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China Agricultural Newsletter – January 2010

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Laws, Regulations and Policies

Feed safety campaign launched¹

The Ministry of Agriculture (MOA) has launched a new campaign to improve the quality and safety of feed by strengthening standardized management of producers, and highlighting the monitoring on raw materials and the illegal use of additives in animal husbandry.

The threshold of market access will be further lifted up through efforts to promote good practices, foster law enforcement and crack down on the use of banned chemicals. MOA will also work hard to improve the competence of professionals in this field, improve law enforcement and enhance the quality and safety of livestock products.

Wang Zongli, Deputy Director-General of MOA Department of Animal Husbandry, stressed that in this year's campaign, administrative departments at all levels should lay emphasis on both short-term effects and long-term working mechanisms, to improve accountability, innovation, market access, supply capacity and development planning.

Seed industry called for development²

Vice Minister for Agriculture Zhang Taolin emphasized the need to speed up technological innovations in the seed industry.

"We should increase the ability of technological innovation of seed enterprises, scale up support for science and technology, reorganize and consolidate scientific and technological forces, and prioritize basic and non-profit researches conducted by scientific institutes and universities on germplasm resource innovation, breeding theories and methods," Zhang said.

Zhang also called authorities to "scale up management of seed industry, revise and improve relevant regulations and rules, improve examination criteria of varieties and threshold of market access, and standardize the examination, production and operation of genetically modified organisms."

More lending to rural businesses called on³

¹ TheCattleSite News Jan. 22, 2010

² Ministry of Agriculture website Jan. 15, 2010

³ Shanghai Daily Jan. 25, 2010

The central bank People's Bank of China calls on lenders to increase loans for rural development as farmers and rural business still had limited access to financing.

Banks should issue more micro-loans to farmers to foster rural industries and urbanization, Deputy Governor Liu Shiyu said at a meeting on rural financing service on Jan. 24. "More efforts should be made to encourage financial institutions to offer rural financing services and participate in rural financial market," he said. Rural credit cooperatives should speed up corporate restructuring and play a leading role in rural financial market. He also urged efforts to establish more village banks, micro-credit companies and new types of financial institutions in the rural areas.

Wind power market opened⁴

China has lowered the threshold for overseas components to be used in the country's wind power market, a move to eliminate backward production capacity and introduce more foreign technology.

The National Development and Reform Commission (NDRC) has lifted the requirement it set in 2005 that at least 70 percent of wind turbine components be sourced domestically in order to be eligible for use in projects in China, according to a report Jan.11 by China Business News.

The NDRC issued a statement, though not publically, to provincial governments at the end of the year stating that the 70 percent limit would be canceled to open up the country's wind power market and to enhance competition in the market, according to the report.

In 2004, foreign equipment makers held about 75 percent of China's wind turbine market but the figure dropped to 25 percent in 2008, according to Chen Hua, an electrical equipment and new energy analyst with China International Capital.

The limit on foreign-made components brought domestic brands more market share but it did not really enhance their technical level, and that was why the NDRC changed its policy, according to the China Business News report, which cited an anonymous official from the State Electricity Regulatory Commission.

Industry and Business Watch

Sales of rural supply co-ops up 15% in 2009⁵

The combined sales volume of China's supply and marketing cooperatives rose 14.75 percent year-on-year to exceed RMB 1.23 trillion (US\$180.8 billion) in 2009, the All China Federation of Supply and Marketing Cooperatives (ACFSMC) announced.

Despite the adverse effects of the global economic slowdown, the cooperatives' total retail sales of consumer goods rose 27.13 percent to 337.6 billion yuan from a year earlier.

The ACFSMC statistics indicated that the rural consumer market played an important role in last year's sales. Retail sales of consumer goods in rural areas rose 28.95 percent, 5.1 percentage points higher than the growth rate among the cities.

⁴ Global Times Jan. 12, 2010

⁵ Xinhua News Jan. 19, 2010

In order to boost the rural economy, the government approved a plan last November to push forward the reform and development of the country's supply and marketing cooperatives.

With a history of more than 80 years, China's supply and marketing cooperatives have served as a platform for the distribution of agricultural products in the rural areas.

Prices of agricultural products remain stable despite snowstorm⁶

The agricultural products wholesale market has been maintained a good order since a snowstorm hit the country's northern areas early January, said the Ministry of Agriculture (MOA).

Prices for the agricultural products such as vegetables, pork, and eggs in some major cities including Beijing, Tianjin, Wuhan and Changsha increased following the snowstorm, but they began to decline later on as transportation resumed after the temperature rebounded, said an official from the MOA.

The ministry has devoted continuous efforts to the anti-disaster work, including restoring the damaged greenhouses and guiding farmers in improving plant management measures, so as to ensure steady production and supply of the agricultural products.

Soybean imports will soar as margin widened⁷

China's imports of soybeans will probably remain high after March as lower costs boost crushing margins, the China National Grain & Oils Information Center said in a report.

The margin, based on quoted prices of near-term cargoes, widened to RMB 315 a metric ton by Jan 13, up RMB 77 from a week before.

China may be oversupplied with soybeans in the first quarter as imports are expected to be about 4.2 million tons in January and are likely to remain above 4 million tons in February, the report said.

Pork prices to even out in 2010⁸

Ministry of Commerce expects the country's pork production and prices to even out in 2010, according to Xinhua News Agency. Prices are currently recovering from a steep drop in early 2009.

Oversupply led the live hog price to fall 40% to RMB9.56 (US\$1.41) per kilogram from June 2008 to June 2009. But some of the loss was recovered by the end of the year, with the live hog price reaching RMB12.36 per kilogram by the first week of 2010, according to a ministry official.

Porcine Circovirus vaccine approved⁹

Chinese authorities have granted market authorization for Circoflex, a vaccine to control Porcine Circovirus Disease (PCVD).

⁶ Xinhua News Jan. 8, 2010

⁷ China Daily Jan. 10, 2010

⁸ WATT Pig e-News Jan. 12, 2010

⁹ Pig Progress.net Jan. 11, 2010

The product, produced and marketed by Boehringer Ingelheim Vetmedica, contains a combination of purified circo-antigen (a virus-like particle) with a designed adjuvant (Impranflex). It is licensed as a single shot vaccine recommended for convenient vaccination around weaning.

The product has been shown to reduce clinical signs like wasting and mortality in the acute form as well as to improve growth performance in the chronic form of the disease.

Since 2006, more than 260 million pigs have been vaccinated with the vaccine.

Rattlerow Seghers expands its hog breeding farm¹⁰

Rattlerow Seghers, who established a joint-venture hog breeding farm in Hebei province ten years ago, has signed an agreement with its partner Hebei Yufeng Jing An breeding Co. Ltd. to increase the nucleus program to maintain around 400,000 commercial sows within the next three years.

The nucleus herd will be increased by an import of pure line animals during next summer. At the same time, construction work has already started to extend the capacity of the nucleus farm to 600 sows.

Stefan Derks, Co-CEO, Rattlerow Seghers, said: "Hebei Seghers breeding Co Ltd. guarantees the supply of high quality pig breeding technologies to lower the cost of production. At present, around 20,000 GP sows produce parent stock in 28 provinces of China.

A dedicated team working at the nucleus farm in Hebei province will guarantee the successful breeding of pure lines of Rattlerow Seghers. Every month, nucleus data are sent to the central offices in Belgium to calculate inbreeding indexes and BLUP values to run the breeding program in the best possible way.

With support of the most advanced European technologies and know-how from specialists from the local industry's top performing companies, Rattlerow Seghers breeding program has the solid reputation for the production of the best carcass quality available in the market. The fast growing Chinese pig industry has recognized this quality. During 2009, around 85,000 breeding animals were produced within the Rattlerow Seghers breeding program and were sold throughout China.

AgFeed splits feed and hog business¹¹

AgFeed Industries will split up its hog and nutrition business in two different divisions, in order to better respond to anticipated growth in these markets.

The company, one of the largest independent hog production and animal nutrient companies in China, will remain the holding company for the two businesses which will be separate, but wholly-owned.

The company will also continue to indirectly hold a 65% controlling interest in AgFeed International Protein Technology, the joint venture it established with M2P2 in 2009. Each business line will have a board of directors, an executive-level management team with strong industry experience, financial systems designed specifically for their operations and internal financing capabilities.

¹⁰ ThePigSite News Jan. 19, 2010

¹¹ Pig Progress.net Jan. 14, 2010

Xinjiang reports foot-and-mouth disease outbreak¹²

The Ministry of Agriculture on Jan. 15 said foot-and-mouth disease involving 28 cattle hit Korla city in northwestern China's Xinjiang Uygur Autonomous Region.

The outbreak was first reported on Dec. 30, 2009 in Xiniga township and confirmed by the National Foot-and-Mouth Disease Reference Laboratory.

A total of 37 cattle were culled, including the 28 affected and those in the same herding, said a statement from the Ministry.

The disease was under control now, the statement said.

Yuhe opens new broiler breeding farm¹³

Yuhe International Inc., a leading supplier of day-old broilers in China, has announced that it has completed the construction of a new breeder farm, bringing Yuhe's total number of breeder farms to 27.

The new breeder farm covers an area of 142 acres. From the local government, Yuhe acquired the land use rights for 50 years for a total of RMB14.2 million (US\$2.1 million). Yuhe intends to add approximately 55,000 sets of parent breeders to the new breeder farm on or before 30 December 2009, which will increase the company's total capacity of parent breeders to 1,205,000 sets.

There are three additional new breeder farms under construction, one of which is expected to start operation after mid-January 2010, with the other two to be completed by March 2010. In addition, Yuhe plans to introduce a new hatchery with 40 sets of hatchers by February 2010.

Yuhe purchased a 5.3 hectare land use rights for 50 years in Weifang, Shandong Province for RMB18 million (US\$2.64 million), which was paid at the end of 2009. Yuhe also paid an additional RMB2 million (US\$0.29 million) for a building and other facilities within the area. The construction of this new breeder farm will start in February 2010 and finish by the second quarter of 2010. It will add 120,000 sets of parent breeders for Yuhe. The total capital expenditure for construction and equipment will be around RMB17 million (US\$ 2.5 million).

The company announced late last year that it has entered into an agreement to purchase 13 breeder farms from Weifang Dajiang Corporation. The aggregate purchase price is RMB103.87 million (US\$15.2 million). According to the agreement, Yuhe already paid 80 percent of the purchase price on or before 31 December 2009 and will pay the remaining balance within two months after formal delivery of the farms, expected in early March 2010. Built from 1996 to 1999, the farms cover a total area of 37 hectares, for which Yuhe acquired all the ground buildings as well as the land use rights for 36 years. The purchase price also includes in-house breeding facilities which supply feed, water and air to the parent breeders. The breeder farms are in good condition and require only RMB17 million (US\$2.5 million) for renovation. These farms will add 600,000 sets of parent breeders for Yuhe by the third quarter of 2010.

Yuhe set a production target for 2010 of 150 million day-old broilers.

¹² Xinhua News Jan. 16, 2010

¹³ ThePoultrySite News Jan. 7, 2010

Shineway and Nippon set up a chicken-raising JV¹⁴

Shineway Group and Japanese Nippon Ham have started a chicken-raising project in Henan province that will, in its first phase, produce 50 million chickens per year. Located in Luohe city of Henan, the project will cost RMB 1.72 billion (US\$252.2 million) and is expected to be in operation in 2010

Shuanghui Group Chairman Wan Long said the first-phase of the project will be able to produce 300,000 tonnes of feed, 50 million chickens and 120,000 tonnes of chicken meat products every year.

USDA: Livestock and Products Annual 2009¹⁵

USDA FAS Beijing (Post) forecasts China's total meat production in 2010 will reach 78.6 million metric tons (MMT), a four percent gain from 2009. Beef and mutton production are expected to decline, while pork production is expected to grow steadily.

Post forecasts China's beef production in 2010 will fall five percent to below 5.5 MMT, following a six percent decline in 2009, as continued low beef producer returns dampen beef cow production. Post forecasts China's 2010 beef imports will rise 20 percent to 18,000 MT, encouraged by continued high prices in the Chinese beef market. Significantly higher quantities of imported beef will continue to move through grey channels. Meanwhile, further declines in Chinese beef exports are expected, falling to 25,000 MT in 2010.

China suspended imports of live swine and swine products from Mexico, the United States and Alberta Province in Canada in late April 2009 due to an outbreak of human A-H1N1 flu in Mexico and North America. Although China subsequently lifted its ban on US cooked pork, porcine casings and gelatin, US exports have not resumed due to China's policy to require pre-export disinfection of the exterior of shipping containers containing US pork products.

Post forecasts China's pork production in 2010 will increase nearly four percent to 50.3 MMT from an estimated 48.5 MMT in the previous year, fueled by government sow subsidies and improved PRRS control. An oversupply of hogs in 2009 pushed swine and pork prices down considerably, with the benchmark average retail price in 36 cities falling to a three-year low in June of just over RMB 10 per kilogram. The price decline spurred government purchases of 120,000 MT in mid-June under a market intervention scheme, as the pork to corn price ratio fell below the intervention trigger level of 5.5. Prices have since rebounded strongly, up 10 percent in late August compared to early June. Dampened by abundant local supplies, China's pork imports are expected to continue falling to an estimated 120,000 MT in 2010. Meanwhile, Chinese pork exports are forecast to increase four percent to 240,000 MT.

USDA: Poultry and Products Annual 2009¹⁶

USDA FAS Beijing (Post) projects a modest increase in China's 2010 broiler meat production, rising three percent to 12.5 million metric tons (MMT), following an estimated two percent increase in 2009. Domestic demand continues to rise steadily, fueled by rising sales through fast food chains and other food-service channels. Broiler consumption in 2010 increases three percent to 12.6 MMT following a two percent increase in 2009.

¹⁴ ThePoultrySite News Dec. 30, 2010

¹⁵ ThePigSite News Jan. 19, 2010

¹⁶ ThePoultrySite News January 2010

Post forecasts China's total broiler imports in 2010 to decrease three percent to 360,000 metric tons (MT), following an estimated seven percent decline in 2009. While overall imports continue to slide, demand for imports from the United States has risen, up 10 percent so far in 2009 on top of record sales in 2008. The recent opening of China to direct sales from Brazil may challenge continued steady gains in US sales.

Post forecasts China's broiler meat exports in 2010 to increase three percent to 287,000 MT as the global economy begins to rebound. This follows an estimated two percent decline in 2009 as slow sales to Japan are partially offset by higher exports to Hong Kong.

Post forecasts China's poultry egg production to increase three percent to 28.7 MMT following an estimated three percent increase (27.8 MMT) in the previous year.

MOFCOM cools on milk powder imports¹⁷

The Ministry of Commerce (MOFCOM) recently warned domestic enterprises to avoid excessive imports of milk powder products that could result in financial losses.

Shipments of milk powder to harbors mainly in North China, East China and South Central China reached 31,000 tons in December, the MOFCOM said on Jan. 11. Shipments are expected to surpass 40,000 tons this month. Importers should be cautious on signing new import contracts and are advised to disperse shipments, said the MOFCOM.

The contamination of milk powder with melamine in China in recent years has raised consumers' concerns over the safety of domestically-made milk powder, while demands for imported milk powder have been on the rise. From January to July last year, the country's dairy product imports surged 89.6 percent to reach 353,000 tons over the same period in 2008, according to data from the General Administration of Customs (GAC).

The MOFCOM and GAC jointly initiated automatic licensing management of fresh milk, milk powder and milk serum products on August 1 last year, and at the same time added those dairy products to the list of bulk agriculture products required to be reported in import tallies.

Shanghai Panda Dairy closed over tainted milk¹⁸

Shanghai Panda Dairy was shuttered and three executives arrested after an investigation found eight batches of its powdered milk and condensed milk had "illegally high" levels of melamine, according to Shanghai Daily.

Panda Dairy was put on a "black list" during the 2008 scandal after its products were found to have the second-highest levels of melamine in the nation, behind bankrupt Sanlu Group.

Authorities allowed Panda Dairy to resume production after it promised to "lift its game".

But the latest investigation revealed the dairy had reused contaminated condensed milk that was recalled from the market and also used "suspect raw material" for its milk powder, the report said.

¹⁷ Global Times Jan. 13, 2010

¹⁸ Shanghai Daily Jan. 1, 2010

Bright Food eyes Australian sugar deal¹⁹

Bright Food Group Co, the biggest food company in Shanghai, offered as much as A\$1.5 billion (US\$1.4 billion) cash for Australia-based CSR Ltd's sugar unit to gain raw materials after global prices more than doubled in the past year.

The State-owned company, with businesses spanning from yogurt and ice cream to meats, would gain mills that account for about 4 percent of the global raw sugar trade. CSR, Australia's second-largest maker of building materials has been seeking to sell the unit to take advantage of a surge in sugar prices prompted by a global production shortfall.

Demand for sugar in China, the world's second-largest consumer behind India, may exceed production by 3.3 million tons in 2009-2010 after drought and cold weather cut yields, according to the Guangxi Bulk Sugar Exchange Center.

Bright Food accounts for 10 percent of China's sugar market, according to the company's website. Bright, which controls four listed companies including Bright Dairy & Food Co, Shanghai Jinfeng Wine Co, Shanghai Maling Aquarius Co and Shanghai Haibo Co, has more than 3,300 retail outlets, according to its website.

Draft sequence of cassava genome completed²⁰

A research team from the Chinese Academy of Tropical Agricultural Sciences (CATAS) has completed the deep genome sequencing of 3 cassava varieties in one year and obtained more complete genome draft through several ultra-high-throughput sequencing technology, news came from the 1st China National Agriculture Innovation Forum held in Hainan.

Cassava, known as "king of starch", is one of the three major tuber crops, the world's sixth largest food crop and the main food for 600 million people in the world. The research team completes the deep genome sequencing of three cassava varieties of Ku50 (high-starch), W14 (wild ancestral species) and CAS36 (sugar cassava). They also completed the assembly of the complete genome data through Solexa, 454, and BAC Blending Strategy.

The United States has completed the draft sequence of one cassava variety. With China's contribution, these achievements will clarify the basic features of the cassava genome and provide an essential tool for the global adoption of new technologies to carry out basic and applied research in cassava. This will also lay the foundation for further research on the molecular regulatory mechanisms of high efficiency conversion of solar energy to starch accumulation and drought-resistance, as well as the ability of enduring leanness of cassava. Completion of the cassava whole-genome sequencing project has important scientific significance on global food security and bio-energy development.

Date change for VIV China 2010²¹

VNU Exhibitions Europe, organizer of the VIV trade shows, announces a date change for VIV China 2010. VIV China will take place from 6-8 September 2010 at the New China International Exhibition Center in Hall West 1, 2 and 3.

The reason of the date change is related to a series of festive days in China.

¹⁹ China Daily Jan. 13, 2010

²⁰ Crop Biotech Update Jan. 22, 2010

²¹ Pig Progress.net Jan. 11, 2010

German biogas supplier enters China market²²

Engaged by a Chinese investor, German biogas supplier Weltec BioPower set up a biogas plant using pig manure and rice straw, in Wuxi, Jiangsu Province.

Construction work is expected to begin in the first quarter of 2010. The plant with an output of 370 kWel will be China's first biogas plant that meets German quality standards, the German company claims.

The plant's two 17 million litre fermenters will be fed with 15,000 tonnes of pig manure and 1,500 tonnes of rice straw a year. The resources will come from farms in the vicinity, and the biogas will be generated for own use.

According to China's biogas development plan, the number of households to use this resource by 2010 is approximately 40 million. The biogas potential is estimated at 141.6 trillion litre a year – enough to supply the entire rural population with energy for cooking and lighting.

Statistics

Agricultural produce average prices from 200 major production counties Jan. 1-10, 2010²³

Product	Grade/Unit	Price (CNY)	Percentage changes as compared to last period (% , Dec. 20-31, 2009)
Corn	Unprocessed / kg	1.87	0.63
Soybean	Unprocessed / kg	4.90	0.26
Hsien rice	Unprocessed / kg	2.05	0.68
Japonica rice	Unprocessed / kg	2.36	1.49
Wheat	Unprocessed / kg	2.01	0.79
Rapeseed	kg	3.98	1.62
Peanut	Shelled / kg	9.19	2.22
Hog	Finisher / kg	12.16	0.17
	Piglet / kg	16.64	-0.25
Broiler	Ready for slaughter / kg	11.75	0.66
Live cattle	Ready for slaughter / kg	17.00	0.34
Live goat	Ready for slaughter / kg	17.18	1.00

²² Pig Progress.net Jan. 13, 2010

²³ National Bureau of Statistics

Major meat retail price Jan. 11-20, 2010²⁴

Pork (Lean):

CNY 1.00/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 01/11/10-01/20/10	B. 01/01/10-01/10/10	C. 12/11/09-12/20/09	D. 01/11/09-01/20/09	(A-B)/B	(A-C)/C	(A-D)/D
23.42	23.54	23.40	25.18	-0.51%	0.09%	-6.99%

Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 01/11/10-01/20/10	F. 01/01/10-01/10/10	G. 12/11/09-12/20/09	H. 01/11/09-01/20/09	(E-F)/F	(E-G)/G	(E-H)/H
7.78	7.72	7.74	7.16	0.78%	0.52%	8.66%

Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 01/11/10-01/20/10	J. 01/01/10-01/10/10	K. 12/11/09-12/20/09	L. 01/11/09-01/20/09	(I-J)/J	(I-K)/K	(I-L)/L
14.58	14.52	14.54	14.60	0.41%	0.28%	-0.14 %

Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 01/11/10-01/20/10	N. 01/01/10-01/10/10	O. 12/11/09-12/20/09	P. 01/11/09-01/20/09	(M-N)/N	(M-O)/O	(M-P)/P
34.26	34.24	34.26	34.00	0.06%	0.00%	0.76%

²⁴ China Animal Agriculture Association