



IOWA
life | changing®

www.iowalifechanging.com

China Agricultural Newsletter – December 2009

The China Agricultural Update is provided to you in partnership with the Iowa Farm Bureau Federation and the Iowa Department of Economic Development's (IDED) office in China, which is operated by Phoenix Consulting LLC. Ms. Wendy Zhang, IDED's agricultural trade specialist in the China office, can provide customized market research information for your company. For more information on how to utilize the services offered by IDED's Beijing Office, please contact Kathy Hill at 515.725.3141 or Kathy.hill@iowalifechanging.com.

Table of Contents

Macroeconomic policies set for 2010	2
Annual central rural work conference set the tone for 2010	3
National purchase for corn and soybeans continues	3
Ban on US, Canada, Mexico pork imports rescinded.....	4
Trade in Ractopamine banned	4
US\$104.8 bln allocated for rural development in 2009	5
High food prices pinch consumers	5
Grain output to top 500m tons in 2009.....	5
GM phytase corn and Bt rice approved.....	6
Soybean buyers hold off ahead of supply	6
Prices of edible oils likely to fall next year	7
Live pig prices rebound due to rising demand.....	7
COFCO to buy Maverick Food.....	8
Zhongpin's new pork plant starts production in January	8
China urges EU to approve more poultry suppliers.....	9
Feed output to hit US\$66 billion in 2009	9
China becomes top destination for U.S. DDGS	9
Dairy industry updates	9

Bright Dairy acts over rising milk costs.....	11
Boar vaccine research wins APVS Award.....	12
Skystar acquires aquaculture vaccine technology	12
Hainan announced as 1 st animal epidemic-free province.....	12
New Zealand and China work together on food safety	13
Expert panel set up to assess food safety.....	13
National GMO Security Assessment and Testing Center launched.....	14
National veterinary association established	14
ABC offers credit to Shanghai farming.....	14
Bailian eyes online sales boom.....	15
Garlic prices soar	15
Capacity of 1 st massive wind power base hits 2 GW.....	16
Agricultural produce average prices from 200 major production counties Dec. 1-10, 2009	16
Major meat retail price Dec. 11-20, 2009	17

Laws, Regulations and Policies

Macroeconomic policies set for 2010¹

China's macroeconomic policies for 2010 were set at the three-day Central Economic Work Conference, which wrapped up on Dec. 7.

At the meeting, officials said the country's proactive fiscal policy and moderately easy monetary policy will still be maintained. More efforts will be made to promote adjustments to the economic development pattern, and to enhance the focus and flexibility of the economic policy in line with new situations next year.

In addition, more will be done to continue reform and opening-up, innovation, enhance the momentum of economic growth, improve people's livelihood, and maintain social harmony and stability.

It was also agreed that a good balance should be kept in sustaining a relatively fast and stable economic growth, economic restructuring and dealing with predicted inflation next year.

Domestic consumption was highlighted as the core of the transforming the country's economic development pattern. The participants at the meeting said that consumption should play a greater role in economic development.

¹ Global Times Dec. 8, 2009

A series of policies that promotes consumption, including those aimed at home appliances, motorcycles, cars, and property will be maintained, according to the meeting.

Urbanization will be pushed further, and the development of mid- and small-sized cities will be stressed.

The meeting also noted that the government will push for the recovery of its exports and promote balanced international trade as one of its major tasks next year. The government will keep the theme of "continuity" and "stability" in its export sector, diversify its market strategy, and tap into new markets, while maintaining old ones in order to promote export growth.

The Chinese government also vows to enhance efforts in 2010 to promote agricultural development, strengthen produce supply to the market, and expand rural demand.

Annual central rural work conference set the tone for 2010²

China's annual central conference on rural work, which would set the tone for next year's agricultural and rural development, opened on Dec. 27 in Beijing.

As China's economic recovery continues, the meeting is expected to study policies and measures to improve coordinated development between urban and rural areas and reinforce the basis for the development of agriculture and rural regions.

The annual conference is the highest-level meeting on rural work at which the Chinese government maps out policies and measures for next year's development of agriculture and rural regions. It is usually attended by senior officials of the State Council, China's Cabinet, and provincial-level officials.

The Ministry of Agriculture had forecast that grain yield this year could surpass last year's 525 billion kilograms, and it would be the fifth consecutive year of high grain yield.

It was agreed that the government would strengthen rural policies to increase farming-related subsidies, increase incomes of farmers, and expand demand in rural areas.

Infrastructure construction in rural areas, including reinforcing of large and mid-sized reservoirs, irrigation facilities, improvements to the power grid, and road construction, would be stepped up, according to a statement from the conference.

The government also underscored improvements to public services, including education and health care, in rural areas.

National purchase for corn and soybeans continues³

To prevent local farmers from loss, China will continue purchasing corn and soybeans from northeastern provinces between December 2009 and April 2010, said the National Development and Reform Commission.

² Xinhua News Dec. 27, 2009

³ WATT Poultry E-News Nov. 30, 2009

The purchase price for each ton of corn will be US\$222.60 (CNY1,520) in Inner Mongolia and Liaoning province; US\$219.70 (CNY1,500) in Jilin province; and US\$216.80 (CNY1,480) in Heilongjiang province, as shown in the official statement.

The Chinese government will also purchase soybeans at US\$547.80 (CNY3,740) per ton. The government will also offer subsidies - US\$23.40 (CNY160) per ton - to northeastern China's crushers who purchase domestic soybeans at US\$547.80 (CNY3,740) per ton, the statement said.

Grain reserve companies and feed producers from 16 southern provinces will also have government subsidies-US\$10.30 (CNY70) per ton-to purchase corn from northeastern China.

The incentives will be cancelled when market prices become higher than the purchasing prices.

Ban on US, Canada, Mexico pork imports rescinded⁴

China has lifted its bans on imports of pork products from the United States, Canada and Mexico, the General Administration of Quality Supervision, Inspection and Quarantine said on its website on Dec. 1.

The lifting of the ban had been expected earlier by officials in US, the largest pork exporter, which exported US\$560 million to China in 2008.

"The lift will not spur imports into the country," said Guo Huiyong, an analyst with Beijing Orient Agri-business Consultant Company.

China's pork imports this year have fallen partly because the world's biggest pork consumer has increased its own production, driven by subsidies over breeding sows. Falling pork prices prompted to stockpile more than 120,000 tons of pork.

China's pork imports in the first 10 months were 110,000 tons, only one third of the 373,000 tons for all of last year, according to Beijing Orient.

Trade in Ractopamine banned⁵

China has banned both the import and export of ractopamine and ractopamine hydrochloride.

According to an official source, the announcement was made on December 8 by Ministry of Commerce and the General Administration of Customs, and the ban took effect the following day.

Ractopamine and ractopamine hydrochloride are stimulant drugs that are used as feed additives to promote leanness in pigs raised for their meat. Most countries around the world had not approved their use as veterinary drugs or additive in animal feed. China prohibited their use in 2002 because of possible health risks to humans.

An official with the foreign trade division under the Ministry of Commerce said that ractopamine and ractopamine hydrochloride have no other major uses apart from use in feed additives. The banning is because of possible health risks.

⁴ Reuters Dec. 2, 2009

⁵ ThePigSite News Dec. 11, 2009

US\$104.8 bln allocated for rural development in 2009⁶

China has earmarked CNY716.1 billion (US\$104.8 billion) from the central budget this year for agriculture, rural areas and farmers, the Ministry of Finance said on Dec. 25 in a statement. That was CNY120.59 billion more than that in 2008, which has helped to further stabilize the development of the agriculture and increase farmers' income.

Farming-related subsidies including subsidies for food, agricultural material, seeds, and agricultural machinery and tools in 2009 stood at CNY123.08 billion, up 19.4 percent year on year, the statement said.

A total of CNY264.22 billion were allocated to improve agricultural infrastructure construction, including reinforcing the dilapidated small-sized reservoirs and purifying small-sized contaminated watersheds.

The central government also arranged CNY269.32 billion to enhance public services in rural areas.

The central government vowed in this year's Central Economic Work Conference, wrapped up on Dec. 10, to devote more efforts in 2010 to promote agriculture development, strengthen produce supply to the market and expand rural demand.

High food prices pinch consumers⁷

Shoppers are feeling the pinch of rising food prices, though the overall increase in the price of consumer goods remains well below the official definition of inflation.

Egg prices rose from CNY7.2 to CNY7.6 (US\$1.05 to US\$1.11) per kilogram in the last two months, vegetable prices on average have soared more than half since mid-year, and pork prices have risen about 9 to 10 percent from a couple of months ago, from CNY18 (US\$2.64) per kilogram to CNY20.1 (US\$2.94), vendors said.

Corn prices are up by 15 to 20 percent, while wheat has gotten 10 percent pricier. Oil ingredients such as soybeans and peanuts saw their prices double from a year ago, said Zhao Jiandong, general manager of a Shanxi-based seed company.

China's inflation gauge, the Consumer Price Index (CPI), increased 0.6 percent year-on-year in November, ending nine months of decline, the National Bureau of Statistics said on Dec.11. Food accounted for about 30 percent of the calculation of the CPI.

Grain output to top 500m tons in 2009⁸

China's grain output is expected to top 500 million tons for the third consecutive year in 2009, said an official from the Ministry of Agriculture (MOA) on Dec. 21.

⁶ Xinhua News Dec. 25, 2009

⁷ Global Times Dec. 14, 2009

⁸ Global Times Dec. 22, 2009

The country's planting area was expected to increase 34 million mu (2.27 million hectares) this year, the biggest rise since 2006, which was a major contributor to this year's grain production growth, said Ye Zhenqin, director with the Planting Industry Management Department of the MOA.

The growth was achieved under various difficulties including the fluctuations on farm produce market and impact of the international financial crisis, unprecedented droughts, and frequent plant diseases and insect pests, according to Ye.

Ye said the country's whole year output for oilseed would rise by at least 3 percent year-on-year in 2009, but the planting areas and output for cotton would both drop by more than 10 percent from a year earlier due to the global financial crisis and natural disasters.

The overall situation of the planting industry this year is encouraging, which would contribute CNY100 (US\$14.64), or 30 percent, to the per capita income of farmers nationwide, Ye said.

GM phytase corn and Bt rice approved⁹

China's Ministry of Agriculture has issued the Biosafety Certificates to Origin Agritech for its world's first GM phytase corn and to Huazhong Agricultural University for its Bt rice as final approvals of commercial production on Nov. 27.

The rice and corn strains are China's first GMO grains approved for commercial production, although it already permits GMO papaya, cotton and tomatoes.

The strains still need to undergo registration and production trials before commercial production can begin in restricted areas, which may take 2-3 years.

GM seed products in China must undergo five separate stages of approval beginning with a phase one laboratory approval to the final receipt of the Biosafety Certificate in phase five. Currently, this GM seed approval process is restricted only to domestic seed producers

Phytase corn will help pigs digest more phosphorus, enhancing growth and reducing pollution from animal waste and fertiliser runoff. Bt rice would help reduce the use of pesticide by 80 percent while raising yields by as much as 8 percent, said Huang Jikun, the chief scientist with the Chinese Academy of Sciences.

China, which wants to raise grain production 8 percent to 540 million tonnes a year by 2020, has splashed out on GMO research, with US\$3.5 billion going on rice, corn and wheat.

Soybean buyers hold off ahead of supply¹⁰

China's purchases of imported soybeans slowed as buyers anticipated a possible weakening in international prices ahead of a big South American crop and large arrivals in coming months, an official survey showed.

"Some market participants expect international soybean prices could fall for a short period, which has affected their interests for more imports," the China National Grain and Oils Information Center (CNGOIC) said.

⁹ ThePoultrySite News Nov. 30, 2009

¹⁰ Alibaba.com Dec. 10, 2009

China's subsidies to some crushers in the northeast have also lowered the cost of crushing domestic soybeans. Some will hold off on imports before the South American soy harvest. The subsidies to crushers in the northeast have spurred purchases of domestic crops by these plants, which have boosted production.

Rising domestic soybean oil and soymeal prices gave soy plants better crushing margins in November, or as high as CNY520 (US\$76.16) per tonne, though the margins will narrow in December and January because of large soy arrivals, it said.

Soybean imports in January could reach between 4 to 4.5 million tonnes, in addition to even higher imports this month, or between 4.6 and 4.8 million tonnes, the highest monthly import volume.

The soybean oil market will stay strong due to a build-up in inventory by merchants ahead of the Lunar New Year which falls in February.

However, the soymeal market will likely turn weak as many soy plants have lowered their December and January prices.

The corn market turned strong after tight railway transport capacity delayed supplies in consuming provinces in the south. Processors in the northeast raised purchase prices to ensure enough corn, supporting local prices.

Prices of edible oils likely to fall next year¹¹

Prices of edible oils will likely decline next year, Shang Qiangmin, an official from the China National Grain and Oils Information Center, said on Dec. 14.

Shang attributed the current 10 to 15 percent increases in the prices of edible oils to China's dependency on imports and the country's edible oils consumption structure. He said that soybean bad harvests in Argentina and Brazil, two of the world's most important soybean producers, led to an increase in the global price of soybean oil, including in China. In addition, soybean-based oil account for 40 percent of the total edible oil market. This gives them a large impact on prices of the sector as a whole.

Because Brazil, Argentina, and the US are expected to have a larger soybean crop next year, the price of soybean oil will probably fall, Shang said.

He also said that China's imports of soybeans will reach 42.5 million tons this year, and that the country may import more next year.

Live pig prices rebound due to rising demand¹²

China's live pig prices rose in mid-November for the first time in two months, and this trend continued until the end of November, China's Ministry of Commerce announced.

¹¹ International Finance News Dec. 14, 2009

¹² WATTAgNet.com Dec. 4, 2009

According to government statistics, the average domestic price of live pigs sold from hog farms increased to US\$1.68 (CNY11.53) per kilogram in mid-November, a 1.59 percent rise from early November.

In northern China's Heilongjiang, Jilin, Shandong, Shaanxi and Hebei provinces, the growth rate for the average price of live pigs sold from hog farms reached 4.44 percent, 3.74 percent, 3.57 percent, 3.57 percent and 2.82 percent, respectively, according to the ministry.

In addition, average pig carcass prices in China increased 0.20 percent from November 9 to November 15 and 0.71 percent from November 16 to November 22, said ministry officials.

They also reported that China's average fresh pork wholesale price rose 0.6 percent from November 9 to November 15, and 0.8 percent from November 16 to November 22.

Rising seasonal consumption is a major reason for the growth of China's live pig prices, according to the government. Also, several snow storms that hit most regions of China last month caused difficulties in live pig transportation, pushing purchasing prices up.

COFCO to buy Maverick Food¹³

China National Cereals, Oils & Foodstuffs Import and Export Corp (COFCO) announced on Dec. 23 that it has signed an agreement to buy Maverick Food Co Ltd for RMB 194 million (US\$23.37 million), a meat joint venture by U.S.-based Smithfield Foods Inc and Belgium's ARTAL Group in China.

The 100 percent stake in Maverick Food Co. Ltd will expand COFCO's meat industry production chain, according to a statement released by COFCO.

Maverick Food, set up in 2002, produces high quality meat products and frozen bakery goods with markets mainly in major cities such as Hong Kong, Beijing and Shanghai.

COFCO has been aggressively expanding into the meat industry in China. It earlier built pig breeding farms with one million pigs each and slaughterhouses in Tianjin City, Jiangsu and Hubei provinces, with total investment CNY 15 billion (US\$2.2 billion).

COFCO also holds about a 5 percent share in Smithfield, the largest U.S. hog and pork producer.

Zhongpin's new pork plant starts production in January¹⁴

Zhongpin Inc. announced on Dec. 9 it would begin production in its new chilled and frozen pork plant in Tianjin on Jan. 20, 2010.

Zhongpin's construction of its new chilled and frozen pork processing plant in Tianjin has been accelerated. The new facility will begin initial pork production on Jan. 20. When all the construction phases are completed in 2010, the Tianjin plant will have an annual capacity of 100,000 metric tons for chilled and frozen pork.

¹³ Reuters Dec. 24, 2009

¹⁴ ThePigSite News Dec. 10, 2009

Mr. Zhu Xianfu, Chairman and CEO of Zhongpin, said, "Our new Tianjin plant will not only serve the northern China market, it is also a model for the future and is an important strategic step forward. We expect to duplicate the construction, systems designs, and details from the Tianjin plant and network as we extend our high-volume success from our home region in central China into the northern and other regional markets of China."

Zhongpin has recently received a subsidy cash payment of CNY20 million (US\$ 2.9 million) from the government to help support the development of its new plant in Tianjin. The company also received a subsidy cash payment of CNY1.4 million (US\$ 204,700) to help support its new premium food oil plant currently under construction in Changge in the Henan province.

China urges EU to approve more poultry suppliers¹⁵

China is negotiating with the European Union to resume cooked poultry imports from Beijing and three provinces - Jilin, Henan and Fujian, said Yu Taiwei, head of the Food Safety Bureau of China's General Administration of Quality Supervision, Inspection and Quarantine, on Dec. 11.

So far, only nine Chinese poultry companies in Shandong province are licensed to sell cooked poultry to the EU. Statistics from China's Ministry of Commerce show that the total export volume of cooked poultry to the EU was 1,752 tons from December 2008 to May 2009.

Feed output to hit US\$66 billion in 2009¹⁶

In 2009, China's feed output value is estimated to reach US\$66 billion (CNY450 billion), an increase of 5.7 percent against last year, according to China's Ministry of Agriculture.

Also, China's commercial feed production volume is estimated to increase by 2.4 percent to 140 million tons in 2009, said the government.

However, as a result of falling sales during the first half year of 2009, China's commercial feed production volume growth is slowing down, 8.4 percentage points lower than 2008.

China becomes top destination for U.S. DDGS¹⁷

According to the U.S. Census Bureau trade data, U.S. exports of DDGS to China surpassed those to Mexico - previously the No. 1 destination - for the first time this October by more than 14,000 mt.

China's increased demand for DDGS is likely due to its lower cost relative to corn. DDGS prices have averaged about US\$14/short ton less than corn since January 2009. Additionally, China has been using more of its corn for industrial products, which may have contributed to the growth in imports of the less expensive DDGS from the U.S.

Dairy industry updates¹⁸

More than a year has passed since the eruption of the melamine-tainted milk scandal, China's dairy industry is recovering steadily, albeit under a large current of sweeping changes, according to Chris Teo, e-FeedLink.

¹⁵ WATTAgNet.com Dec. 14, 2009

¹⁶ Feed E-News Dec. 21, 2009

¹⁷ USDA Agricultural Marketing Service Weekly Publication Dec. 17, 2009

¹⁸ TheDairySite News Dec. 4, 2009

Following rounds of thorough investigations, the Chinese authorities identified the raw milk collection phase as the source of pollution with farmers and middlemen adding melamine to watered-down raw milk supplies gathered at milk collection stations, before passing them on to the dairy companies. Therefore, the government clamped down hard on the trouble origin by shutting down 3,908 substandard milk collection stations as of June 3 this year as they were found to lack testing equipment or the sanitary conditions were unsatisfactory. The remaining 16,485 stations that are still in operation are now subjected to rotating inspections by provincial and regional agriculture departments.

In a bid to further strengthen its determination to curb the repeated food scandals that had plagued China for so long, the Chinese authorities implemented a new Food Safety Law that went effective on June 1 this year to intensify the monitoring and law enforcement on the country's food industry.

While the Chinese government was busy establishing the overall framework to revive the dairy industry, there were also major shakeups in the enterprise sector.

With the ousting of Sanlu from the industry, it leaves an additional CNY10 billion (US\$1.46 billion) worth of market share up for grabs. More importantly, China still has a hugely untapped dairy market. On average, every Chinese citizen consumes 30kg of dairy products annually, falling way behind the world average of 120kg and 300kg for developed nations. The entire 1.3-billion Chinese population is estimated to require 117 to 351 billion kg of dairy products yearly. This staggering statistic clearly indicates the enormous potential of China's dairy industry and there is vast capacity for further companies' expansion and consolidation in the sector.

Beijing Sanyuan Group was undoubtedly the biggest winner in the milk scandal as the demand for its melamine-free dairy products skyrocketed in the immediate aftermath. Moreover, with its successful acquisition of Sanlu for CNY616.5 million (US\$90.29 million), Sanyuan has emerged as a top player in China's dairy industry. Not resting on its laurels, Sanyuan announced this June that it plans to further expand its milk capacity by establishing a CNY680 million (US\$99.59 million) industrial park in Beijing, one that is able to process 1,200 tonnes of fresh milk daily. Sanyuan will also set up a subsidiary in Shanghai in a bid to accelerate its business expansion in eastern China. In addition, the doubling of distributors outside Beijing to more than 1,500 and the launching of a series of high-end products have helped Sanyuan to a 138 percent increase in net profit to CNY36.73 million (US\$5.38 million) in the first half of this year.

In order to ensure complete quality control over its products, Sanyuan runs its own dairy farms. Currently, it has 27 dairy farms with 35,000 cows that are capable of producing 160,000 tonnes of good-quality raw milk annually. Although this operation model is more costly, it has been duplicated by other companies in the wake of the melamine scandal for its better control of milk quality.

For instance, Yili is developing a new cow community model and it plans to establish 20 such communities by the end of 2009. Each community is designed to accommodate 1,000 cows that are collected from local farmers. Yili is also entrusting a professional company with the task of breeding the cows to ensure the safe quality of the milk. Earlier this May, Yili announced that it had been appointed by the Shanghai World Expo Business Coordination Bureau as the sole dairy sponsor for the 2010 event, signaling a return in belief in the company. In addition, Yili signed an agreement with Tianjin City this July to set up a dairy firm in Tianjin's New Coastal District. Being the first expansion project following its involvement in the tainted milk scandal, Yili

plans to make this latest investment the largest dairy company in northern China, one that is projected to generate an annual revenue of CNY2 billion (US\$292.90 million).

Meanwhile, Mengniu has also taken steps to improve its business operations. It plans to increase the number of its mega-sized pastures, which is able to house 10,000 cows each, to 20 in the next three years from the current 9. The company has also tightened its milk production process with every carton of milk going through nine working procedures, 36 inspection points and 105 standard examinations before entering the market, and only those that meet the safety standard can be put on the market shelves.

Sensing the huge opportunity in China's dairy industry, COFCO, the largest oils and foods importer and exporter in China, together with Hopu Investment Management Co., agreed to buy a 20 percent stake in Mengniu in a deal valued at HK\$6.1 billion (US\$786.6 million), giving the embattled company a major boost in the arm.

As the dust settled, consumers have seemingly resumed their confidence in China's dairy industry.

In the first five months of this year, the country's accumulated production output for dairy products reached 7.5 million tonnes, an on-year increase of 3.3 percent. Meanwhile, the dairies' revenues have also grown 4.87 percent compared to the same period last year while their profits and gross profit margins rose 17.55 percent and 25.5 percent respectively. The Dairy Association of China also maintained a positive outlook for the country's dairy sector by estimating a 90 percent recovery by the end of this year.

However, all is not well as Chinese consumers still shun domestic dairy products. According to statistics from Euromonitor, the world's leading independent provider of business intelligence and market analysis, the market share of higher-priced imported milk formula in China's high-end market had risen to 70 percent since the melamine scandal. Also, the simultaneous large imports of cheaper milk powder further heighten the enormous inventory pressure that domestic manufacturers are facing. Statistics from the Chinese Customs showed that China's export of dairy products for the first four months of this year dipped by 63.7 percent on-year while imports grew 68 percent.

Moreover, just as the dairy industry embarks on its long, arduous rebuilding process, it suffers another blow when Scient's milk product was discovered to contain melamine 130-times above the permitted standard this June. The local dairy later admitted that its formula milk produced last year did not use imported milk as claimed on its website and product containers. It also confessed that US Scient International, one of its purported shareholders, was a company registered by its parent company, Yashili, in the US and not an actual overseas investor.

Although China's dairy industry is a large goldmine, the fierce competition and the single-minded profit gaining motive of dairy firms have proven once and again to be the stumbling block to its development. The continual betrayal of consumers' trust has caused the dairy industry to reach its boiling point, a situation that China must use all the powers within its means to rectify before it implodes.

Bright Dairy acts over rising milk costs¹⁹

Bright Dairy and Food Co raised prices of certain milk products, including fresh milk, UHT milk

¹⁹ Shanghai Daily Dec. 19, 2009

and yogurt, in Shanghai by 1.8 percent to 3 percent on Dec.20.

The rise followed an announcement by international rival Nestle SA that it would be increasing prices for some of its dairy products by 5 to 10 percent next year.

Dairy companies have been encountering higher costs for raw milk, transport and energy consumption over the past few months and more companies are said to be considering similar action to maintain profits. Bright Dairy said costs had risen significantly and transport, in particular, had gone up 10 percent this year.

Boar vaccine research wins APVS Award²⁰

A team of researchers from the China Agricultural University have won an award for their evaluation of the performance of the boar taint vaccine Improvac® (Pfizer Animal Health) under Chinese production conditions.

The researchers studied the differences in feed efficiency and carcass quality between castrates and vaccinated boars raised in commercial swine units. The results were presented as a poster at the recent Asian Pig Veterinary Society (APVS) Congress in Tsukuba, Japan, and earned them an award from the organizing committee for "Best Poster".

The study confirmed that the vaccine was effective in controlling boar taint and enabled the pigs to show the superior feed efficiency, reduced back fat and increased lean meat yield associated with non-castrated boars.

The research was conducted in collaboration with boar taint vaccine manufacturer, Pfizer Animal Health. Pfizer has applied to the Chinese Ministry of Agriculture for a license to sell the product in China and hopes to launch in 2010.

Skystar acquires aquaculture vaccine technology²¹

Skystar Bio-Pharmaceutical Company, a producer and distributor of veterinary medicines, vaccines, micro-organisms and feed additives, has bought an exclusive aquaculture vaccine technology from China's Fourth Military Medical University for CNY 8 million (US\$1.2 million), granting Skystar exclusivity on the patent through 2012.

The vaccine has been shown to be effective in treating and preventing bacterial infections in marine life without harmful side effects. The patented technology is designed to address the company-estimated US\$150 million underserved aquaculture market opportunity in China.

Skystar will manufacture its aquaculture vaccine in its new 51,000 square foot veterinary vaccine facility along with other vaccine products presently produced by the company in the first quarter of 2010.

Based on the addition of the aquaculture vaccine line, Skystar believes its 2010 total vaccine revenue will be approximately US\$6 million with gross margins of 60 to 70 percent.

Hainan announced as 1st animal epidemic-free province²²

²⁰ ThePigSite News Dec. 17, 2009

²¹ TheFishSite News Dec. 11, 2009

²² ThePigSite News Dec. 9, 2009

Hainan has been announced as the first province to pass the national inspection for specific animal epidemic-free zone.

An expert panel from the Ministry of Agriculture (MOA) has announced that over an 11-day on-site examination and evaluation, Hainan province has passed the national on-site inspection for Specific Animal Epidemic-Free Zone. It was listed by MOA as the national demonstration for Specific Animal Epidemic-Free Zone.

The provincial authorities at all levels have invested over CNY200 million (US\$29 million) to establish six systems including veterinary service, animal epidemic prevention, prevention and supervision, epidemic surveillance, preventive shield, and laws and regulations, and ensured zero outbreak of major animal epidemic diseases for ten years. The 100 percent coverage of animal and poultry compulsory immunization has guaranteed and boosted the rapid development of animal husbandry in the province, changing the island from an importer to an exporter of animal and poultry products. As a result, the income of the island's farmers from animal husbandry has tripled in the past ten years.

Specific Animal Epidemic-Free Zone means a specific area is free of specific animal epidemic diseases in a prescribed period, while the construction of Specific Animal Epidemic-Free Zone requires the application of measure to control effectively animals and animal products, feed of animal origin and animal genetic materials in a specific area and its neighboring areas recognized by the state, so that the area can be up to the standard of Specific Animal Epidemic-Free Zone.

New Zealand and China work together on food safety²³

12 Chinese senior food safety officials visited New Zealand for a 2-week food safety study programme with the New Zealand Food Safety Authority (NZFSA).

During their visit, the delegation participated in technical workshops to discuss and further understand New Zealand's respected food regulatory system. They also visited seafood, meat and dairy businesses and farms to see how food safety standards are applied here.

Next year officials from NZFSA will visit Beijing to conduct seminars on New Zealand's experiences with the World Trade Organization concept of regionalization and equivalence and how the appropriate use of these concepts can provide the necessary assurances in a more targeted and efficient way.

NZFSA will also continue to work with the Chinese authorities on their implementation of the NZFSA-developed electronic certification (E-cert) system for managing secure assurances on foods exported by New Zealand to China. This may expand into China adapting E-cert for use in its own food control systems.

Expert panel set up to assess food safety²⁴

A panel of 42 experts in the fields of hygiene, agriculture, food and nutrition was set up on Dec. 8 by the Chinese government to conduct risk assessment on food safety.

²³ New Zealand Food Safety Authority Dec. 16, 2009

²⁴ Xinhua News Dec. 8, 2009

According to China's Food Safety Law, the expert committee shoulders the responsibilities of formulating risk monitoring and assessment schemes, establishing technical rules and explaining assessment result.

Minister of Health Chen Zhu said that over the next two years, the ministry would establish a national monitoring network for food contaminants and food-borne illness, and begin a national dietary research.

Food safety issues have become particularly sensitive in China since September last year after melamine-contaminated dairy products were found to have left at least six infants dead and sickened about 300,000 others.

National GMO Security Assessment and Testing Center launched²⁵

The National Agricultural Genetically Modified Organisms (GMOs) Security Assessment and Testing Center, the major state-level high-tech construction project of the Ministry of Agriculture's (MOA) Development Center of Science and Technology, was officially launched recently in Beijing. It is planned to be ready for use in December 2012.

This project will implement the "Agricultural GMOs Safety Management Regulations", enhance the capacity to support the security management technique, and ensure the development of the biotechnology industry.

The Center will consist of a testing center and a pilot plant, both of which will located in Beijing. It will mainly focus on safety assessment of agricultural GMOs, popularization of agricultural GMOs safety management, public communication and technical standards, standardized management, inspection, identification and monitoring of agricultural GMOs product ingredients, and international cooperation. The Center will provide technical support and consulting services on agricultural GMOs safety regulations.

National veterinary association established²⁶

China's first national veterinary association was recently established in Beijing to improve the domestic veterinary system and enhance international cooperation, announced by Minsitry of Agriculture (MOA).

This non-government, nonprofit organization will contribute to animal disease control, animal welfare improvement, industry standard normalization, local veterinarian training and further involvement in global veterinary affairs, Vice Minister of MOA Gao Hongbin said in its inaugural meeting.

Jia Youling and Zhang Zhongqiu were named president and secretary general of the association.

ABC offers credit to Shanghai farming²⁷

The Agricultural Bank of China (ABC) sealed an agreement on Dec. 25 to offer at least CNY10 billion (US\$1.46 billion) in credit to facilitate the development of Shanghai's agricultural companies and infrastructure development in its rural areas over three years.

²⁵ Crop Biotech Update Dec. 11, 2009

²⁶ WATTAgNet.com Dec. 1, 2009

²⁷ Shanghai Daily Dec. 26, 2009

The Shanghai branch of the bank signed the strategic cooperation memorandum with the Shanghai Agriculture Commission, which is responsible for the agriculture industry in the city.

ABC, one of the country's big four state-owned lenders, inked a deal with the Shanghai government in April to offer a credit of at least 150 billion yuan to the city in five years.

As the biggest bank involved in providing credit to farmers in China, ABC has 450,000 employees and a network of 24,400 outlets, half of which are located in rural areas. The bank had total assets of CNY7.01 trillion by the 2008 and an annual profit of CNY51.4 billion.

Bailian eyes online sales boom²⁸

China's biggest retailer, Shanghai Bailian Group Co, launched its first online shop after investing an initial CNY70 million (US\$10.3 million) as it seeks to build the nation's biggest online department store.

The shop, www.blgfsc.com, marked Bailian's entry to the e-commerce business and allows it to compete with leading business-to-customer portals in the booming online sales sector.

"Online shopping has great potential in China and would be a breakthrough for traditional stores in the future," said Huang Zhencheng, general manager of Shanghai Bailian, which was formed after merging four state-owned enterprises in 2003. It is China's largest retailer with 7,400 stores nationwide, including department stores and supermarkets.

China's online sales value almost doubled to CNY168.9 billion in the first nine months from a year ago.

Bailian's online store will stock about 5,000 kinds of products for sale, including top world fashion brands, with discounts of up to 74 percent. Imported snacks, household appliances and authorized items for the 2010 Shanghai World Expo will also be available.

The company targets several billion yuan of revenue from the online store within three years, but this is small compared to its total revenue of CNY20.7 billion this year.

Garlic prices soar²⁹

The price of garlic has shot up 40-fold this year in China, in part due to an unexpected factor - a popular belief that it can help ward off swine flu.

Last month, the wholesale price of garlic in eastern Shandong province - the country's garlic-producing heartland - rose to CNY 9 per kilo (US\$0.60 cents a pound), from CNY0.20 a year earlier.

"Prices started to surge around September," said Zhao Fangling, the general manager of a garlic processing company in Shandong's Jinxiang county. "Garlic was so cheap in the previous two years that some of it was just dumped as trash. Farmers lost money and stopped planting it so supplies dropped by 30 to 40 percent," he said.

The bulbs have been given a boost partly due to renewed fears over swine flu, as traditional Chinese doctors have recommended garlic as protection from A/H1N1 influenza. But an expert

²⁸ Shanghai Daily Dec. 26, 2009

²⁹ AFP Dec. 10, 2009

of the Beijing Centre for Disease Control and Prevention cautioned that there was "no scientific proof" that garlic could combat the flu.

Capacity of 1st massive wind power base hits 2 GW³⁰

The installed capacity of China's first massive wind power base in northwestern Gansu Province reached 2 gigawatts, according to local authorities.

The Jiuquan wind power base achieved the landmark capacity as China Datang Corporation, one of China's power giants, installed a 200-megawatt wind power unit in Yumen City under the jurisdiction of Jiuquan City, said Wu Shengxue, deputy head of Jiuquan's Reform and Development Commission.

The wind power base, which consists of 8 groups of power plants, is planned to be the first of its kind to have a capacity of more than 10 gigawatts. According to a plan of China's National Energy Administration, its capacity is expected to reach 12.71 gigawatts in 2015.

The plan included five other wind power bases of over 10-gigawatt capacity. A wind power base of 20 gigawatts and another of 30 gigawatts are to be built in east and west Inner Mongolia. Two other bases, each having a 10-gigawatt capacity, are respectively planned in eastern Jiangsu Province and northern Hebei Province. One more wind power base of 20 gigawatts is to be built in northwestern Xinjiang.

China would have a wind power capacity of more than 100 gigawatts or 3 percent of the country's overall consumption by 2020, said Shi Pengfei, deputy president of Chinese Wind Energy Association.

Statistics

Agricultural produce average prices from 200 major production counties Dec. 1-10, 2009³¹

Product	Grade/Unit	Price (CNY)	Var. Percent as compared to last period (Nov. 20-30, 2009)
Corn	Unprocessed / kg	1.84	0.97
Soybean	Unprocessed / kg	4.83	1.15
Hsien rice	Unprocessed / kg	2.01	0.84
Japonica rice	Unprocessed / kg	2.28	1.18
Wheat	Unprocessed / kg	1.97	0.85
Rapeseed	kg	3.91	3.70
Peanut	Shelled / kg	8.72	3.36
Hog	Ready for slaughter / kg	11.81	2.86
Piglet	Fattening / kg	16.68	0.47
Live cattle	Ready for slaughter / kg	16.82	0.71
Live goat	Ready for slaughter / kg	16.78	1.27
Live chicken	Ready for slaughter / kg	11.62	0.61

³⁰ Xinhua News Dec. 25, 2009

³¹ National Bureau of Statistics

Major meat retail price Dec. 11-20, 2009³²

Pork (Lean):

CNY 1.00/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 12/11/09-12/20/09	B. 12/01/09-12/10/09	C. 11/11/09-11/20/09	D. 12/11/08-12/20/08	(A-B)/B	(A-C)/C	(A-D)/D
23.40	23.14	22.68	24.82	1.10%	3.17%	-5.72%

Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 12/11/09-12/20/09	F. 12/01/09-12/10/09	G. 11/11/09-11/20/09	H. 12/11/08-12/20/08	(E-F)/F	(E-G)/G	(E-H)/H
7.74	7.72	7.70	7.22	0.26%	0.52%	7.20%

Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 12/11/09-12/20/09	J. 12/01/09-12/10/09	K. 11/11/09-11/20/09	L. 12/11/08-12/20/08	(I-J)/J	(I-K)/K	(I-L)/L
14.54	14.50	14.44	14.78	0.28%	0.69%	-1.58%

Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 12/11/09-12/20/09	N. 12/01/09-12/10/09	O. 11/11/09-11/20/09	P. 12/11/08-12/20/08	(M-N)/N	(M-O)/O	(M-P)/P
34.26	34.02	34.06	33.74	0.70%	0.59%	1.55%

³² China Animal Agriculture Association