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China Agricultural Newsletter – March 2010

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Laws, Regulations and Policies

Agriculture a key area for NPC¹

The report of the recent National People's Congress (NPC) highlights several areas of interest for agriculture.

The central budget of 2010 is featured by prioritized and better-structured investment in fixed assets with more focus on projects related to farmers' livelihood and rural infrastructure. Investment in initiatives regarding agriculture, farmers and rural areas totals up to 93.66 billion yuan. Special supports will be given to the following two aspects:

First, rural livelihood project worth 49.5 billion yuan, including safe drinking water project, power grid project, road construction project, biogas project, extension project on renovating rural dilapidated houses, nomads settlement project in minority areas, small-scale hydropower projects, rural postal service project, and schistosomiasis prevention and control in agriculture and forestry areas.

Second, agricultural infrastructure and service system building worth 44.16 billion yuan, including large-scale water-saving improvement in irrigation areas, increasing grain output by an incremental 50 million tons, agricultural technical service system, animal epidemics prevention system, farm produce quality and safety inspection and testing system, food quality and safety inspection and testing system, grain and oil storage facility, returning the reclaimed land to forest, grazing-stop for grassland rehabilitation, standard-based swine and dairy cattle farms, plant protection projects, seed and animal variety improvement prevention, fishery administration and fishery harbor, conservation tillage, grassroots agriculture technology extension network, farm produce wholesale market, grassland fire prevention, oil and sugar production base, demonstration base for water-efficient dry-land farming, and Xinjiang cotton base, etc. Construction of those facilities will further improve conditions for agricultural production, and enhance comprehensive productivity of agriculture.

The central government will continue subsidy for grain growers in 2010. In principle, subsidy will be directly distributed to farmers engaged in grain production, and determined as appropriate by the provincial government; establish dynamic adjustment system for comprehensive subsidy for agricultural production means, promptly arrange fund for subsidy along with price changes in production means such as fertilizer and diesel following the principle of "balance subsidy with

¹ ThePigSite News Mar. 18, 2010

price, make dynamic adjustment, and allow only for subsidy increase but not reduction”, to provide reasonable compensation on increased cost on production means. On Feb 4, central budget already allocated funding worth 86.7 billion yuan on the two subsidies for 2010 to the localities, which will be directly transmitted to farmers before spring sowing. In terms of subsidy on improved varieties, subsidies will be delivered on rice, wheat, corn, cotton, soybean in the Northeast and Inner Mongolia, as well as rapeseed in 10 provinces along the Yangtze River, Xinyang in Henan Province, and Hanzhong and Ankang in Shaanxi Province – 10 yuan per mu on early rice, wheat, corn, soybean and rape, and 15 yuan for semi-late and late rice, and cotton. Subsidies on rice, corn and rape will be directly delivered in cash. As for wheat, soybean and cotton, farmers can enjoy subsidized price upon concentrated bidding, or receive cash subsidy, which may be determined by provincial government in line with local conditions; at the same time, the central government will in 2010 further expand coverage of subsidies on seed potato production, mobilize subsidy on improved highland barley varieties in Tibetan region, and introduce subsidy on improved peanut varieties in some peanut producing regions. In terms of subsidies on the purchase of farm machineries, the subsidy program will be extended to all agricultural/pastoral counties (farms). The subsidy will be at 30% of machinery purchase price, and not exceed 50,000 yuan for each unit of machinery. The subsidy will cover 180 items of 45 groups under 12 categories, while local government may add discretionary 20 items as appropriate. On March 1, the central government earmarked 28.6 billion yuan for the subsidy on improved varieties and on the purchase of farm machinery, to meet the needs of spring production.

US\$4.2 bln allocated to support farmers²

China's central government has allocated 28.6 billion yuan (US\$4.2 billion) to support farmers, the Ministry of Finance said in a statement on Mar.1.

The bulk of the funding -- 18.6 billion yuan -- would be used to subsidize farmers in growing improved varieties of crops such as rice, corn, and cotton. The other 10 billion yuan would subsidize purchases of farm machinery such as sowers and reapers.

The funding aimed to improve motivation in agricultural production, and stabilize the country's grain production, according to the statement.

Farmers across the country would be eligible for the subsidies.

The funding was on top of 86.7 billion yuan of subsidy funding to grain-growing farmers nationwide in February.

Food safety reforms proposed³

The general office of the State Council issued a plan to improve national food safety, setting the tone for this year's program, which includes emphasizing the accountability of the system.

As part of a two-year project that began last month, the plan details 11 points for reforming food safety in China, aiming to solve problems and restore public confidence in the products that are available on the market.

² Xinhua News Mar. 2, 2010

³ China Daily Mar. 9, 2010

The plan says: "Tests on pesticide residues in vegetables, fruits, teas, domestic fungus, animal products and seafood should be enforced. Regulations on pesticide production and sales, as well as random checks on pesticide quality, should be strengthened."

The plan, which requires increased supervision of fresh dairy products, also proposed a clampdown on illegal purchasing stations as well as severe punishments for the use of the banned medications nitrofurans and malachite green in the aquaculture industry.

Other points include banning illegal food additives, improving food production and processing, as well as the importing and exporting of food.

In addition to highlighting the need for comprehensive food safety regulations, there were also calls for improving the intermediate links in food production, including better regulation of the catering and butchering industries.

US pork imports resumed⁴

China has accepted a U.S. proposal to resume pork imports and end a nearly year-long ban that was based on H1N1 influenza concerns, according to the U.S. Department of Agriculture's Foreign Agricultural Service. Pork trade will resume immediately once both sides finalize the export documentation, the service reported in a press release.

"This agreement is a win for America's pork producers, whose safe and high-quality exports can now flow freely into China and support agriculture jobs here at home," U.S. Trade Representative Ron Kirk said in the press release. "I am also pleased that China affirmed that they will base their decisions on international science-based guidelines. We look forward to working cooperatively to resolve additional issues, including a resumption of trade in beef."

China barred imports of U.S. pork from 49 states last year after the worldwide H1N1 outbreak. In 2008, before the ban took effect, China was the United States' seventh largest market valued at nearly US\$275 million, accounting for six percent of U.S. pork and pork variety meat exports, according to USDA data.

No approval of imported GM grain seeds for commercial planting⁵

China will accelerate development of its own genetically modified crops, seeking to secure food security and international competitiveness, Reuters reported an official from the country's Ministry of Agriculture as saying.

The official from the Ministry's biosafety administration office also denied reports that China had already approved imported GM grain seeds for widespread planting.

"The Ministry of Agriculture has never approved any genetically-modified grain seeds for planting in the country, and there are no GMO grain crops being planted within the country," said the official, adding that the GM cotton, soy, maize and rapeseed approved for import into China were "restricted to use as raw materials for processing," but not for planting, said the official.

But the official also described hopes that China will be a leading player in international competition to create and grow its own GM crops that are resistant to pests and diseases.

⁴ Pig E-News Mar. 22, 2010

⁵ Reuters Mar. 5, 2010

"Accelerating technical research on GM crops and their application and healthy development will provide a vigorous scientific support for the sustainable development of China's agriculture," said the official. He also stated that the development of GM strains was important for both international competitiveness and ensuring China's food security.

China approved the safety of the insect-resistant Bt strain of rice and phytase corn last November, opening the door to widespread planting of the GM grain crops, within about 3 years.

A survey conducted by the Chinese Academy of Sciences (CAS) showed that Bt rice could cut pesticide use by as much as 80% and save labor costs for farmers, boosting net income by \$72 per hectare.

More than 20 GM crops have been approved for field trials, including wheat, soybean and rapeseed, according to the CAS report.

China's largest feed mill, the New Hope Group, said the company was supporting GM corn, which could help China produce enough grain to meet rising demand for animal protein.

Industry and Business Watch

Severe drought worsens in SW China⁶

The severe drought in China's southwest had worsened as affected areas had received little rainfall in the past two weeks, said China's drought relief authorities on Mar.23.

It had left 18.05 million people and 10.17 million livestock short of drinking water and affected 96.54 million Mu (about 6.44 million hectares) of arable land, said the State Flood Control and Drought Relief Headquarters (SFDH).

To ensure the safety of drinking water, local governments had implemented a range of emergency measures, the SFDH said.

Local authorities in Yunnan, Guizhou and Guangxi had built 3,092 water diversion systems and 58,600 irrigation works, and dug 11,200 wells, according to the SFDH.

During a three-day trip to Yunnan Province, Chinese Premier Wen Jiabao called for intensified and consistent efforts to relieve the drought and help the affected people overcome their difficulties.

Focus put on animal epidemic control⁷

At a high-level meeting on animal disease, Vice Agriculture Minister Gao Hongbin stressed the need for increased efforts to control African swine fever, A H1N1 flu, and zoonotic diseases such as brucellosis and tuberculosis.

⁶ Xinhua News Mar. 24, 2010

⁷ TheCattleSite News Mar. 3, 2010

The Vice Minister required that agencies responsible for animal epidemic control and prevention, and animal health supervision should work together on infrastructure construction, improve technological capacity of agencies at various levels, strengthen the build-up of staff force, enhance working capacity, and establish and perfect the accountability system of animal epidemic control and prevention to cover all the possible fields.

Corn market trends⁸

Recently, China's feed and aquaculture industries have been recovering slowly. Sales of pig feed are still significantly down, and corn consumption is weak, so feed enterprise slowed their pace of purchase. However, Chinese corn prices have risen and cost levels have increased. At the same time, soybean prices have experienced recent stability and the cottonseed meal market has been stable and declined. In addition, China's corn imports and exports have also declined, but have experienced significant growth year-on-year. The current Chinese corn prices are stable in most areas, and in some areas have slipped.

Since the beginning of March, pig feed sales volume has declined about 20 to 30 percent, and in some areas has decreased by 40 percent. Although in March sales of poultry are expected to show growth in some area, and in some area increase by 15 percent; but the overall sales have not improved, and corn consumer demand growth is still quite slow.

According Himfr's data, in February of this year, Chinese corn imports amounted to 105,461 tons, compared with exports of 142,592 tons the previous January, a decline of 26 percent; but compared with import volume last year of 40 tons, it is a dramatic increase year-on-year. China's corn exports in February amounted to 2,537 tons, reduced by 59 percent, relative to last year's export volume of 12,325 tons, which was a year-on-year increase of 20 percent. Although the recent volume of China's imported corn has decreased compared with last month, it still remained above 100,000 tons, which indicates an increase in the Chinese market supply.

Himfr analyzes that the current sales volume of China's pig feed is still substantially reduced, and corn consumer demand has not increased. Despite the recent corn prices in some regions going up in varying degrees, the level of deep processing costs increased from the previous month. Consumer demand is not obvious, which means in some areas corn prices have come down. It is expected that the sales of Chinese feed will be gradually restored, and in the corn market, short-term prices have adjusted but later the price of corn will soar.

Price of rice rises in south China⁹

The price of rice in most shops of Guangzhou city, capital of Guangdong province, has increased 10 percent in the past month due to the severe drought in southwestern China.

Huang Weijuan, a Guangzhou housewife, said she spent 55 yuan (US\$8) to buy a bag of rice in Taojin agricultural bazaar in the city's Yuexiu district over the weekend. "But the price for the same bag of rice, which weighs 20 kg, was about 50 yuan a month ago," Huang said.

According to a report from Guangzhou-based Yangcheng Evening News, some traders have been investigated for trying to corner the market for rice and Chinese herbs in case of a future price hike in Guangzhou. Relevant departments have promised to launch an investigation and punish those who illegally raise prices.

⁸ Himfr.com Mar. 25, 2010

⁹ China Daily Mar. 29, 2010

Affected by the severe drought, the prices of tea, fresh flowers and some Chinese herbs that are mainly produced in southwestern China have witnessed big increases in Guangdong in the past month.

Sugar output to drop about 10 percent amid severe drought¹⁰

China's sugar production would drop by nearly 10 percent as the severest drought in a century continued to devastate sugar cane croplands in the country's south, according to China Sugar Association (CSA).

Sugar production this season would see a year on year drop of one million tonnes to 11 million tonnes, three million tonnes short of the country's overall demand, said Jia Zhiren, president of the CSA.

The worst-hit Guangxi Zhuang Autonomous Region and Yunnan Province are the country's top two sugar producing areas.

In Guangxi, which accounts for 60 percent of China's sugar output, drought had forced plants to halt production due to lack of sugar cane, said Zhong Jian, head of Guangxi agricultural department's sugar production office.

Drought had cut Guangxi's sugar cane output by about 1.1 million tonnes for this season. And the region's sugar output was expected to fall by at least 400,000 to 500,000 tonnes, Zhong said.

Sugar output would drop by 530,000 tonnes to 1.7 million tonnes in Yunnan, China's second largest sugar producing area, said Deng Yi, president of the provincial sugar industry association. The forecasted slump had pushed sugar prices to 5,200 yuan (US\$761.8) per tonne, the highest in years.

The rocketing prices would lead to excessive fluctuations in cane and sugar production, which was harmful to the long-term sustainable development of the industry, said Nong Guang, president of Guangxi's sugar industry association.

Cotton imports may jump on planting cut¹¹

China may increase purchases of cotton 30 percent this year and drive up global prices as growers plant a smaller crop, Mao Shuchun, cotton researcher at the Chinese Academy of Agricultural Sciences, said.

Domestic farmers, hurt by volatile cotton prices, have begun to grow more profitable crops, including grain and vegetables, Mao said. Increased imports, which account for about 30 percent of global trade, may help lift the price of US cotton to about 90 cents a pound on the cash market, he said.

Planting of cotton in China this year may fall 4.9 percent from last year's 74.25 million mu (5 million hectares). Cotton for May delivery gained 0.3 percent to 81.37 cents a pound on ICE Futures US in New York. The price is down 3.8 percent since reaching a two-year high of 84.6 cents March 1.

¹⁰ Xinhua News Mar. 30, 2010

¹¹ China Daily Mar. 18, 2010

China's plan to boost commodity stockpiles will also reduce the amount of commercial supplies, forcing mills to seek imports, Mao said. Supply from the US, the biggest exporter, "won't be abundant" because of its policies to boost corn-based ethanol. That in turn is forcing other cotton-growing countries to plant more grain instead of fiber crops, he said.

China is forecast to buy 2.1 million tons this year, out of 7.5 million tons exported worldwide, according to the USDA.

Farmers throughout China have cut cotton acreage and boosted grain planting since 2004, when the central government started price-support policies for wheat and rice and stockpiling of corn, Mao said. The policies favoring grain gave farmers more assurance than the volatile cotton prices, he said.

FMD issue resolved¹²

The World Organization for Animal Health (OIE) reports that China has resolved the foot and mouth disease issue.

The Chinese veterinary authorities sent Follow-up Report No. 1 to the OIE on Mar. 11, 2010. The FMD virus was first detected on Feb. 22, 2010 in swine and confirmed on Feb. 28, 2010.

According to the report, the causal agent of the disease is foot and mouth disease virus, serotype-O. The source of the outbreak is still unknown.

After this event, the prefecture animal disease control competent authority traced back to the farms of origin. Movement restrictions and clinical and epidemiological surveillance were implemented. The health condition of the farms of origin is normal.

Negative results of NSP ELISA, RT-PCR and virus isolation conclude that this outbreak is completely resolved. Movement restrictions on the farms of origin were lifted on 25 February 2010.

National hog price weak to stable¹³

Live hog farm prices averaged 9.82 RMB/kg nationally on 10 March, 0.04 RMB/kg higher than the day before. Among 13 major provinces reporting, prices climbed in six and fell in seven.

Hog prices in North-East China averaged 8.66 RMB/kg, 0.28 RMB/kg lower than the day before; 10.04 in North China, 0.20 higher than the prior day; 9.74 in East China, 0.06 higher; 10.42 in Middle China, 0.32 higher; 10.52 in South China, 0.08 higher; 9.60 in South-West China, 0.54 lower.

Hog prices continued to climb slightly in Middle and East Coastal Regions, vibrated and went down in North-East and South-West Regions, according to the Devine Farmer Site.

In general, national hog prices continue to fluctuate and because of diseases and a long term bearish market, producers are sending high numbers to market.

¹² TheBeefSite News Mar. 15, 2010

¹³ ThePigSite News Mar. 12, 2010

At present the markets is seeing producers make a loss, but the outlook is for an up turn in the market as producers become less willing to sell.

Hog prices are expected to continue gently fluctuate.

Pig breeder Rattlerow Seghers expands in China¹⁴

Belgian pig breeder Rattlerow Seghers has announced to step up its breeding activities in China.

The partners Hebei Yufeng Jing An Breeding and the Belgian breeder reached an agreement to increase the nucleus program in order to have and maintain a sow herd of 400,000 within a three year timeframe.

The Chinese nucleus herd of Rattlerow Seghers will therefore be expanded to 600 sows and preparatory construction has already begun. In the summer of 2010, nucleus animals will be transported to China. In 2009, the company delivered approximately 85,000 breeding animals to China.

About ten years ago, the joint venture Hebei Seghers Breeding was created in Hebei province, at about 250 km South West of Beijing.

Natural Dairy considering US\$1.5 bln investment in NZ farming¹⁵

China Jin Hui Mining Corporation is moving to buy a massive stake in the New Zealand dairy industry.

Jin Hui - or Natural Dairy Holdings as it was recently renamed - has told the Hong Kong Stock Exchange it is buying US\$1.5 billion worth of farms, livestock and milk production facilities - including the 22 farms that were owned by the Crafar family.

The Crafar farms, valued at over US\$200 million, were placed in receivership late last year. The receivers say no deal has been done, but they are negotiating.

Federated Farmers says it is a sign the farm gate swings both ways, with New Zealand companies investing in China. It is keen to meet with the Chinese sooner rather than later to find out what their long-term strategy is.

It would be the largest attempt at direct foreign ownership since a Canadian pension fund tried to buy Auckland airport - a plan that was knocked back by the then Labour government.

The Overseas Investment Office has confirmed it is now looking at an application from Natural Dairy Holdings.

DaChan Food reports strong processed segment¹⁶

DaChan Food (Asia) Limited, one of the largest chicken meat products and feeds suppliers in China, has announced its annual results for the year ended 31 December 2009. Although the operating environment remained challenging as slower demand and an oversupply in the chicken meat market led to lower average selling prices, DaChan Food managed to delivered

¹⁴ Pig Progress Mar. 8, 2010

¹⁵ Reuters Mar. 24, 2010

¹⁶ ThePigSite News Mar. 18, 2010

robust business performance for fiscal 2009 as turnover held steady at US\$1,242.1 million, down just 4.0 per year-on-year.

The processed food segment in particular performed exceptionally well thanks to an improved product mix, a more diverse sales network and the Group's strong brand position. Operating revenue from the segment as a percentage of the Group's total turnover rose to its highest level at 7.2 percent. Gross profit of the segment was up 445.3 percent year on year. Since 2009, the Group has begun to leverage the strengths of its Sisters' Kitchen brand and that of its product traceability system to help enhance the DahChan Food brand and drive better business performance. Since 2009, the Group has successfully put its branded products on the shelves of major supermarket chains in Beijing, Shanghai and Tianjin, including Tesco, Carrefour and Wal-mart. Meanwhile, four Sisters' Kitchen deli stores have already been launched in Beijing.

Chicken meat and feeds sales remained the largest business drivers for the Group, contributing 47.8 per cent and 45.0 per cent of the Group's total turnover, respectively.

In 2010, the Group will focus on improving production efficiency and utilization rates. By boosting the share of higher-margin processed food in the mix of products that are sold to major fast food chains, the Group hopes drive sales further.

The Group expects the feeds to external customers segment to continue to grow steadily in 2010. The Group will continue to develop and expand its distribution channels with large pig farms in order to increase its share of the market and improve margins. Furthermore, the Group will establish a new R&D centre to help launch more new products to meet market demand.

As for the processed foods segment, the Group will primarily focus on expanding its business in China market and opening more Sisters' Kitchen deli stores in first tier cities. At the same time, the Group will step up its efforts in further developing the existing distribution channels to accelerate growth. For the export business, the Group will increase its emphasis on developing new products for existing customers while further expanding the restaurant, supermarket and convenient store markets in Japan, Singapore and Hong Kong.

5 companies win in lysine case¹⁷

The U.S. Court of Appeals for the Federal Circuit has ruled that a group of five Chinese agricultural companies did not infringe on patents for a lysine feed additive owned by Japanese food company Ajinomoto. The case had been on appeal from the U.S. International Trade Commission.

The administrative law judge in the case held that the claims of Ajinomoto's two patents were invalid for failure to disclose the best mode of practicing the invention, and that both patents were unenforceable because Ajinomoto had committed inequitable conduct.

The appellate ruling favors Global Bio-Chem Technology Group, the largest lysine producer in Asia. Other Chinese companies involved in the case were Bio-chem Technology Ltd., Changchun Baocheng Bio-Chem Development Co. Ltd., Changchun Dacheng Bio-chem Engineering Development Co. Ltd. and Changchun Dahe Bio Technology Development Co.

Coca-Cola gets into tea with Spritea¹⁸

¹⁷ Feed E-News Mar. 9, 2010

¹⁸ China Daily Mar. 26, 2010

The Coca-Cola Company has launched a new innovative tea-flavored beverage in China to enhance its product portfolio and further tap the huge beverage market.

Coca-Cola's Sprite brand on Mar. 25 launched Spritea, a carbonated blend of local green tea flavors. "With Spritea, we plan to further enhance the Sprite brand in China," said Andres Kiger, senior marketing director of Coca-Cola Greater China.

With Chinese consumers' enduring love for tea, ready-to-drink tea consumption in China has increased over 30 percent annually in recent year

In general, tea and sparkling beverages make up over 20 percent of the entire Chinese beverage sector.

500 Subway stores in 5 years¹⁹

United States-based sandwich chain Subway plans to have 500 outlets on China's mainland within five years as it boosts its presence to tap the "growing purchasing power" in the country.

With more than 32,000 outlets in 87 countries and regions, Subway, the world's largest sandwich franchise, aims to open 40 to 50 new restaurants in China this year, adding to the 150 outlets nationwide, said Frederick A. Deluca, president and founder of Subway, in Shanghai recently.

Last year, Subway opened 32 stores in China, where growing acceptance of Western-style food, especially fast foods, became more popular. But compared with McDonald's, which has 1,100 stores, and the more than 2,800 KFC outlets in China, Subway is still new to Chinese consumers although it has spent 10 years gradually building up its brand.

First-tier cities remained the top priority for Subway and it would also look at second-tier cities, Deluca noted. One way to speed up its expansion could be to lower the franchise fee for new stores to attract investors, he said, and for local store operators to launch new offerings to cater to Chinese tastes such as roasted duck sandwiches.

BOC, Temasek join hands²⁰

Bank of China Ltd (BOC) and Temasek Holdings Pte may invest as much as 20 billion yuan (US\$2.9 billion) to build a rural-banking business in China. The companies are in talks about setting up as many as 400 rural banks. Bank of China, the country's third-largest lender by market value, would own a controlling stake in the joint venture.

Bank of China, which pulled out of rural banking in the late 1990s, is returning to a market that's attracted HSBC Holdings Plc and Citigroup Inc as the government pushes to improve the living conditions of China's 700 million rural dwellers. The majority of the 118 countryside lenders set up since 2006 had become profitable by June 30, 2009, according to the China Banking Regulatory Commission.

Temasek, Singapore's US\$123 billion investment company, would own more than 20 percent of the venture. Setting up a rural bank in China requires approval from the banking regulator.

¹⁹ Shanghai Daily Mar. 9, 2010

²⁰ China Daily Mar. 17, 2010

Temasek bought a 4.8 percent stake in Bank of China in August 2005 and has provided the company with expertise in lending to small- and medium-sized businesses.

China plans to set up a total of 1,027 rural banks, 106 loan companies and 161 rural credit co-operatives in the three years ending 2011.

Blackstone to invest US\$600 mln in Shouguang²¹

A consortium led by Blackstone Group has agreed to invest about US\$600 million in China Shouguang Agricultural Product Logistic Park (Shouguang), ahead of its planned Hong Kong listing.

Shouguang, one of the country's largest agricultural market operators, will sell a roughly 30 percent stake of the company to the group led by the US buyout giant for about US\$600 million. The investment marks Blackstone's first pre-IPO type deal in China as Shouguang plans to raise about US\$700 million in a Hong Kong IPO in the middle of this year after receiving investments from the Blackstone-led consortium.

It also became the second major investment in China for Blackstone, which agreed in September 2007 to buy a 20 percent stake in the major chemical maker China National BlueStar (Group) Corp for up to US\$600 million.

The consortium includes Capital, Atlantis Investment and Warburg Pincus, and Blackstone is the lead investor with the biggest portion.

Shouguang is a family-owned business and it has hired investment banks including UBS and BOC International, the investment banking arm of Bank of China, to advise on its Hong Kong listing, said the sources.

The company is named after Shouguang, the Chinese city known as the "Home of Vegetables" -- a center of trade in vegetables and other agricultural products, not only for major domestic customers but also for international agricultural markets.

Shouguang won approval in 2009 to expand its logistic park project, after which trading volumes of vegetables, fruits and agricultural by-products are expected to reach 10 million tons annually, according to a company statement at that time.

Crop bio-breeding Industry development summit held in Beijing²²

The Crop Bio-breeding Industry Development Summit cosponsored by the Chinese Society of Biotechnology (CSBT) and Chinese Society of Agricultural Biotechnology (CSABT) was recently held in Beijing. More than 150 officers and experts from Ministry of Agriculture (MOA), Chinese Academy of Sciences (CAS), Chinese Academy of Agricultural Sciences (CAAS), Peking University, China Agricultural University and relevant bio-corporations participated in this conference.

Dr. Clive James, founder and chair of the International Service for the Acquisition of Agri-biotech Applications (ISAAA), provided the global overview of biotech/GM crops in 2009 and talked about the current status, impact and future prospects of GM crops. He lauded the Chinese

²¹ Xinhua News Mar. 18, 2010

²² Crop Biotech Update Feb. 26, 2010

government's approval of GM rice and phytase corn and pointed out that the rapid development of biotechnology was a miracle for modern agricultural science and technology. Transgenic crop area has increased year by year and its adoption has brought enormous economic, social and ecological benefits. There will be a new wave of biotech crops development in 2009- 2015.

Dr. Fan Yunliu, developer of phytase maize, and Dr. Zhang Qifa, developer of Bt rice, gave detailed reports on phytase maize and Bt rice. Both of them fully affirmed the bio-safety of the two products. They expressed the hope that the media could be more objective and scientific in explaining GM issues and lead the public to a better understanding of the technology. This would provide a good environment for biotechnology development and continuously promote the healthy and sustainable development of bio-breeding

Statistics

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

| Product | Grade/Unit | Price (CNY) | Percentage changes as compared to last period (% , Feb. 20-28, 2010) |
|---------------|--------------------------|-------------|--|
| Corn | Unprocessed / kg | 1.92 | 0.68 |
| Soybean | Unprocessed / kg | 4.92 | 0.00 |
| Hsien rice | Unprocessed / kg | 2.05 | 0.17 |
| Japonica rice | Unprocessed / kg | 2.48 | 0.46 |
| Wheat | Unprocessed / kg | 2.03 | 0.43 |
| Rapeseed | kg | 4.03 | 0.58 |
| Peanut | Shelled / kg | 9.53 | 0.09 |
| Hog | Finisher / kg | 10.55 | -5.55 |
| | Piglet / kg | 15.32 | -2.16 |
| Broiler | Ready for slaughter / kg | 11.98 | -2.52 |
| Live cattle | Ready for slaughter / kg | 16.97 | -1.24 |
| Live sheep | Ready for slaughter / kg | 17.66 | -0.72 |

²³ National Bureau of Statistics

Major meat retail price March 2010²⁴

Pork (Lean):

RMB1.00 yuan/kg

| Average Sales Price (Street markets & Supermarkets) | | | | Var. Percent | | |
|---|----------------------|----------------------|----------------------|--------------|---------|---------|
| A. 03/11/10-03/20/10 | B. 03/01/10-03/10/10 | C. 02/11/10-02/20/10 | D. 03/11/09-03/20/09 | (A-B)/B | (A-C)/C | (A-D)/D |
| 22.00 | 22.42 | 23.48 | 23.44 | -1.87% | -6.30% | -6.14% |

Egg:

RMB1.00 yuan/kg

| Average Sales Price (Street markets & Supermarkets) | | | | Var. Percent | | |
|---|----------------------|----------------------|----------------------|--------------|---------|---------|
| E. 03/11/10-03/20/10 | F. 03/01/10-03/10/10 | G. 02/11/10-02/20/10 | H. 03/11/09-03/30/09 | (E-F)/F | (E-G)/G | (E-H)/H |
| 7.70 | 7.76 | 7.94 | 7.02 | -0.77% | -3.02% | 9.68% |

Chicken:

RMB1.00 yuan/kg

| Average Sales Price (Street markets & Supermarkets) | | | | Var. Percent | | |
|---|----------------------|----------------------|----------------------|--------------|---------|---------|
| I. 03/01/10-03/10/10 | J. 02/21/10-02/28/10 | K. 02/01/10-02/10/10 | L. 03/01/09-03/10/09 | (I-J)/J | (I-K)/K | (I-L)/L |
| 14.98 | 14.96 | 14.64 | 14.50 | 0.13% | 2.32% | 3.31 % |

Beef (Fresh Boneless):

RMB1.00 yuan/kg

| Average Sales Price (Street markets & Supermarkets) | | | | Var. Percent | | |
|---|----------------------|----------------------|----------------------|--------------|---------|---------|
| M. 03/01/10-03/10/10 | N. 02/21/10-02/28/10 | O. 02/01/10-02/01/10 | P. 03/01/09-03/10/09 | (M-N)/N | (M-O)/O | (M-P)/P |
| 34.76 | 35.00 | 34.50 | 33.96 | -0.69% | 0.75% | 2.35% |

²⁴ China Animal Agriculture Association