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China Agricultural Newsletter – September 2010

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Laws, Regulations and Policies

Vice Premier Hui stresses efforts to guarantee grain supply¹

Vice Premier Hui Liangyu has called on authorities to give more support to the country's major grain production areas so to ensure grain supply and security, when he attended a grain production seminar held in Yantai City of Shandong Province.

Hui urged authorities to offer financial assistance to these areas and ensure the continuous increase of farmers' incomes.

China was facing and would be confronted by increasing challenges in grain production, such as the challenge to meet market demand for agricultural products and ensure quality, Hui said. To address these challenges, China must improve support to farmers to increase their enthusiasm for growing grain.

Efforts should also go to improving production capacity in the agriculture sector, promoting agricultural technology progress and accelerating agricultural reform, the vice premier said.

During the rest of the year, relative authorities should focus on improving agricultural production management and disaster prevention to guarantee a bumper autumn grain harvest, as well as ensuring market supplies and price stabilization of commodities such as vegetable, meat, grain and edible oil, he said.

More efforts urged to stabilize vegetable supply²

China's central government urged more efforts to boost vegetable output, ensure market supply and to stabilize vegetable prices.

Both the market and the macro-control measures must be used to tackle the problems in big cities of sharp changes in vegetable price, the State Council said in a statement.

City mayors must shoulder the responsibility to ease pressures on vegetable supply, and local governments should take measures to boost self-sufficiency, the statement said.

It also urged more efforts to develop wholesale and retail vegetable markets, and asked local governments to map out programs to cope with possible emergencies in vegetable supply.

¹ China Daily Sep. 20, 2010

² Gov.cn Sep. 2, 2010

Banks and other financial institutions were told to step up lending to vegetable production bases. Big cities were encouraged to set up output centers in key vegetable production bases.

Agro centers urged to focus on grain production³

Agricultural demonstration centers should focus more on grain production rather than non-edible crops and plants, Vice Agriculture Minister Wei Chao'an said amid food security concerns in the country. He made the statement at a seminar in Yinchuan, capital of Ningxia Hui autonomous region.

The two-day seminar focused on the development of modern agriculture and construction of modern agricultural demonstration centers in the country.

Many of China's national demonstration centers were too focused on non-edible crops and plants or tourism instead of grain production, which is a core agricultural concern, Wei said.

Agricultural demonstration centers have played an important role in the development of new technologies and crop varieties as well as improving productivity, which had helped increase grain output and farmers' income, said Wei.

However, the centers should not charge an entry fee for farmers as this would weaken the purpose of the centers, he added.

China has more than 9,000 agricultural demonstration centers in 18 provinces, municipalities or regions, totaling 1.83 million hectares, and the annual output of these centers has reached RMB 312.7 billion yuan (US\$45.9 billion).

Ministry of agriculture released a list of 51 national modern demonstration centers in August to promote their demonstrative role.

China's total grain demand is expected to reach 572.5 million tons by 2020, and to maintain a food self-sufficiency rate of 95 percent, at least 540 million tons of grain would be needed by then.

Anti-dumping duties imposed on US chicken products⁴

China has levied anti-dumping duties of between 50.3 percent and 105.4 percent on imports of US chicken products from Sep. 27, the Ministry of Commerce announced.

The US chicken industry has dumped broiler products into the Chinese market and caused substantial damage to the domestic industry, the ministry said in an online statement.

The tariff rate for products China imports from Tyson Foods Inc. and Keystone Foods LLC. is 50.3 percent and that for Pilgrim's Pride Corporation is 53.4 percent, according to the statement.

Sanderson Farms Inc. and 31 other American companies face duties of 51.8 percent. Other US producers face a 105.4-percent duty.

³ Xinhua News Sep. 2, 2010

⁴ Xinhua News Sep. 26, 2010

The anti-dumping measures will be applied to the products for five years, according to the statement.

The move comes after China imposed anti-subsidy duties ranging from 4 percent to 30.3 percent on US chicken products in late August for five years, after it concluded US producers had received improper government subsidies and hurt the domestic industry.

In 2008, US exports of chicken products to China rose 12.34 percent year on year to 584,300 tonnes. About 305,600 tonnes of US chicken products landed in China in the first half of 2009, up 6.54 percent year on year and representing 89.24 percent of China's total chicken product imports.

Compulsory energy-saving assessments enforced for new fixed asset investments⁵

China enforced new rules demanding energy-saving assessments of new fixed asset investment projects.

All new investments must undergo independent assessments and government reviews on whether they are energy-saving or not before being approved by regulators, the National Development and Reform Commission (NDRC), China's top economic planner, said in a statement on its website.

According to the new regulations, independent institutions will carry out the energy-saving assessments while government departments will take charge of the review work.

Any fixed asset investment project that fails to meet the energy-saving requirements will be vetoed, according to the regulations, which take effect on Nov. 1 this year.

Those projects that pass energy-saving assessments and reviews will be subjected to strict supervision on their actual energy consumption.

According to the regulations, managers running a project with an annual energy consumption over 3,000 tonnes of coal equivalent must submit a detailed energy-saving report to government regulators.

Those who run a project with an annual energy consumption between 1,000 tonnes and 3,000 tonnes of coal equivalent will have to submit a brief energy-saving report.

While managers of projects which consume less than 1,000 tonnes of coal equivalent annually will only have to fill in government energy-saving registration forms.

Agricultural policy lender issues US\$133.63 bln loans to western regions⁶

Agricultural Development Bank of China (ADBC), one of the country's policy lenders, said it had issued loans of RMB 909 billion yuan (US\$133.63 billion) to China's western regions since 2000.

In 2000, the central government launched a campaign for large-scale development of western China with the purpose to help 12 underdeveloped western provinces, autonomous regions and municipalities to catch up with the more prosperous eastern region.

⁵ Xinhua News Sep. 21, 2010

⁶ Xinhua News Sep. 4, 2010

By the end of June, outstanding loans to the western regions totaled RMB 352.2 billion yuan, accounting for 23.2 percent of the bank's total outstanding loans, 4.7 percentages higher than the level in 2000, according to a statement from the bank.

One of the key areas for ADBC's loans was rural infrastructure construction. From 2007 to the end of June this year, 1,546 rural infrastructure projects in west China received funding totaling RMB 142.35 billion yuan, the ADBC said.

The policy lender had also contributed to the building or renovation of 69,720 kilometers of roads, 756 kilometers of power transmission lines, and power generation stations with an installed generation capacity of 3.94 million kilowatts in the west regions' rural areas, according to the statement.

Industry and Business Watch

Bumper harvest expected as autumn reaping begins⁷

Farmers have begun to reap crops as autumn drew to a close, and the nation is expecting a good harvest this year, China's Ministry of Agriculture (MOA) said in a statement.

The forecast is based upon higher average yields and an estimate that China's planting area for autumn crops rose by 10 million mu (about 667,000 hectares) from one year ago, said the ministry.

According to figures from the MOA, a total of 386 million mu of crops had been harvested by Sept. 27, accounting for 33.3 percent of the total.

In a break down of the harvest, 130 million mu of rice, or nearly 50 percent of the total rice planted, had been reaped, while 140 million mu of corn and 60.7 million mu of soybean were harvested, accounting for 28.5 percent and 46.5 percent of the total, respectively, said the MOA.

The ministry also arranged for 29 million sets of farm equipment to help with the autumn harvest.

China's grain output reached 530.8 million tonnes in 2009, the sixth consecutive year of growth in grain yield.

In the wake of a severe drought in China's southwestern regions earlier in the year, summer grain output this year stood at 123.1 million tons, down 0.3 percent from one year ago.

Weather, festive demand stoke soy oil appetite⁸

As the world's second-largest consumer of vegetable oil, China could buy 5 to 10 percent more soy oil in 2010 than the 2.4 million tons it bought last year, with purchases picking up in the second half as traders fret that cold weather may shrivel the domestic soy crop.

Sinograin last month bought soy oil 80,000 tons at US\$920 to US\$930 a ton from the United States for delivery in October, around the time of the National Day holiday and in December,

⁷ Ministry of Agriculture Sep. 29, 2010

⁸ China Daily/Reuters Sep. 25, 2010

before the 2011 lunar new year, which also manages China's grains and vegetable oil reserves, signals growing fears of a sharp drawdown in commercial stocks.

The landed cost comes to RMB 8,400 yuan per ton, a little higher than the most-active May 2011 soy oil contract on the Dalian Commodity Exchange, which has recently rallied on weather concerns across the globe.

More imports are on the way. CNGOIC estimates August and September soy oil imports will stand at 400,000 tons compared with 407,092 tons for January-July of 2010.

Crush margins of RMB 150 to 200 yuan and record soybean imports have boosted commercial soy oil stocks this year. The China National Grains and Oils Information Centre (CNGOIC) has pegged levels at 1 million tons - the highest in 2010. It estimates that China's 2010 overseas purchases of soybeans will hit a record 51 million tons, up 20 percent, or 8.5 million tons. With soy's oil yield of 17 percent, Reuters calculations show this 8.5 million ton figure implies a slower growth pace than the extra 11 million tons China must crush in order to replace the 2 million tons of soy oil it buys from Argentina each year.

In 2009, China released 2 million tons of soybeans and an undisclosed amount of soy oil to temper food prices, analysts said. This year may be similar as August inflation accelerated to 3.5 percent on year - the fastest in 22 months.

Analysts expect China to release 1.5 million to 2 million tons of soybeans, 1.4 million tons of rapeseed and about 100,000 tons of soy oil this year.

Corn supply able to guarantee⁹

China is able to guarantee corn supply because supply and demand of the grain are balanced, and because market fundamentals are not conducive to price surge in the second half, Zeng Liying, deputy director of the State Administration of Grain (SAG), made the remarks in a speech at the fourth International Corn Industry Conference, which opened in Dalian on Sep. 15.

According to SAG figures, corn prices increased rapidly from March to early May before dropping somewhat in late May after the Chinese government strengthened macro-control of the corn market to curb speculation.

But the corn prices started increasing again in June and broke through the RMB 2,100 yuan (about US\$312) per tonne level in August on speculation Chinese inflation will accelerate.

China produced a record 165.91 million tonnes of corns in 2008 and 163.97 million tonnes in 2009. The record production prompted the government to raise the country's corn reserves to 36 million tonnes to absorb the excessive supply, according to the SAG data.

China consumed 148.35 million tonnes of corn in 2009, 15.62 million tonnes less than the annual output of the year.

Zeng attributed the increases in the price of corn in the first half of this year to multiple factors: rising planting costs; increased demand for animal feed; anticipated reductions in output; natural disasters like floods and drought; and a reduction in exports from major corn-producing countries.

⁹ China Economic Net Sep. 15, 2010

The official said the government will sell part of its corn reserves on the wholesale market to put downward pressure on prices while severely punishing speculators.

Zeng estimated China's imports of corn will remain at a relatively low level this year and won't impact the domestic market in a significant way.

According to customs data, 282,000 tonnes of corn were imported in the first seven months.

Cotton prices hit historic high¹⁰

Cotton prices rose to a new historic high recently due to tight supplies and growing demand, putting the textile industry under great cost pressures that may eventually trickle down to consumers.

According to the China Cotton Index, the average spot price for grade A cotton was RMB 22,817 yuan (US\$3,392.86) per ton on Sep. 28, up RMB 687 yuan (US\$102.16) over the prices on Sep. 26.

The future price of cotton for November delivery closed at RMB 23,370 yuan (US\$3,475.09) per ton on Sep. 28, up a whopping 34 percent from the previous month, according to the Zhengzhou Commodity Exchange.

The price hikes have been fueled by a decrease in production while demand has continued to rise, according to a teleconference held by the National Development and Reform Commission (NDRC) and included six other major regulators including the Ministry of Agriculture and the Ministry of Finance.

Together these government bodies concluded they would work to alleviate industry issues by further ensuring market supply, purchasing cotton from farmers and strengthening regulations to keep speculation in check, the NDRC said on its official website without providing further details.

Ongoing cotton price hikes have already dried up profits at smaller textile firms and forced some to raise prices as well as stockpile the raw material, which has acted to drive prices up further.

Following the release of 600,000 tons of cotton from the country's reserves in August, policymakers will place an additional 400,000 tons of reserves into the market, according to China Cotton Association.

Guohong plans to invest in Cambodia's rice mill¹¹

Guangxi Guohong Development Company is planning to invest in Cambodia's rice mill, said Eang Sophaeth, spokesperson to Prime Minister Hun Sen.

During a meeting with Hun Sen, Song Zhenxiong, president of Guangxi Guohong, said that for the first step, his company will invest US\$5 million for rice mill and the investment scale will be upgraded in the following steps.

¹⁰ Global Times Sep. 28, 2010

¹¹ Xinhua News Sep. 14, 2010

Song was quoted as saying that he had already found a location for his rice mill in Kompong Chhnang province, some 80 kilometers northwest of Phnom Penh. He said, as planned, his rice mill will be able to produce about 100 tons of processed rice per day.

Eang Sophaleth said Prime Minister Hun Sen welcomed the investment plan and encouraged Song to work closely with local people who are farmers in order to secure sufficient rice for process and exports.

Pork prices increasing¹²

Pork prices were at an all-time low in July. Now in the second half of September, domestic pork prices are RMB 12.60 yuan per kg, compared with the same period of last year, registering a rise of 3.6 percent.

Affected by the pork price pull, chicken prices compared with June rose about 20 percent. Since August, the price has been hovering above RMB 12 yuan per kg. The rise in the prices of pork and chicken has proven profitable for breeding and slaughtering listed companies.

Pork prices' rising trend may continue, especially when considering China's current supply situation. According to the Ministry of Agriculture, in August the pig in stock equaled 44 million heads, a year-on-year decrease of 3.57 percent. The brood sow stock equaled 4.5 million heads, a year-on-year reduction of 4.9 percent. Sow supplies are entering a tight situation. Due to the fourth quarter being the peak season for consumption of pork in China, pork prices will surely register an upward trend.

Currently swine and piglet prices are stable, but the rise in pork prices is relatively higher. The price of pigs continues an expansion that will cause live-pig slaughtering and meat enterprises' profits to rebound substantially. Slaughtering enterprises showing profits of RMB 10 yuan per head have improved to RMB 50 yuan per head.

Due to the tight supply of pork in the near future, and China's peak consumption season around the corner, pork prices will remain on a rising trend, creating a profitable environment for pig slaughtering and meat enterprises.

According to the current situation, Frbiz.com forecasts that this year's wholesale pork price could reach RMB19 but will not exceed the RMB23 level seen in 2008.

Zhongpin expansion of pork plant completed¹³

Zhongpin Inc. announced it has completed the five-month expansion and improvement of its pork plant in Anyang city of Henan province.

Zhongpin invested about US\$6.6 million in the reconstruction project to further improve the plant's pre-cooling room, slaughtering line equipment, refrigeration systems, sewage treatment system, and ancillary facilities.

With the expansion, Zhongpin has increased the plant's capacity by 35 percent to an annual capacity of 85,000 metric tons from the previous 63,000 metric tons. Chilled pork capacity now

¹² PigProgress.net Sep. 27, 2010

¹³ PigProgress.net Sep. 14, 2010

accounts for about 70 percent of the plant's capacity, up from the prior 60 percent. The plant's new operations are running well and will be producing at higher volumes in the near future.

Zhongpin's Anyang plant began operations in September 2007. This expansion in 2010 was the plant's first major reconstruction. In Zhongpin's marketing strategy, north China is one of the company's important markets. The expansion in the Anyang plant will help satisfy the growing demand for Zhongpin's products in this important region.

Feed market to grow as livestock demand increases¹⁴

As livestock production increases, import/export group and food manufacturer COFCO predicts China may double its industrial animal feed level by 2020.

In 2009, animal feed output - mostly from corn, soybeans and other oilseeds - was at 148 million tons, according to Liu Xiaoyu, general manager of COFCO's feed division. In just 10 years, that figure could increase to more than 250 million metric tons.

This growth has been spurred, in part, by livestock reform in the country, leading to more large-scale operations, and government assistance.

Liu said from 1980 to 2009, China's feed production grew at about 16% per year, with annual growth closer to 8% per year from 2000 to 2009.

Quality traceability system for dairy implemented in Shijiazhuang¹⁵

According to the local inspection authority, by the end of this year, interrelations will be established through video network, between livestock services at both municipal and county levels, dairy enterprises and milk stations in Shijiazhuang, the capital of Hebei Province, as an effort to change previous inspector employing supervision pattern and thus safeguard safe milk for its citizens.

Through this management platform, livestock services are able to have whole-process video recording of all milk stations in the city, and administrative organizations of milk stations could carry out real-time remote video supervision of key links and safety of production, and spot check of the video record of any milk station. Thus, the whole process from purchasing, delivering to storing of raw milk can be under supervision, making it more scientific, objective and effective.

Dairy enterprises have extended supervision and check to routes of delivering raw milk, by installing GPS in each raw milk-transporting vehicle owned by enterprises themselves and by their own milk stations.

It is learned that there are two supervision patterns being used. On the one hand, livestock services carry out inspection tours, and intensive and sampling inspections; on the other hand, inspectors are assigned by dairy enterprises to supervise the whole process from milking, loading to delivering of raw milk.

Bright Food in talks over United Biscuits¹⁶

¹⁴ Bloomberg Sep. 14, 2010

¹⁵ TheCattleSite News Sep. 3, 2010

¹⁶ Sunday Times Sep. 27, 2010

Shanghai-based Bright Food is in exclusive talks to buy Britain's United Biscuits for more than 2 billion pounds (US\$3.13 billion).

Insiders said Bright Food had pre-empted a planned auction and was in secret talks to buy the maker of McVitie's and Twiglets for between 2 billion and 2.5 billion pounds

Reuters reported in July that United Biscuits' owners, private equity firms Blackstone and PAI Partners, were considering selling.

US food group Campbell Soup Co was weighing a bid.

Bright Food, which recently lost a bidding war for Australian sugar refiner CSR, is being advised in the talks by Rothschild, said the Sunday Times.

Fonterra finalizes buying two farms in China¹⁷

New Zealand dairy company Fonterra has signed an agreement with the government of Yutian County which formalizes the final stage of due diligence to buy two potential Fonterra dairy farm sites.

Fonterra China Managing Director Philip Turner said: "Our first farming operation in China, Tangshan Fonterra Farm, which was established in Hebei Province in 2007, has succeeded in demonstrating that we can produce high quality milk at good volumes, profitably. By investing in two further farms, we are building on our commitment to build a safe, secure and sustainable milk supply for our customers in China."

Yutian County is located around 115 kilometers from Tangshan Fonterra Farm. Established with 3,000 New Zealand cows, it has since grown to more than 5,800 cows, half of which are milking.

The imported New Zealand cows are now well into their third lactation after calving for the third time since their arrival in China. The farm produced around 25 million liters of milk last financial year.

DSM partnership to improve food safety¹⁸

DSM Nutritional Products and BioAnalyt are launching the iCheck® Sudan technology in China. The first user of this technology will be the Shanghai Food and Drug Administration (FDA). As part of their Food Quality Control program, Shanghai FDA has started using this new technology at the Shanghai World Expo 2010 which will be visited by approximately 70 million people.

iCheck® Sudan was developed further to a research project initiated in 2007 by DSM, in collaboration with BioAnalyt (Germany). The aim was to develop a fast, portable and accurate test to detect Sudan Red dyes in eggs.

This project was initiated in response to scandals in Europe and China in 2005 and 2006 where certain food products were found to be tainted with Sudan Red dyes, even though the use of these dyes had been banned for years in the food and feed industries, because of their carcinogenic potential. DSM, as world leader in the development of food and feed ingredients,

¹⁷ TheDairySite News Sep. 17, 2010

¹⁸ ThePoultrySite News Sep. 17, 2010

wanted to support the egg industry to restore confidence and protect DSM customers' businesses and brands from the use of unknown tainted feed ingredients.

Vaccine Improvac to control boar taint approved¹⁹

China's Ministry of Agriculture has approved the use of Improvac, a vaccine used in other major swine-producing markets as an alternative to physical castration for the control of boar taint, on pork farms in mainland China following a review of the evidence base.

According to the Ministry's report for the registration of Improvac, the use of the vaccine can benefit producers in a number of different ways, including a significant reduction in back fat (14.6 percent), and 1.3 percent more lean meat recovered from each carcass. Improved feed efficiency (reduced feed/gain ratio from 2.32 to 2.17) could potentially save more than 8 kg of feed per pig at typical Chinese slaughter weights.

"The Chinese pork chain, like many other global pork chains, has been facing severe price pressures in recent times," said Zhao Bao Wen, the president of China Animal Agriculture Association. "There is a general feeling that we need to find better, more animal and environmentally-friendly ways to rear male pigs without compromising on meat quality. Swine producers in China need to apply more advanced technologies to assist quality enhancement."

Various factors, including increasing feed costs, demands to increase harvest weight, and competition for labor as a result of booming urbanization have all contributed to a reduction in the competitiveness of pork production.

"This shift in the marketplace has coincided with the registration of Improvac," added James Lee, who is responsible for New Product Marketing and Global Market Research at Pfizer Animal Health, manufacturer of Improvac. "Improvac is a novel, new immunological vaccine to control 'boar taint', the unpleasant smell that you get when some boar meat is cooked. It is safe and effective, while offering advantages to farmers and to the environment."

In the past boar taint has been reduced by castrating male piglets in the first week of life. However, as well as increasing mortality, this procedure also means that the pig does not grow like a normal boar, requiring more feed for every kg of carcass produced. It also results in a carcass with a higher fat to lean ratio.

Improvac works by stimulating the pig's immune system to produce antibodies which reduce the amount of taint in the meat. Male pigs show normal boar-like growth until the second dose of vaccine is administered a few weeks before slaughter. The lack of any harmful residues means that Improvac has a zero meat withdrawal period.

Pfizer Animal Health plans to train and assist veterinarians and their pork producer clients on the use of Improvac from the end of this year.

PetroChina makes a new breakthrough for nitrogen fertilizer²⁰

As the first package of large-scale natural-gas-fueled synthetic ammonia production techniques passed the evaluation of experts on September 7, PetroChina has taken the lead in achieving a technological breakthrough in this field and is expected to apply such techniques to large-scale

¹⁹ PigProgress.net Sep. 23, 2010

²⁰ Ministry of Agriculture Sep. 19, 2010

nitrogen fertilizer projects in two years, breaking the long-standing dependence on introduced technologies for large-scale nitrogen fertilizer production and realizing independent development of the fertilizer industry in various aspects, ranging from techniques to equipments.

Under the organization of PetroChina's Technology Administration Department, China Huanqiu Contracting & Engineering Corporation and PetroChina Ningxia Petrochemical Company have developed such a package of synthetic ammonia techniques through two years of scientific research.

PetroChina now has a synthetic ammonia facility with a yearly output of 3.3 million tons and a carbamide facility with an annual output of 5.1 million tons. Application of independently developed techniques can enable the company to rapidly upgrade its overall technological level and comprehensive strength and improve domestic equipment and engineering development capacity.

Sinochem asks government to back Potash bid²¹

The state-owned Sinochem Group has asked the government to back a potential bid for Canada's Potash Corp, the world's largest fertilizer maker.

"Sinochem has submitted written material to relevant agencies in the government saying that Potash is key to national food security, and hoping it can get support," the Economic Observer reported.

Potash is currently at the receiving end of a 40-billion-dollar hostile bid from mining giant BHP Billiton, which it rejected last month.

Citing sources close to the situation, the paper said Sinochem had already made a preliminary evaluation of a potential bid, which had revealed the group would need 40 to 60 billion dollars to rival BHP in its offer.

It added that Sinochem did not have sufficient funds to make the bid on its own, and would need to team up with another firm.

According to the sources, Sinochem has been in touch with Singapore's sovereign wealth fund Temasek concerning a potential bid, but nothing has yet been decided.

Online food sales on the up²²

With growing sales online, food may well be the next hot commodity in China's e-commerce market.

Online food sales are experiencing a boom as the Mid-Autumn Festival, when eating mooncakes is a traditional practice. Mooncake sales reached 6 million yuan (US\$891,400) between Aug 31 and Sept 6 on Taobao.com, the country's largest online shopping site, where up to 20 mooncake brands are now available.

²¹ Seed Daily Sep. 19, 2010

²² China Daily Sep. 17, 2010

Another e-commerce site Amazon.cn, Amazon.com Inc's Chinese subsidiary, has also embarked on large-scale mooncake sales this year, part of its effort to boost sales in its newly launched food section. Amazon now offers around 8,000 different kinds of food.

Dangdang.com, another popular online retailer, started selling food in 2008. Now food sales account for 10 percent of its total revenue, and this proportion is expected to grow in the future.

Clothes and electronic devices accounted respectively for 23 and 17 percent of total online sales in China in the second quarter of this year, according to domestic research firm Analysys International.

Food currently accounts for a fraction of sales compared with clothes and electronic devices, as it requires special conditions such as the right temperature and humidity, which can be a big challenge to retailers.

However, major e-commerce players think selling food online still has a rosy future.

Womai.com, a popular food retail site under COFCO, set up a zone with constant temperature and humidity in its storehouse for products such as chocolates and red wine. It also requires products that have passed one-third of their shelf life are not allowed to be put in storage, and those that have passed two-thirds are not allowed to be delivered. It is now setting up its own delivery team, instead of using third-party logistics companies, and aims to have 95 percent of its products delivered within 24 hours.

Most online food retailers avoid selling products not easy to store or deliver. If they do, they usually sell a ticket, which customers can use to pick up the products from designated outlets.

China's e-commerce sales volume surged 60 percent in the first half of the year to 2.25 trillion yuan, with the number of online shoppers reaching 142 million, according to China e-Business Research Center.

Coca Cola's largest bottling plant to open in October²³

Coca Cola will begin operations at its largest bottling plant in China, a 900-million-yuan (US\$132 million) investment in Luohe City of Henan province, by the end of October this year.

"We are very positive and committed to our growth here in China," said Glenn Jordan, president of Coca Cola Pacific Region, during an exclusive interview with Xinhua while attending the fourth Summer Davos forum held in north China's port city of Tianjin, on Monday.

The soft-drink giant already operates 39 plants in China. It opened three new plants in Jiangxi Province, Hubei Province and Xinjiang Uygur Autonomous Region last year. Also, it now has two factories under construction, including the largest one in Henan and the other in Inner Mongolia Autonomous Region.

Statistics from the company showed its investment in the new plant in Hubei Province has reached 600 million yuan, while the cost of the two-phase project in Jiangxi Province added up to 250 million yuan.

²³ Xinhua News Sep. 14, 2010

Glenn Jordan, president of Coca Cola Pacific Region, said these are all parts of Coca Cola's three-year, US\$2 billion investment plan in China announced last March, and the project is now "well on track" in terms of infrastructure, marketing and product development.

The investment package also includes a US\$90 million innovation and research center in Shanghai. One new beverage created at the center last November was Minute Maid Pulpy Super Milky, which combines fruit juice, milk powder, whey protein and coconut bits to create a creamy fruit-flavored dairy drink.

"The Shanghai research center has been very productive and very rewarding," Jordan said, "We have already taken some of its innovations and technologies to other parts of Asia and to the world's markets."

Statistics

Agricultural produce average prices from 200 major production counties Sep. 1-10, 2010²⁴

Product	Grade/Unit	Price (CNY)	Percentage changes as compared to last period (% , Aug. 20-31, 2010)
Corn	Unprocessed / kg	2.14	0.59
Soybean	Unprocessed / kg	5.15	0.52
Hsien rice	Unprocessed / kg	2.20	0.36
Japonica rice	Unprocessed / kg	2.71	-0.09
Wheat	Unprocessed / kg	2.10	0.79
Rapeseed	kg	4.20	0.59
Peanut	Shelled / kg	9.90	0.94
Hog	Finisher / kg	12.35	1.54
	Piglet / kg	16.59	1.19
Broiler	Ready for slaughter / kg	12.58	0.90
Live cattle	Ready for slaughter / kg	16.68	0.38
Live sheep	Ready for slaughter / kg	17.71	0.51

²⁴ National Bureau of Statistics

Major meat retail price September 2010²⁵

Pork (Lean):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 09/11/10-09/20/10	B. 09/01/10-09/10/10	C. 08/11/10-08/20/10	D. 09/11/09-09/20/09	(A-B)/B	(A-C)/C	(A-D)/D
24.44	24.50	24.08	23.14	-0.24%	1.50%	5.62%

Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 09/11/10-09/20/10	F. 09/01/10-09/10/10	G. 08/11/10-08/20/10	H. 09/11/09-09/20/09	(E-F)/F	(E-G)/G	(E-H)/H
9.48	9.36	8.90	8.36	1.28%	6.52%	13.40%

Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 09/11/10-09/20/10	J. 09/01/10-09/10/10	K. 08/11/10-08/20/10	L. 09/11/09-09/20/09	(I-J)/J	(I-K)/K	(I-L)/L
15.66	15.62	15.40	14.50	0.26%	1.69%	8.00 %

Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 09/11/10-09/20/10	N. 09/01/10-09/10/10	O. 08/11/10-08/20/10	P. 09/11/09-09/20/09	(M-N)/N	(M-O)/O	(M-P)/P
34.46	34.38	34.30	33.84	0.23%	0.47%	1.83%

²⁵ China Animal Agriculture Association