



www.iowalifechanging.com

## China Agricultural Newsletter – April 2010

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](mailto:Kathy.hill@iowalifechanging.com).

### Table of Contents

Funding boosted for crops endangered by severe weather.....	2
No curbs on Argentine soybean oil .....	3
More duties imposed on US chicken .....	3
Swine breeding subsidy continued.....	4
Pork purchased for state reserves .....	4
Cold snap postpones spring sowing of grains in North China .....	4
Soybeans soar as inclement weather hurts production .....	5
Wheat heats up on chill.....	5
Pig production down for 10 <sup>th</sup> consecutive week.....	6
Doors to Canadian live pigs reopened .....	6
Danish to invest millions in a pig genetics firm in China.....	6
Osborne Industries sold 168 FIRE to Guangdong Wens .....	7
AgFeed invests in five new pig farms .....	7
Zhongpin's lab devoted to meat safety research .....	7
Beef imports rising rapidly .....	8
CBEF confident of clinching beef deal with mainland China .....	8
USDA: Poultry and products semi-annual 2010 .....	9
Egg sales sluggish.....	12

Aviagen holds annual China Poultry Production School .....	12
Feed output on course for record 140 million tons .....	12
Kemin China celebrates 10 <sup>th</sup> anniversary .....	13
Coca-Cola on track to open two more plants .....	13
Agricultural produce average prices from 200 major production counties April 1-10, 2010 .....	14
Major meat retail price April 2010 .....	15

## Laws, Regulations and Policies

### Funding boosted for crops endangered by severe weather<sup>1</sup>

Chinese government unveiled more than 2.4 billion yuan (US\$352 million) in new funding to ensure summer grain and oil output as extreme weather across China threatens harvests.

Severe drought in southwest China, persistent cold weather in the north and snow in Xinjiang Uygur and Inner Mongolia autonomous regions had caused "tremendous difficulties" for agricultural production, said a statement issued after an executive meeting chaired by Premier Wen Jiabao.

Local authorities should introduce more "targeted and forceful "measures to guarantee harvests of summer grain and oil production, in order to support the country's economic and social development.

The central government would offer farmers subsidies of 10 yuan per mu (0.067 hectares) on fertilizer for 53 million mu of winter wheat in 11 affected production regions, said the statement.

The same subsidy would also be given for plastic mulch for 25 million mu of corn in the provinces of Yunnan, Guizhou and Sichuan, Guangxi Zhuang Autonomous Region and Chongqing Municipality.

The statement said the government would add 500 million yuan to a special fund for high-yield production, after having earmarked 600 million yuan earlier this year. The new funds would be mainly used in northeast China where rice grows well.

The government also decided to raise purchase prices of rapeseed for state reserves to 3.9 yuan per kg from 3.7 yuan per kg.

The government would allocate another 1 billion yuan for the purchase of agricultural machinery in addition to the 14.5 billion yuan that had been allocated earlier this year.

Another 150 million yuan would be given to farmers for fodder purchase and transportation in Xinjiang and Inner Mongolia, the statement said.

<sup>1</sup> Xinhua News April 20, 2010

It said the government planned to launch subsidies for feed for fertile pigs and would step up construction of irrigation facilities.

### **No curbs on Argentine soybean oil<sup>2</sup>**

China has refuted claims that it was curbing soybean oil shipments from Argentina and said the new quality standards are for consumer safety, a source from the Ministry of Commerce (MOFCOM) said.

The source said the new norms could help increase shipments of soybeans and soybean oil from countries like the United States and Brazil. At the same time it may also lead to a decline in imports from Argentina.

"It is far from true. China has not asked the traders to stop buying edible oil from Argentina. What we did was to tweak the quality standards, for imports as our studies found that Argentine soybean oil contained excessive solvent residues," said a source from the China Chamber of Commerce of Import & Export of Foodstuffs, Native Produce & Animal By-Products.

On March 31, MOFCOM, at a conference of major traders, said the solvent residues used for processing soybean oil should not exceed 100 parts per million (ppm). The solvent residue level in soybean oil imported from Argentina was around 300 ppm.

Argentina's foreign minister Jorge Taiana has conveyed his discomfort and concern over the development to Gang Zeng, China's ambassador to the South American nation. It has also sent a high-level team of agriculture officials to China for more consultations on the issue.

Nearly 70 percent of the soybean oil imported by China comes from Argentina, followed by the US and Brazil. China is also big importer of soybeans. In 2009, it bought 42.55 million tons of soybeans and 4.6 million tons of soybean oil.

Argentina sells more than 40 percent of its soybean oil to China, more than 2.5 times the amount it sells to India, its next biggest customer. The new norms, when applied, will reportedly lead to a loss of more than \$600 million for Argentina.

Analysts said China's measure is also probably a response to the growing trade remedy cases by Argentina against China during the past year, covering shoes and steel pipes.

### **More duties imposed on US chicken<sup>3</sup>**

China Ministry of Commerce (MOFCOM) announced on April 28 that it will impose new tariffs on U.S. chicken of 3.8% to as much as 31.4 percent of the import price.

This action comes on top of tariffs of up to 105.4 percent placed on U.S. chicken after imposing anti-dumping duties in February. MOFCOM said that U.S. producers received improper support that hurt Chinese competitors due to government subsidies that lowered the price of feed.

The tariffs, which vary by producer, reportedly apply to chicken parts and whole birds but not to live chickens or cooked products such as chicken sausage.

---

<sup>2</sup> China Daily April 7, 2010

<sup>3</sup> Poultry E-News April 28, 2010

China's import of chicken products from the US increased by 6.8 percent to 620,000 tons in 2009, while the nation's total chicken product imports declined by 7.5 percent to 730,000 tons during the same period, according to China Animal Agriculture Association.

### **Swine breeding subsidy continued<sup>4</sup>**

An official from Ministry of Agriculture said the ministry will allocate more subsidies nationwide in a bid to build more pig farms, aiming to stabilize live hog production.

This year, the central government will spend 2.5 billion yuan (US\$368 million) to set up 500 standardized demonstration farms and earmark 650 million yuan (US\$95.5 million) subsidy for quality pig breeding programs in more than 400 counties across China.

Meanwhile, the official said the government will continue the cash reward policy towards major pig producing counties for a total of 2.1 billion yuan (US\$309 million).

### **Pork purchased for state reserves<sup>5</sup>**

On April 16, CCTV announced that because of low pork prices, a few local governments, such as Shanghai and some northeast provinces, have begun purchasing pork for government reserves in order to bolster prices and improve farmer returns. This purchasing program is not an initiative to buy product for food security purposes. However, the central government has not yet officially acknowledged that purchases should begin, and local authorities are not supposed to buy pork products until such a directive has been made.

It is unclear why the central government remains silent. Under the Hog Price Alert program launched in 2009, the central government typically begins purchasing pork for reserves when the hog to grain price ratio falls below 6:0 for four weeks. This ratio fell below 6 in late February and has remained there ever since. While no official announcement of the purchases has been made, industry officials believe they are at the direction of central authorities under the nationwide price alert program. Pork prices are expected to pick up this summer fueled by lower sow numbers and declining piglet inventories.

## **Industry and Business Watch**

### **Cold snap postpones spring sowing of grains in North China<sup>6</sup>**

Inner Mongolia is a major grain-producing area with a 21.3 billion kg yield in 2008, ranking it 12th in terms of total yield among the 34 provincial-level regions.

With temperatures falling by up to ten degrees Celsius, only wheat has been planted and the area under cultivation is two million Mu (133,333 hectares) less than the same period in 2009, said official with the regional Agriculture and Animal Husbandry Department Wen Zhanping.

---

<sup>4</sup> Asian Agribiz April 7, 2010

<sup>5</sup> ThePigSite News April 22, 2010

<sup>6</sup> China.org April 28, 2010

The main grain producing area in eastern Inner Mongolia was hit by a severe cold snap, with average temperatures seven degrees Celsius lower than the previous year prompting farmers to delay sowing, Wen said.

The spring sowing in Heilongjiang Province has been delayed by at least ten days, said Na Jihai, head of the provincial meteorological bureau. The average temperature of the first ten days in April was zero degrees Celsius, two to three degrees lower than that of previous years, Na said.

### **Soybeans soar as inclement weather hurts production<sup>7</sup>**

Soybeans advanced to the highest level in more than three months on speculation that cold weather may curb planting in China, boosting demand from the world's largest consumer.

Soybeans for July delivery gained as much as 1 percent to US\$10.20 a bushel, the highest price for the most-active contract on the Chicago Board of Trade since Jan 11.

Twenty-four out of 34 traders and analysts surveyed on April 23 said soybeans would gain as cold, wet weather in China hurt production, boosting demand for supplies from the United States, the world's largest exporter. Northeast China will have cold weather during the seven days from April 23.

China's northeastern Heilongjiang province, the country's biggest soybean producer, may reduce planting by 7.9 percent, or 5.6 million mu (373,333 hectares), to 65 million mu (4.3 million hectares), the China National Grain and Oils Information Center said.

DTN said a cold and snowy spring has delayed the planting of soybeans, corn and spring wheat in Northeast China.

### **Wheat heats up on chill<sup>8</sup>**

Domestic wheat prices may extend gains as cold weather hinders harvesting of the grain in the world's biggest grower.

About 3.5 million hectares of wheat growth is rated as third class or inferior due to the cold weather that has swept major wheat growing region in northern China this spring, the Ministry of Agriculture said.

Premier Wen Jiabao presided over a meeting to address the severe situation for agricultural production, saying that each hectare of affected wheat will receive 150 yuan in subsidy to fight the impact of the cold weather.

The price of agricultural products will rise 4 percent on average this year, said a report released by the Rural Development Institute under the Chinese Academy of Social Sciences. Other reports released recently, including one from Dongxing Securities, gave a more pessimistic forecast of 10 percent grain price increase this year. On top of adverse weather conditions, excessive liquidity and speculative money in agricultural commodities will further increase grain prices, according to Dongxing Securities.

---

<sup>7</sup> China Economic Net April 27, 2010

<sup>8</sup> China Daily April 23, 2010

Hard white wheat for September delivery closed at 1,971 yuan a ton on April 22, slightly up over the previous trading day.

According to statistics from the Ministry of Agriculture, national reserves kept selling about 4.5 million tons wheat per week recently to stabilize the market price.

Chinese wheat imports doubled in the first quarter of 2010 from the same period last year to 375,000 tons.

Chen Zhigang, a researcher at International Food Policy Research Institute, said China is likely to continue grain imports to pile up reserves amid expectations that crop yields will decrease due to the cold weather.

Wheat supplies have further reduced as many farmers, with an eye on higher prices, have decided to hold on to their stocks, said Chen.

### **Pig production down for 10<sup>th</sup> consecutive week<sup>9</sup>**

The parity between pigs and grain has been lower than the breakeven point for pig production for 10 straight weeks due to consistent drop of pork prices, according to the National Development and Reform Commission (NDRC).

A survey by the NDRC showed that prices of pigs, piglets and pork had respectively slumped by 14 weeks, 15 weeks and 13 weeks running. On 7 April, the parity between pigs and grain dipped to five to one, the 10th straight week for the parity below breakeven point of six to one.

Pig prices have begun to rise recently boosted by the government's reserve policy, according to TMCnet.com. The price on 14 April gained 1.2 percent than that a week earlier, the first price rise in the past four months. However, pig production is still suffering losses.

### **Doors to Canadian live pigs reopened<sup>10</sup>**

Canadian Swine Exporters Association announced that negotiations are finalized and trade in Purebred swine genetics with China can now resume. China halted importation last May, 2009 due to H1N1 concerns.

It is anticipated that US\$30 million in live pig exports will transpire in the coming year. Canada continues to be a leader in the global marketplace. The official agreements and the Veterinarian Health Certificate between CFIA and AQSIQ for exporting to China were signed on April 15, 2010.

### **Danish to invest millions in a pig genetics firm in China<sup>11</sup>**

A number of Danish investors, including DanBred International, Scandinavian Farms and IFU, are investing in pig production in China through a pig genetics company that will produce 3,800 breeding pigs and 7,600 slaughter pigs a year. The amount invested is approximately DKK 25m. The objective is to gain a foothold in the Chinese market, which is the largest in the world.

---

<sup>9</sup> ThePigSite News April 22, 2010

<sup>10</sup> Pig Progress.net April 22, 2010

<sup>11</sup> Pig Progress.Net April 8, 2010

The company, "Dan YU Pig Breeding Technology", will be established in the Chinese province of Jiangsu. The farm is a green field project, and new stable and production systems are being established according to Danish standards. The production will be based on 500-600 sows imported from Denmark.

The Danish production of breeding pigs in China will be marketed under the name DanAvl, and it is expected that the pig genetics company will be the first step in a large Chinese venture.

### **Osborne Industries sold 168 FIRE to Guangdong Wens<sup>12</sup>**

Guangdong Huanong Wens announced the installation of 168 Osborne Feed Intake Recording Equipment (FIRE) to advance its genetics and pig breeding selection program.

About 220,000 sows currently in production on a number of farms in Guangdong, Guangxi, Hainan, Jiangsu, Hubei, Anhui, Fujian and Sichuan provinces, Guangdong Wens group is involved in broiler, hog, dairy cow farming, aquaculture production, food processing and animal health products. The Wens group also has a pig processing plant which processes about 1 million pigs per year.

The FIRE System automates the measurement and collection of individual animal feed intake and growth performance. Each individual pig is tagged with a Radio Frequency Identification (RFID) tag and the tag is read by an antenna located in the FIRE Feeder, and feed intake and animal weight are recorded.

Guangdong Huanong Wens initially purchased 30 FIRE Feeders in March of 2008. With the addition of the new FIRE Feeders, approximately 10,000 pigs can be tested each year.

### **AgFeed invests in five new pig farms<sup>13</sup>**

AgFeed Industries, Inc., one of the largest independent hog production and animal nutrient companies in China, has announced that it has agreed to invest in a hog production project in conjunction with Xinyu City in Jiangxi province. The two-year project encompasses the building of five western-model hog farms, totaling 25,000 sows. The initial phase of the project will encompass an investment of US\$18 million to build two 5,000-head sow farms, one 200-head boar stud farm and one 2,600-head multiplier facility. Upon completion, the first phase of this complex will have an annual hog production capacity approaching 230,000.

Construction for the initial phase will begin in May 2010, with the goal of completing the second phase during 2012. The Xinyu complex will have annual production capacity of up to 600,000 hogs.

As part of its agreement with AgFeed, the local authorities will be responsible for clearing the land and developing the necessary infrastructure for the new farms. This will include the required water supply, electrical systems and the construction of the roads and highways necessary to accommodate all of the farms.

### **Zhongpin's lab devoted to meat safety research<sup>14</sup>**

---

<sup>12</sup> Pig Progress.net April 6, 2010

<sup>13</sup> ThePigSite News April 19, 2010

<sup>14</sup> ThePigSite News April 15, 2010

China's leading chilled meat producer, Zhongpin Food, announced that the Science & Technology Department of Henan province has given the go-ahead for the company's laboratory to gauge the safety and quality of meat products as a 'Key Laboratory' in the province.

The lab was established in collaboration with Henan Agricultural University.

It is equipped with cutting-edge instruments from North America and Asia and is supported with the world's leading research, development, process engineering, quality assurance, and information technology for food processing.

Zhongpin expects the lab to enhance the scientific knowledge and food processing practices for the company and meat industry in China.

### **Beef imports rising rapidly<sup>15</sup>**

China's official beef imports are set to grow 30 percent to 30,000 tonnes in 2010, mainly from Australia, Uruguay and New Zealand.

In addition, a USDA report suggests that at least a further 100,000 tonnes enters the country through "gray" channels, mainly from Brazil and the USA.

China is the fourth largest beef market in the world, at 5.5 million tonnes.

Domestic production is set to fall by 4.6 percent this year. Official forecasts predict a 4.3 percent drop in consumption, still leaving room for a small rise in imports.

With the population set to grow by 9 million, and the economy forecast to grow further in 2010 however, predictions of a decline in beef consumption may be too pessimistic, and as a consequence, grey market imports may well rise significantly.

China's calf crop is forecast to be down 4 percent to 41 million head in 2010, yet China's efforts to grow domestic production continue, following the removal of 1 million dairy cows in the wake of the melamine scandal in 2008.

Live imports are forecast to rise by 25 percent to 45,000 head this year, mainly coming from Australia and New Zealand.

The challenge facing Chinese beef production is that pig and poultry farming yield better returns, and a quicker return on investment, despite beef prices 80 percent higher than pork and more than twice the price of chicken.

### **CBEF confident of clinching beef deal with mainland China<sup>16</sup>**

Canada is optimistic of achieving a breakthrough in its negotiations with China this year for sale of beef products, according to Gib Drury, chairman of Canada Beef Export Federation (CBEF).

"The efforts made by us in this regard (beef exports) have been encouraging," Drury said. "We expect to make a beginning in this regard by selling beef tallow in the Chinese market soon," he said.

---

<sup>15</sup> TheCattleSite News April 6, 2010

<sup>16</sup> China Daily April 13, 2010

The CBEF made a breakthrough in Hong Kong after the region lifted its six-year ban on Canadian beef in December 2009. CBEF is now looking to expand its reach to the mainland market, which has more than 1.3 billion consumers.

The organization held a roundtable in Beijing recently to evolve new strategies and develop the market for premium beef in China, said Brad Wildeman, president of Canadian Cattlemen's Association. Other high profile representatives at the meeting included Gerry Ritz, the agriculture minister of Canada.

CBEF has set a target of selling more than half of its annual 800,000 tons of beef exports to Asian and Mexican markets by 2015. The organization accounts for over 90 percent of the Canadian beef-processing industry, said Drury. It plans to export 37,000 tons of beef to the Chinese market by 2015, he added.

The General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) confirmed that China is in talks with both the Canada and the United States for beef imports.

### **USDA: Poultry and products semi-annual 2010<sup>17</sup>**

FAS Beijing projects China's broiler production in 2010 will rise nearly 4 percent to 12.55 MMT, following a 2 percent increase in 2009. Steadily improving market conditions for domestic producers that began toward the end of 2009 are expected to continue in 2010. A gradual strengthening in demand is offsetting higher feed costs and producers are confident of higher broiler prices and production in 2010. Strong sales of breeding chickens in 2009 reflect the gradually improving conditions and suggest strong production of commercial broilers this year. In 2009, imports of grand-parent generation (GPG) western broiler stocks reached 936,000 sets (1 set=120 birds), up 19 percent from the previous year (785,900 sets).

Higher domestic production will also be supported by China's decision to impose anti-dumping tariffs on US poultry as a result of China's preliminary determination in its anti-dumping investigation. The tariffs, ranging from 43 to 105 per cent, are expected to remain in place until China's final determination later this year. A significant reduction in Chinese imports of US poultry is expected, resulting in higher demand for local poultry meat, as well as imports from Brazil.

Meanwhile, input costs for poultry production are on the rise and will limit further gains in production through 2010. Of particular importance to poultry farms, China's corn production dropped 8 percent this grain year driving broiler feed costs higher. In January 2010, the average Chinese broiler feed price was RMB2,850 (US\$417.28) per ton, a 0.7 percent increase from December, and a 6.9 percent increase over the same month in the previous year. Feed prices in 2010 are expected to remain higher than 2009 throughout the year. Other input costs on the rise include energy and water. Rural labor costs are reportedly up this year following the return of millions of migrant workers to urban areas for manufacturing jobs after coming home in 2008/09 due to global recession.

Large-scale operations are becoming more important in China and these more efficient facilities will account for a greater share of production in 2010. Shineway, China's largest meat processing company located in Henan Province, has set up a joint venture with Japan to build China's largest broiler raising facilities. Total investment is RMB1.72 billion (US\$251.8 million).

---

<sup>17</sup> ThePoultrySite News April 2010

Completion of the first stage will provide 50 million commercial birds for slaughter later this year. Other investments include Tyson Foods Company, whose joint-venture broiler farms in Shandong Province will produce 600,000 sets of breeding broilers and 24 million commercial birds for slaughter upon completion. The Huamu Group in Chongqing began raising commercial broilers in 2009 and will expand production to one million birds in 2010.

Chinese broiler consumption in 2010 is forecast to rise 4 percent to 12.68 MMT. Currently, traders and producers are consistently reporting expectations of higher sales in the first half of 2010 compared to 2009, due to projected stronger economic growth and consumer demand. Current stocks are reportedly very low, down from 700,000 MT in early 2009.

The absence of avian influenza outbreaks through February is also supporting stronger consumption over last year. Following several outbreaks nationwide and human avian flu fatalities in January and February 2009, sales were dampened as many Chinese consumers, particularly in metropolitan areas, cut back purchases due to food safety concerns. While broiler meat prices are expected to rise in 2010, they will remain well below prices for pork and other substitute meats.

Poultry meat distributors are reporting particularly strong demand from low-end food-service outlets, including factory canteens and mom/pop restaurants. A key driver has been the return of migrant workers to manufacturing jobs. These workers are an important market segment, as chicken meat is their primary protein source, due to relative affordability compared to pork, beef and mutton. An estimated 20 million migrants became jobless in 2008/09 due to global recession. Reportedly, 90 per cent of these workers have since returned.

Suppliers to China's fast-food chains are also reporting better sales so far in 2010 and expect the positive trend to continue. A chicken price war started by McDonalds (more than 1,200 outlets) to attract new customers and grab market share from Kentucky Fried Chicken (3,400 outlets) and others is reportedly building overall fast-food demand. Aggressive pricing led by McDonalds includes their popular spicy wings, priced at RMB4.5 (US\$0.66) for two, down from RMB6.5 (US\$0.95) last year. Other chains are responding with discounts and boosting overall demand.

On 5 February 2010, the Ministry of Commerce (MOFCOM) issued a preliminary determination in its anti-dumping (AD) investigation of US poultry and initial injury findings. As a result of the initial AD determination, US producers (through Chinese importers) must pay cash deposits ranging from 43 to 105 percent of the value of imports beginning 13 February 2010. A final determination in its investigation is expected this summer.

MOFCOM launched its anti-dumping investigation of US broiler products on 13 September 2009. The investigation includes products under the following tariff lines: 02071100, 02071200, 02071311, 02071319, 02071321, 02071329, 02071411, 02071419, 02071421, 02071422, 02071429, and 05040021. On September 27, 2009 MOFCOM announced a separate investigation of US subsidies for domestic broiler production. A preliminary finding in this investigation has not been released.

Despite China's increased production and anti-dumping tariffs against US broiler products, Post expects that strong demand will drive 2010 imports (not including paws) up an estimated 6 percent to 425,000. Argentinian and Brazilian exports are expected to grow due to less US competition.

In 2009, steady gains in China's broiler meat imports since 2004 continued, rising over a 100 percent to 401,394 metric tons. The United States accounted for 80 percent of shipments, with South America comprising nearly all the remainder. Including paws, Chinese imports of poultry reached 917,622 metric tons, with shipments from the United States accounting for 75 percent of total sales.

On 15 January, China suspended broiler imports from Pennsylvania and Texas due to detections of low pathogenic avian influenza (LPAI), raising the number of banned states to six (Arkansas, Idaho, Kentucky and Virginia were banned due to LPAI detections in 2008 and 2009). China's policy contradicts World Animal Health Organization (OIE) guidelines for LPAI. USDA continues to raise this issue with China's Ministry of Agriculture and AQSIQ (the Administration of Quality Supervision, Inspection and Quarantine) and urges China to lift these bans immediately.

Post projects China's poultry meat exports will rise 3 percent to 300,000 MT, revised from our previous forecast of 2 percent growth. Gains will be led by rebounding economies in China's two main markets (Japan and Hong Kong). Almost all Chinese poultry meat exports are cooked products as all significant trading partners continue to ban Chinese fresh/frozen poultry due to high-pathogenic avian influenza on the mainland.

While Japan and Hong Kong continue to account for more than two-thirds of total sales, Chinese poultry exports to a number of emerging markets have been rising and these will become more important in 2010. In 2009, these markets included Malaysia (up 11 percent to 17,000 MT), the EU (4,500 MT, up from 15 MT in 2008), and Kyrgyzstan (up 15 percent to 4,300 MT).

In January 2010, Canadian inspection and quarantine experts audited 11 Chinese processing plants selected by AQSIQ for future exports to Canada. AQSIQ officials report the results of the audit were positive. However, it is unknown when formal approval will occur. Chinese industry officials expect Canada will open its market to Chinese cooked poultry later this year, though sales will be limited.

On 1 December 2009, the USDA Food Safety and Inspection Service resumed its procedure for reviewing China's market access request for cooked poultry exports to the United States. A first step is for AQSIQ to provide USDA with updates to China's poultry slaughter, processing and inspection system since USDA's review was suspended in 2007. Once review of this information is completed, USDA will conduct audits of China's poultry slaughtering and inspection, to be followed by rulemaking.

Post forecasts 2010 Chinese egg production will reach 27.1 MMT, up from 2009, but down slightly from our previous forecast. As the world economy is expected to continue rebounding, rising export demand will encourage slightly higher production resulting in a modest two per cent increase in output.

In 2009, poultry egg production dropped 1.5 percent to 26.6 MMT, as egg producers were challenged by oversupplies and falling prices. A new policy of subsidizing imported GPG breeding stocks started in 2008. One set of GPG breeding egg layers were subsidized RMB100 (US\$14.64), resulting in large imports. The policy was eliminated in the second half of 2009 due to oversupply. At the same time, China's largest domestic GPG grower (western breeds), Yukou Company in Beijing, quickened its own production. The company alone provided 100 million commercial egg layers in 2009. Over-supplies combined with lower consumption pressured egg prices downward, driving producers to slaughter many egg layers as feed prices increased during the year.

Disease outbreaks were another factor impacting egg layer production. Outbreaks of J-ALV (avian leukosis virus) occurred in Hebei, Henan, Shandong, Liaoning, Hubei, Jiangsu, Guangdong and Guangxi in 2009. Although the outbreaks were not serious, some smaller producers or backyard operators were pushed out of the egg business. As a result egg production declined, and the prices were weak for most of the year.

At the end of last year, EU announced their 2009/799/EC decision to lift its ban on Chinese eggs and egg products imposed in 2001 due to food safety concerns. Hong Kong and Macau will continue to be China's main export markets for shelled eggs in 2010.

### **Egg sales sluggish<sup>18</sup>**

April is the egg sales peak season, because of the impact of May Labor Day. However, Labor Day is approaching and the price of eggs has still not seen a rise.

This is attributed to three factors.

Firstly, feed prices rose, increasing the cost of production. According to statistics, the first quarter of 2010 has prices expected to remain at a high level, which means in egg prices are not rising, and as material prices continued to rise there is an increase in the cost of farming. Farmers are making less profit.

Second, pork prices fell, which affects egg prices. For several consecutive months, pork prices have fallen. Consumers have increased their purchases of pork and reduced purchases of eggs, making it difficult to increase the price of eggs.

Third, farmers are reluctant sellers, creating a backlog in unsold eggs. Because every year April is the peak of egg consumption, many farmers are interested in stockpiling eggs, preparing for April's peak sales. This results in an excess supply during the peak season, making price increases difficult.

### **Aviagen holds annual China Poultry Production School<sup>19</sup>**

Aviagen recently concluded its 4<sup>th</sup> annual China Poultry Production School in Sanya City, Hainan Province. The school is dedicated to sharing information and best practices with customers.

Bill Souther, Senior VP, Aviagen Asia said the School fosters collaboration between customers, Aviagen personnel, academia and other industry experts to better equip customers with the knowledge and tools to be successful.

The Aviagen China School provides an opportunity for local growers to gain valuable information, practical advice and insight on a variety of topics including regional management recommendations, product performance, nutritional advice, biosecurity objectives, and veterinarian issues at the grandparent, parent and broiler levels, says Aviagen.

### **Feed output on course for record 140 million tons<sup>20</sup>**

---

<sup>18</sup> ThePoultrySite News April 19, 2010

<sup>19</sup> World Poultry.net April 19, 2010

<sup>20</sup> Feed E-News April 12, 2010

Ministry of Agriculture forecasts that total animal feed production in the country in 2010 will reach a record 140 million metric tons, about 6 percent more than the figure officially recorded for 2009.

An increase of 5.6 percent to 30.3 million metric tons has been reported by the ministry for national feed output in the first three months of 2010. Further rises are expected in the second and third quarter of the year, although a relative slowing may occur in the October-December period.

In the final quarter of 2009, Chinese mills produced more than 39.8 million metric tons of compounds, premixes, concentrates and straight materials for feeding to farm animals and fish.

### **Kemin China celebrates 10<sup>th</sup> anniversary<sup>21</sup>**

Kemin Industries, Inc. celebrated its 10<sup>th</sup> year of manufacturing feed ingredients in China with customers and government officials during a technical seminar, tour of the Kemin China facilities and dinner reception.

Kemin's commitment to the development of China's feed industry began as early as 1982 when the company held its first technical seminar in China. The establishment of Kemin China and the world-class Zhuhai manufacturing facility in 2000 has enabled Kemin to better meet the ever increasing demands for its products and services in the local market.

Kemin China recently completed the first phase of a 7-year long facility expansion. The expanded facility nearly doubled the production and storage space adding 1,924 square meters to the existing facility. When the final expansion is complete in 2015, Kemin China will also have added food grade manufacturing capabilities.

### **Coca-Cola on track to open two more plants<sup>22</sup>**

Coca-Cola Co will open two more plants in China as it pushes forward its three-year US\$2 billion investment plan in its third-largest market, its chairman and chief executive officer Muhtar Kent said. The two plants will be located in Guangdong Province and Hohhot in Inner Mongolia Autonomous Region. It also started construction of a plant in Henan Province this year.

The company opened three plants in China last year in Xinjiang, Jiangxi, and Hubei. It is also raising capacity at existing facilities.

Coca-Cola's business in China grew 16 percent in the first quarter of this year. It has maintained double-digit growth in China for 38 quarters.

The company has invested US\$2 billion in China since 1979 and created 40,000 jobs directly. It creates 10 jobs indirectly with each direct job. It covers segments including soda, water, tea, dairy and juice in China.

Kent also expects the company to introduce more China-developed brands overseas. For instance, it brought the Minute Maid Pulpy brand to 10 overseas markets including Latin America.

Coca-Cola and its arch rival PepsiCo Inc control 86 percent of China's soda market.

---

<sup>21</sup> Pig Progress.net April 22, 2010

<sup>22</sup> Shanghai Daily April 28, 2010

## Statistics

### Agricultural produce average prices from 200 major production counties April 1-10, 2010<sup>23</sup>

Product	Grade/Unit	Price (CNY)	Percentage changes as compared to last period (% , Mar. 21-31, 2010)
Corn	Unprocessed / kg	1.96	1.28
Soybean	Unprocessed / kg	4.97	0.71
Hsien rice	Unprocessed / kg	2.10	1.42
Japonica rice	Unprocessed / kg	2.54	1.16
Wheat	Unprocessed / kg	2.05	0.89
Rapeseed	kg	4.08	1.43
Peanut	Shelled / kg	9.54	0.10
Hog	Finisher / kg	9.55	-4.13
	Piglet / kg	14.06	-3.76
Broiler	Ready for slaughter / kg	11.69	-0.96
Live cattle	Ready for slaughter / kg	16.74	-0.41
Live sheep	Ready for slaughter / kg	17.47	0.03

<sup>23</sup> National Bureau of Statistics

## Major meat retail price April 2010<sup>24</sup>

### Pork (Lean):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 04/11/10-04/20/10	B. 04/01/10-04/10/10	C. 03/11/10-03/20/10	D. 04/11/09-04/20/09	(A-B)/B	(A-C)/C	(A-D)/D
20.72	21.00	22.00	21.68	-1.33%	-5.82%	-4.43%

### Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 04/11/10-04/20/10	F. 04/01/10-04/10/10	G. 03/11/10-03/20/10	H. 04/11/09-04/20/09	(E-F)/F	(E-G)/G	(E-H)/H
7.52	7.58	7.70	7.26	-0.79%	-2.34%	3.58%

### Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 04/01/10-04/10/10	J. 03/21/10-03/31/10	K. 03/01/10-03/10/10	L. 04/01/09-04/10/09	(I-J)/J	(I-K)/K	(I-L)/L
14.78	14.82	14.98	14.64	-0.27%	-1.34%	0.96 %

### Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 04/01/10-04/10/10	N. 03/21/10-03/31/10	O. 03/01/10-03/10/10	P. 04/01/09-04/10/09	(M-N)/N	(M-O)/O	(M-P)/P
34.44	34.36	34.76	33.70	0.23%	-0.92%	2.19%

<sup>24</sup> China Animal Agriculture Association