecutive bumper harvest of 510 billion kg of grain, according to the Ministry of Agriculture.

<http://feed.aweb.com.cn/2008/0814/479081416290.shtml>

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
Soybean: Total	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
Soybean Oil: Total	1,131,009.1	128,305.3	1,050,652.8	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
Corn: Total	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
Mix Animal Feed: Total	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
Broilers: Total	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.