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China Agricultural Newsletter – October 2010

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Laws, Regulations and Policies

Rural modernization key to China for the next five years¹

Rural modernization should be a major task in China's next five-year development, the Communist Party of China (CPC) Central Committee said in a proposal for mapping out a key blueprint for the country's development.

The document said that with the deepening of industrialization and urbanization, coordinated efforts should be made to push forward rural modernization. The most important work for the CPC was to support the rural economy, rural community and rural residents.

Renewed efforts should be made to maintain coordinated development in rural and urban regions, develop agriculture with industry, encourage cities to support the countryside, provide more favorable policies and lay a solid foundation for rural development, improve the livelihoods of rural people and help farmers live contented lives.

The country should accelerate the development of modern agriculture with the primary goal of ensuring grain security, strictly protect arable land, encourage innovation in agricultural technology, fully develop the agriculture industry, establish demonstration areas for modern agriculture, promote water-saving agriculture and publicize environment-friendly production methods.

It should continue to improve rural public services and infrastructure construction, such as irrigation works and power grids, construct homes for needy people, improve the quality of rural compulsory education and health services, raise social security standards in rural regions and support poverty-stricken farmers.

New ways should be found to increase farmers' incomes, the document said. The country should encourage farmers to optimize their planting structure, help them develop non-agricultural industries in grain production areas, facilitate their employment in urban regions and increase their wages.

¹ People's Daily Oct. 28, 2010

The rural development system would be improved in the next five years. The law on land contracts in rural areas would remain unchanged. Land revenues and farmers' deposits would be used to support rural development. Counties with mature conditions would be allowed to set up their own community banks and offer small loans to farmers. The government would continue the forest tenure reform.

Wheat purchasing price to rise²

China will increase the minimum government purchasing price for wheat in 2011, according to the National Development and Reform Commission (NDRC). The government will pay a minimum of RMB 95 yuan (US\$14) for every 50 kilograms of white wheat, and RMB 93 yuan for red and mixed wheat, up RMB 5 yuan for white wheat and RMB 7 yuan for both the red and mixed varieties.

The move will encourage farmers to plant more wheat in order to stabilize the domestic market in the face of a fluctuating global environment and to ease to inflation expectations, said analysts.

Global wheat prices surged recently as a drought hit Russia, the world's third largest exporter, and floods damaged crops in Canada.

Earlier this month, the United States Department of Agriculture reduced its forecast for world wheat production, saying that it may decline to 641.44 million tons, from a September forecast of 643.01 million. However, China is likely to see a bumper harvest, said Agricultural Minister Han Changfu during an inspection tour in Hebei province.

To date, 55 million hectares of farmland have produced yields accounting for 71.3 percent of the country's harvest. The remaining land is also likely to produce good yields, according to Han.

China has maintained relatively high wheat stockpiles, helping to ensure food supplies and ease pressures on grain prices, said analysts.

Although wheat prices have increased rapidly internationally, there will only be a very limited impact on the domestic market because imports, such as rice and wheat, account for less than 1 percent of consumption, said Zhang Xiaoqiang, vice-minister of the NDRC.

Since 2006, the minimum government purchasing price for agricultural commodities has been raised during the sowing season to encourage farmers to plant more crops.

The year-on-year growth rate for the government's minimum purchasing price has remained at around 8 percent for three consecutive years.

Agro tracking system in 10 cities to boost food safety³

The Ministry of Commerce signed agreements on Oct. 21 with mayors from 10 pilot cities to push forward a meat and vegetable traceability system in supermarkets and markets.

Through a tracking code on the receipt of their vegetable and meat purchases, customers can track all stages of the food ranging from production to distribution, through the Internet or other terminals in stores.

² Bloomberg Oct. 12, 2010

³ China Economic Net Oct. 22, 2010

The 10 first-phase pilot cities involved are Shanghai, Dalian, Nanjing, Wuxi, Hangzhou, Ningbo, Qingdao, Chongqing, Kunming and Chengdu.

Minister of Commerce Chen Deming said the safety assurance system, which is key to people's livelihood, will be gradually expanded nationwide. The government will work toward building uniform standards across the country to implement the traceability system. Similar risk-management systems will also be expanded to sectors such as healthcare, he said.

The latest "traceable, verifiable and responsible" system will allow the government to identify food sources when unsafe products are found. This will help avoid unsafe food reaching more customers.

RSA Group, a British insurance company, released a global risk survey earlier this week that showed unsafe food being a leading risk for Chinese people, second only to earthquakes.

Safety checks for baby formula to tighten⁴

Manufacturers of baby formula in China are required to check each batch of raw materials and their finished products for the toxic chemical melamine, according to a new draft regulation.

The draft regulation, which details the requirements for producing baby formula milk powder, was released by the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) to solicit public opinion.

The draft regulation stipulates that raw materials and supplements for the production of baby milk formula must meet the national or industry standards, and the use of non-dairy animal protein and other inedible materials are strictly banned.

Baby formula producers are required to conduct melamine tests on each batch of raw materials and each batch of their finished products. Test reports must be kept for at least two years, according to the draft.

Each enterprise is required to have at least two inspectors who are capable of independently conducting the safety tests.

Producers are permitted to purchase raw milk only from licensed dairies and quality reports should accompany each batch of the raw milk, the draft stipulates.

The draft regulation is widely seen as a measure to further tighten safety procedures involved in the production of baby formula after melamine-tainted milk powder killed at least six infants and sickened about 300,000 children in China in 2008.

Imports payment verification system reformed to boost trade⁵

China's foreign currency regulator said it will streamline import payment verification systems from Dec.1 to better facilitate foreign trade.

⁴ China Daily Oct. 18, 2010

⁵ Shanghai Daily Oct. 27, 2010

Enterprises will no longer have to stay at the scene for import payment verification, if they are undertaking "regular business", a statement on the State Administration of Foreign Exchange (SAFE) website said. Banks will no longer have to complete enterprises' import payment verification processes, the statement added.

The SAFE will handle import payment verification and share the information so enterprises will not have to complete verification preparation procedures at the SAFE, the statement said.

The reforms will boost foreign trade and simplify enterprises' import payment procedures while cutting enterprises' costs, according to the statement.

Chinese imports grew 24.1 percent year on year in September, hitting a record US\$128.11 billion. The trade surplus in September dropped 15.7 percent month on month to US\$16.88 billion, a five-month low.

Sugar market regulations may enhance after price hits record high⁶

Ministry of Commerce (MOC) vowed to step up regulation of sugar markets after reserves helped stabilize prices which recently rose to a record high amid continuing harsh weather.

Between Oct.10 to 17, the retail price of small-packed sugar averaged RMB 7.68 yuan per kilogram in major cities, up 1.3 percent from the end of September, according to the MOC data.

China auctioned 210,000 tonnes of sugar reserves on Oct. 22 in a bid to curb soaring prices, which have been blamed on this season's frequent extreme weather in China's major sugar-producing areas, as well as reduced supplies overseas.

In Guangxi Zhuang Autonomous Region, the country's major sugar-growing area, sugar prices hit a record RMB 6,000 yuan per tonne (US\$902.3) on Oct. 11. Further, sugar futures hit an eight-month high of 683.20 pounds per tonne in London on Oct. 15.

The MOC said government reserves remain abundant and pledged to improve market supplies and ensure the public's needs.

Between October 2009 and September 2010, eight batches of reserve sugar, or a total of 1.71 million tonnes, were auctioned, according to the MOC.

Industry and Business Watch

Annual grain output "on track"⁷

Grain output from increased farmland will offset the impact of inclement weather and help the country reap a seventh consecutive year of surplus crops, senior agricultural officials and researchers said.

"The official estimation for this year's total grain supply has outstripped last year's level, which was 530.8 million tons," Zhang Hongyu, deputy-director of the policy department of the Ministry of Agriculture, has said.

⁶ Xinhua News Oct. 18, 2010

⁷ China Daily Oct. 22, 2010

"A seventh straight year of surplus harvest won't come easily as the output of summer grain dropped by 0.3 percent year-on-year and the yield from early rice harvests fell by 6.1 percent year-on-year due to drought and flood," said Xu Xiaoqing, a senior researcher of the Development and Research Center of the State Council.

Fortunately, a newly added farm area of 890,000 hectares in 2010 for autumn grain, particularly corn, will offset the loss and ensure the year's harvest, Xu said. "China's corn imports will continue to grow in the long run, but China won't rely entirely on imported corn," Xu said. China's 160 million tons of annual production for corn can generally meet the nation's demands, he said.

A stable grain output will help ease inflation expectations amid international and domestic price fluctuations, analysts said. Food prices account for about 30 percent of the factors used to calculate China's inflation.

The prices of agricultural products in the country have seen record fluctuations since the beginning of the year. Prices of mung beans, ginger, cotton, sugar and soybean oil all surged sharply.

Besides rising costs, a large amount of the excess liquidity has flowed into the agricultural sector to avoid risks in the property and stock market, which also caused price fluctuations, Xu said.

As prices surge, the Chinese agricultural industry has seen significant investment in the past months and the next five to ten years will be the "golden age" for agricultural investment, analysts said at the Second China Agriculture Investment and Financing Fair in Zhengzhou, capital of Henan province.

Since 2009, about 14 agriculture-related enterprises have listed on the small and medium-sized enterprise board and the growth enterprise board, with raised funding of RMB 11.88 billion yuan (US\$1.79 billion). 8 listed agriculture-related companies achieved refinancing of RMB 5.47 billion yuan, according to official figures.

Over half autumn grain harvested and autumn sowing carried out⁸

Autumn harvest has reached the peak period nationwide. According to the agricultural information released by the Ministry of Agriculture (MOA), altogether 582 million mu (38.8 million ha) of autumn crops, which cover 50.2 percent of the total area to be reaped across the country, have been harvested by October 2, 1.3 percentage points faster than the same period last year.

So far, there have been over 6.6 million agricultural machines and implements put into use in autumn production nationwide, including 77,000 maize combine harvesters and 116,000 rice combine harvesters. In the areas where harvest has not yet started, preparation activities, such as personnel training and machinery maintenance, are effectively conducted to ensure the supply of agricultural machinery in autumn harvest.

Meanwhile, autumn and winter sowing has kicked off southward across the country. By October 2, crop fields of over 98 million mu (6.53 million ha) have been sown, accounting for 14.7 percent of the planned area. Specifically, fields of over 18 million mu (1.2 million ha) and over 27 million mu (1.8 million ha) have been sown with winter wheat and winter rape, making up 5.4 percent and 27.5 percent of their respective targets.

Food safety inspected nationwide⁹

⁸ Ministry of Agriculture Oct. 2, 2010

The State Council's Food Safety Commission said in a statement issued Oct. 26 that local governments had made progress since they launched the campaign last year and a new inspection would assess whether their work was "effective".

The inspection aimed to evaluate the general situation of local government food safety work, food production monitoring systems, and investigations into and crackdowns on "gutter oil" and problematic milk powder, said the statement.

Food safety became a nationwide concern in China after a spate of scandals involving contamination and illegal ingredients and additives.

Flour additive stirs controversy¹⁰

Public outrage over food additives has flared up again after an investigative report revealed widespread usage of a potentially harmful whitener used in flour.

Benzoyl peroxide is used by manufacturers in China, the US and many other countries to bleach flour.

Over the past 10 years, some major enterprises in the industry and the State Administration of Grain have applied to the Ministry of Health to ban the over use of benzoyl peroxide. They hold that with the current technology, chemicals like benzoyl peroxide are not needed to produce quality flour.

However, small and medium sized enterprises, who own less advanced technologies and production facilities, are afraid that their profits could be hit if the chemical's usage is restricted as it also helps boost flour output.

Benzoyl peroxide is a chemical compound often used in over-the-counter acne treatments, hair dyes and teeth whitening formulas because of its proven use as an antiseptic and bleaching agent. It has been used as a flour whitener in China for about 20 years.

Experts have been long argued about the safety of this chemical. Some say that small amounts of the chemical are safe, while others hold that the chemical could damage the nutrients in the flour and may be carcinogenic.

The Ministry of Health requires benzoyl peroxide in flour should not exceed 0.06 grams per kilo. Within this amount, it is considered to be safe.

Qin Zhenkui, former president of the Chinese Academy of Inspection and Quarantine, said that "the government could only make the decision (to ban benzoyl peroxide) after careful research is completed."

Soybean imports set to surge¹¹

Soybean imports reached a new high of 40.16 million tons in the first nine months of this year, almost equivalent to the total figure of 42.55 million tons in 2009, according to data from the General Administration of Customs.

⁹ Xinhua News Oct. 26, 2010

¹⁰ Global Times Oct. 25, 2010

¹¹ People's Daily Oct. 14, 2010

Imports of soybeans for the fourth quarter are now estimated at 13.8 million tons, 3.6 million more than the same period last year, according to a report released by Grain.gov.cn, a website operated by the China National Grain and Oils Information Center.

The Ministry of Commerce has also raised its forecast for October imports from 3.32 million tons to 4.15 million, an increase of 0.83 million tons.

This is the third consecutive year that soybean imports have increased, from 37.44 million tons in 2008, to an estimated 53.96 million this year.

China produces about 15 million tons of soybeans every year, equivalent to about one third of the annual import figure, and not enough to meet domestic demand. Meanwhile, ongoing urbanization has triggered an increase in consumption of soy oil and meat.

Demand for vegetable oil is increasing by around 6 percent per annum, according to the latest industry data, with most of the imported beans used in the manufacture of soy oil and animal feed.

Cooking oil prices boil over¹²

Rising domestic and overseas prices for the bean pushed prices of the edible oil up nearly 10 percent recently. The price per ton for soybean oil rose between RMB 450 to 900 yuan (US\$68 to US\$135) in the middle of October.

The average price of top grade oil in major regions such as southwest Yunnan and northeast Heilongjiang was RMB 9,325 yuan (US\$1,402) per ton, an increase of 9 percent week-on-week, according to oilcn.com, an information provider for spot prices.

The nation's grain-reserve administrator announced plans to inject an additional 300,000 tons of vegetable oil into the market on Oct. 20 to keep prices in check.

The price increase for the oil is mainly due to increasing market demand and a rise in the government-set purchase price for soybeans from growers, Liu Hongfei, president of Heilongjiang-based Jiqing Soybean Processing, said.

The government raised the purchase price for soybeans set aside as part of a national reserve from RMB 3.74 to 3.8 yuan (US\$0.56 to 0.57) per kilogram this year. The move aims to boost soybean grower incomes and encourage them to plant more.

Data from the General Administration of Customs showed that since July of this year, the price of the imported soybean has risen consecutively, which has also become reason for domestic cooking oil producers like Arawana, Luhua and Longevity Flower to want to raise the prices of their products as well.

The latest data from the China Custom showed that in September this year, China imported 4.64 million tons of soybeans at an average price of \$449.7 per ton, 5.3 percent higher than the average price of July.

¹² Global Times Oct. 18, 2010

China imported 40.16 million tons of soybeans over the first nine months, up 24.1 percent year-on-year, according to the General Administration of Customs.

Imports of Argentine soy oil permitted¹³

China will allow the two largest state-owned grains and oilseeds trading companies to import soybean oil from Argentina, easing restrictions imposed in April.

COFCO Ltd, China's biggest grain trader, and China Grain Reserves Corp have been cleared by the Ministry of Commerce to import soybean oil from Argentina, said the traders.

China halted shipments from Argentina in April because of trade disputes ranging from textiles to kitchen products. The move to ease restrictions follows an improvement in relations between the two countries, with Beijing in July agreeing to work on rail projects worth at least US\$12 billion in Argentina.

Ministry of Commerce told a closed-door conference of traders on Oct 9 that shipments from Argentina will be allowed to clear customs even if they fail to meet a limit on solvent residues in soybean oil, the traders said. Solvents are applied to crushed beans to extract more oil.

China bought record amount of soybeans in the first eight months of this year at 35.53 million tons, up 20 percent from a year earlier, according to customs.

Soybean oil has gained 26 percent in the past year on the Dalian Commodity Exchange and jumped 4 percent to RMB 8,916 yuan a ton on Oct 12.

Olive oil supplier bets big on Chinese demand¹⁴

Kondor SA Beijing, the Chinese branch of Kondor SA, one of Greece's biggest food and beverages distributors, is betting big on the domestic market to spur demand for Greek olive oil.

The company has sold about 80 tons of olive oil in Beijing since 2009. Aris Argiriou, Kondor SA Beijing's managing director, said: "Beijing has around 20 million people, almost double the total population of Greece, so it's a good place to start my business," adding that the company's long-term plan was to expand its sales network to other big cities such as Shanghai and Shenzhen. China was a "promising" market as its huge middle class was very conscious about food quality and health issues, he said.

China is a huge consumer of vegetable oil. The country is likely to consume about 24.8 million tons of edible oil in 2010, mainly soybean oil, rapeseed oil, peanut oil and palm oil, according to a forecast by the National Grain & Oil Information Center last month.

China imported 8,017 tons of olive oil in 2007, up from 393 tons in 2001, according to the General Administration of Customs. Analysts expect imports to soon touch 10,000 tons a year.

Since China's geography is unsuitable for the mass production of olives, almost all of the olive oil sold in the nation is imported. Apart from Greece, its major importers include Spain, Italy and Turkey.

¹³ China Daily Oct. 12, 2010

¹⁴ China Daily Oct. 2, 2010

Maize rice developed in Henan¹⁵

A new type of rice called "maize rice" with a single plant output of 250 grams was harvested in the experiment field of Henan Fengyuan Seed Company in Xinxiang. Like maize, it is over two meters high and has both broad and long leaves, dense aerial roots, erect and compact ears, and big and plump seeds.

This new rice line characterized by strong resistance against lodging, pest and disease and high yield was developed by Xinxiang Distant-origin Molecular Breeding Engineering Technical Research Center jointly established by the College of Life Sciences of Henan Normal University and Henan Fengyuan Seed Company in Xinxiang. This center successfully induced DNA fragments of maize into rice through in-situ induction of germplasm cells with the technique of transferring big molecules of distant origin rather than mediators that easily produce harmful substances. Such practice enabled rich variations in rice that would help to raise resistance and yield. Maize rice is one of germplasms selected by this center through multiple field tests, which could be used to develop new rice varieties with high resistance and high yield.

Ji Shengdong, teacher of the College of Life Sciences of Henan Normal University, said that they would develop a new variety of such maize rice with a yield of over 850 kg per mu (12,750 kg per ha) within 2-3 years.

Cambodia eyes Chinese market for rice export¹⁶

Cambodia's Prime Minister Hun Sen said his country is eyeing Chinese market for rice exports. He said Cambodia and China are negotiating on the exports of rice from Cambodia to Chinese markets. Within this week, there will be a signing agreement between the two sides on the exports of Cambodian rice.

In addition to rice exports, Hun Sen said China has granted Cambodia favorable conditions in exports.

In August, the Cambodian government announced that it had set 2015 to show this nation's competence in becoming one of the major rice exporters to world's markets.

Hun Sen said by reaching the target, it must start from the first production of "rice surplus" at the reach of "more than 4 million tons" per year and at least 1 million ton of the amount will be allocated for export, while at the same time the rice must "meet an international standard."

Hun Sen said in 2008, Cambodia could only produce 2.6 tons of rice per hectare of land, while Thailand could produce 2.8 tons, Laos 3.5 tons, and Vietnam 4.9 tons. He acknowledged that one of the major blocks to large rice production in Cambodia is shortage of water.

About 80 percent of Cambodia's 14 million population are farmers. Last year, Cambodia produced more than 7 million tons of rice.

Record shipments of Brazilian beef imported¹⁷

Beef imports into China from Brazil during August jumped more than 22 times, compared with a year earlier, to a record volume of 2,203 tonnes.

¹⁵ Ministry of Agriculture Oct. 11, 2010

¹⁶ Xinhua News Oct. 18, 2010

¹⁷ TheCattleSite News Oct. 4, 2010

Total beef imports from all countries into China for the month surged 173 percent year-on-year, to reach 3,737 tonnes. New Zealand was the only supplier to register a fall in the volumes imported by China, decreasing 21 percent to 137 tonnes.

Beef imports from Uruguay, now the second largest beef supplier bounced 27 percent during August on 12 months earlier, to 777 tonnes. Similarly, beef imported from Australia also increased by 27 percent to 620 tonnes.

Competitive prices were the key driver for a surge in South American beef into China during recent months, as local demand from low-end foodservice expands as a result of lower domestic supplies.

Over the calendar year to August, Uruguay remained China's largest beef import supplier, holding a 39 percent market share (5,134 tonnes), followed by Brazil (27 percent), Australia (20 percent) and New Zealand (13 percent).

In the chilled beef import market, Australia continued to take the lead, accounting for 97 percent of the imported chilled market for the first eight months of 2010.

RMB 270 mln yuan in bank loan subsidies to dairy companies¹⁸

China's Ministry of Finance (MOF) said it had given RMB 190 million yuan (US\$28.4 million) in bank loan subsidies to dairy companies to ease their financial pressures this year.

Another RMB 80 million yuan in such subsidies were also paid to the dairy companies last year, a statement on the ministry's website said.

The subsidies will not only help dairy companies stabilize production and normalize their purchases of raw milk from dairy farmers, but also play a positive role in stabilizing raising of milk cattle and protecting farmers' interests, the statement said.

Yashili offering said to be on horizon¹⁹

Guangdong Yashili Group Co Ltd is seeking an initial public offering (IPO) in Hong Kong in hopes of becoming a premium milk powder brand. It seeks to raise about US\$350 million through the IPO in late October or early November.

Yashili Group, of which global private equity fund Carlyle Group owns a 17.3-percent stake, is one of the three largest baby formula-makers in China, accounting for 10 percent of the market.

Being an official public company is beneficial to enhancing Yashili's image in the country's baby formula market, 60 percent of which is controlled by foreign companies, such as Abbott Laboratories, independent dairy industry expert Wang Dingmian said.

Yashili's sales volume in 2009 reached RMB 3.5 billion yuan (US\$524 million), when most foreign brands' sales were about RMB 2 billion yuan.

¹⁸ China Economic Net Oct. 22, 2010

¹⁹ Bloomberg Oct. 13, 2010

Carlyle Group's China Communications Director Brian Zhou said Yashili had in the past two years made vast strides in product safety and overseas cooperation, which will also boost brand recognition. Carlyle had invested at least US\$7 million in Yashili since it bought a stake in the company in September 2009.

Vegetable prices up 3.8 percent during week-long National Day holiday²⁰

Wholesale prices of 18 types of vegetables in China's major cities rose 3.8 percent from the previous week during the week-long National holidays that started Oct. 1, the Ministry of Commerce announced.

Supply of daily necessities was adequate and prices of vegetables and meat recorded small increases between Oct. 1 and 7, the ministry said in a statement.

Vegetable prices in southern Hainan province climbed 5.8 percent from one week ago due to torrential rains; cucumber prices were up 19.4 percent and prices of tomatoes were up 16.2 percent, according to the statement.

Also, prices of pork and beef both gained 0.7 percent from a week earlier throughout the country, the statement said.

Food prices account for one-third of China's consumer price index (CPI), which jumped to a 23-month high of 3.6 percent year on year in September, according to the National Bureau of Statistics.

It is the third consecutive month that the CPI has exceeded the government's full-year target of 3 percent.

Hunt is on for domestic reserves of crop nutrient²¹

The central government has started a nationwide potash exploration program to ensure a stable supply, as demand for the crop nutrient grows worldwide.

The program includes such measures as conducting exploration work and constructing a strategic supply base for the resource, according to the China Geological Survey, an agency under the Ministry of Land and Resources (MOLR).

The MOLR has invested RMB 50 million yuan (US\$7.35 million) in exploration this year and will add RMB 100 million yuan a year between 2011 and 2015.

Analysts have said the move shows the country is taking a diversified approach to meet rising domestic demand. In addition to continuing its overseas purchases, it is paying more attention to domestic development. However, some experts said the country's potash consumption will rely on imports in the long run, because its reserves are not abundant.

China's proven potash resources can only satisfy domestic consumption for 20 to 30 years. Most are in western regions, a China Geological Survey researcher said.

²⁰ China.org.cn Oct. 7, 2010

²¹ Xinhua News Oct. 8, 2010

China is the world's second-biggest potash importer. The country's potash consumption will rise 4.5 percent to 7 million tons this year, Shanghai Potash Technology and Research Center's Director Wei Chengguang said.

BHP Billiton's \$39 billion bid to take over Canada's Potash Corp of Saskatchewan, the world's largest fertilizer-maker, has captured global attention. Many industry insiders said the deal would have a major impact on China's agriculture, because prices would be monopolized.

Sinochem takeover of Potash unlikely²²

Sinochem Group, China's largest fertilizer trader, may struggle to get state financial backing for a takeover of Potash Corp of Saskatchewan Inc., making a deal unlikely, Bloomberg reported.

China's government has indicated it would prefer Sinochem to finance any takeover without credit from state banks, which may put the transaction beyond the company's reach.

Sinochem may still consider seeking a minority stake, a deal that would be easier to fund, an insider said.

Potash Corp, the world's largest producer of its namesake crop nutrient, in August rejected Melbourne-based BHP Billiton Ltd.'s US\$40 billion offer as too low and said it's seeking other bids.

Canpotex to sell potash to Sinofert for US\$2.2 billion²³

Canadian fertilizer cartel Canpotex announced a deal to supply China's Sinofert with 3.15 million tonnes of potash over three years, for an estimated US\$2.2 billion.

Sinofert said in regulatory filings in Hong Kong that it would pay no more than US\$600 million, US\$730 million and US\$870 million for the potash in each of the three years, respectively. The actual price to be paid for the fertilizer ingredient, however, is to be negotiated every six months, Canpotex added.

The deal allows China to increase its consumption and guarantees that Canpotex supplies at least one-third of all seaborne potash imports to China in each year.

Cotton Association: Speculation causes surge in cotton prices²⁴

China Cotton Association issued an emergency notice on Oct. 15 that speculation is primarily behind the recent surge in cotton prices.

The association emphasized that although factors such as supply and demand played a role, it is not enough to support such a surge in the cotton price, and it called for rational analysis of the situation. People should guard against business risks, enhance the quality management in acquisition and consciously maintain a fair and orderly market environment, the association warned.

²² China Daily Oct. 12, 2010

²³ AFP Oct. 20, 2010

²⁴ People's Daily Oct. 15, 2010

Since the end of July, there has been a sharp rise in international cotton prices. Cotton futures on the Zhengzhou Futures Exchange rose more than 40 percent in May, and the price hit a new record high of nearly RMB 24,700 yuan per ton on Oct. 15.

The association cited the survey data from the Ministry of Agriculture, Bureau of Statistics and other departments that this year domestic cotton production decreased by about 4 percent. On the other hand, the global cotton yield increased by more than 3 million tons and is expected to maintain supply and demand balance.

The association also said that in September China imported 200,000 tons of cotton, down 16 percent from the previous month, but up sharply by 96.6 percent over the previous year. In the first 9 months, imports of cotton totaled 2.2 million tons, up by 99.7 percent from last year.

The association said in September that the average import price of cotton has continued to rise, reaching US\$2,062 per ton, US\$39 higher than in August, or 1.9 percent. U.S. cotton accounts for half of China's total imported cotton.

Carrefour buys 51 percent of Baolongcang²⁵

Carrefour SA, the world's second-largest retailer by sales after Wal-Mart, will own more than 30 new outlets in China this year after acquiring 51 percent of the Hebei-based hypermarket operator, Baolongcang, in July.

The acquisition echoes the French retail giant's previous strategy of opening 20 to 25 new stores every year in the emerging market.

Eric Legros, president and chief executive officer of Carrefour China, said: "Baolongcang is an excellent local retailer, and we're working on upgrading its existing hypermarkets, which are due to reopen in November."

Baolongcang operates 11 hypermarkets, which recorded net sales of RMB 1.06 billion yuan (US\$159 million) in 2009.

After initially entering the Chinese market in 1995, this transaction is part of Carrefour's strategy of reinforcing its presence in emerging economies by buying local outlets and utilizing the experience of existing management.

Legros also said Carrefour will unveil the name of the new stores and further information about the acquisition at the beginning of 2011.

In 2009, Carrefour posted sales in China of US\$5.38 billion through its 156 hypermarkets and 360 discount stores, while Wal-Mart gained US\$7.51 billion with 279 outlets at the same period, according to statistics by Euromonitor International.

Progress made in biogas use in rural areas²⁶

Stimulated by the investment of the Central Government, local governments have all increased their input in this regard. As a result, a new pattern has taken shape, featuring simultaneous development of household biogas digesters, small-scale and medium-and- large-sized biogas

²⁵ China Daily Oct. 15, 2010

²⁶ Ministry of Agriculture Oct. 8, 2010

digesters. With all work going well, the original plan has been fulfilled with remarkable achievements.

A diversified pattern has been preliminarily formed. During 2006-2010, a total of 12.78 million households were installed with biogas digesters with the funds from the Central Government; it is estimated that altogether 5,042 sets of medium-and-large-sized biogas facilities will have been built by the end of 2010, representing 107 percent of the target in the Eleventh Five-Year Plan.

The biogas service system has been basically established. With the investment of RMB 2 billion yuan by the Central Government, multiple service modes have been developed, including services provided by associations, cooperatives, companies, and individuals and those in the form of complete trusteeship, playing a crucial role in many aspects, such as biogas digester construction, equipment installation, accessory supply, and maintenance. Such a service system has been very instrumental to the sound development of biogas application in rural areas.

The biogas industry has been continuously growing in size. By 2009, the number of biogas workers around the country had reached 267,000; The output value of rural biogas amounted to RMB 24.7 billion yuan, four times as much as that in 2005.

Statistics

Agricultural produce average prices from 200 major production counties Oct. 1-10, 2010²⁷

Product	Grade/Unit	Price (CNY)	Percentage changes as compared to last period (% , Sep. 20-30, 2010)
Corn	Unprocessed / kg	2.10	-1.47
Soybean	Unprocessed / kg	5.14	0.14
Hsien rice	Unprocessed / kg	2.22	0.38
Japonica rice	Unprocessed / kg	2.73	-0.10
Wheat	Unprocessed / kg	2.12	0.44
Rapeseed	kg	4.23	0.48
Peanut	Shelled / kg	10.12	0.91
Unginned cotton	Unprocessed / kg	8.42	11.36
Hog	Finisher / kg	12.53	0.63
	Piglet / kg	16.46	-0.83
Broiler	Ready for slaughter / kg	12.85	0.35
Live cattle	Ready for slaughter / kg	16.78	0.22
Live sheep	Ready for slaughter / kg	18.02	0.88

²⁷ National Bureau of Statistics

Major meat retail price October 2010²⁸

Pork (Lean):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 10/01/10-10/10/10	B. 09/21/10-09/30/10	C. 09/01/10-09/10/10	D. 10/01/09-10/10/09	(A-B)/B	(A-C)/C	(A-D)/D
24.76	24.62	24.50	22.76	0.57%	1.06%	8.79%

Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 10/01/10-10/10/10	F. 09/21/10-09/30/10	G. 09/01/10-09/10/10	H. 10/01/09-10/10/09	(E-F)/F	(E-G)/G	(E-H)/H
9.18	9.44	9.36	8.02	-2.75%	-1.92%	14.46%

Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 10/01/10-10/10/10	J. 09/21/10-09/30/10	K. 09/01/10-09/10/10	L. 10/01/09-10/10/09	(I-J)/J	(I-K)/K	(I-L)/L
16.02	15.76	15.62	15.02	1.65%	2.56%	6.66 %

Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 10/01/10-10/10/10	N. 09/21/10-09/30/10	O. 09/01/10-09/10/10	P. 10/01/09-10/10/09	(M-N)/N	(M-O)/O	(M-P)/P
34.72	34.48	34.38	33.58	0.70%	0.99%	3.39%

²⁸ China Animal Agriculture Association