



China Agricultural Newsletter – September 2011

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Laws, Regulations and Policies

Minimum wheat purchase prices raised for 2012¹

China's top economic planner National Development and Reform Commission (NDRC) announced that it will raise the minimum purchase prices for wheat from farmers in 2012 to boost grain output. The move "aims to protect farmers' enthusiasm to grow grains and further stimulate grain production," the NDRC said.

The minimum purchase price for white wheat in the country's major wheat-producing areas will be increased to CNY102 (USD16) per 50 kg, up CNY7 from the 2011 price, said the NDRC.

It said the minimum purchase prices for red and mixed wheat will both rise CNY9 to CNY102 per 50 kg next year.

Temporary cotton reserve launched²

A temporary cotton reserve was launched on Sept. 8 in an effort to stabilize cotton production and protect farmers' interests, the National Development and Reform Commission (NDRC) said.

China National Cotton Reserves Corporation will buy cotton for the temporary reserve as of Sept 8 at a price of CNY19,800 yuan (USD3,101) per ton this year. The move aims to stabilize expectations of cotton production, sales and consumer enterprises, and prevent production volatility due to big price fluctuations, according to NDRC.

The purchase will apply to the country's 13 major cotton production regions including Xinjiang Uygur autonomous region when spot prices of newly produced cotton are below the purchase price.

More subsidies for subsoiler operation³

The central government has added another CNY1.05 billion (USD164 million) in subsidies for subsoiler operations in major grain-producing regions, the Ministry of Finance (MOF) said. The

¹ Xinhua News Sept. 29, 2011

² Global Times Sept. 9, 2011

³ Xinhua News Sept. 6, 2011

funds will be used to subsidize the farming of 6.24 million hectares of arable land in Hebei, Shanxi and nine other provinces and municipalities, according to the MOF.

By mid-August, the Chinese government had allocated CNY3.85 billion in subsidies for the operation of 192,000 large- and medium-sized tractors and 13,000 subsoiling machines across the country.

More than 10 million hectares of farmland and fields for raising sugarcane are expected to be loosened and broken up by subsoilers at depths much deeper than can be achieved using a rototiller.

The use of subsoilers in farming is helpful in increasing soil quality and farmland productivity as subsoilers fracture soil to allow air and water to reenter and promote better root growth.

The central government has increased its funding for subsidies for the agricultural sector in recent months in a bid to protect grain security. Last month, it increased subsidies CNY38.2 billion to the Grain Risk Fund to ensure necessary spending by local governments to finance grain production and the establishment of cereal and cooking oil reserves.

Charges for animal quarantine cut⁴

National Development and Reform Commission (NDRC) announced that it has lowered the fees for animal and animal product quarantine. The move aims to cut the circulation cost and help relieve corporate burden.

In a circular jointly issued by the NDRC and the Ministry of Finance, the national standard charges for animal and animal product quarantine were all reduced by at least 30 percent. Meanwhile, the charges will be done on a quantitative basis which replaces the fixed-rate charging model used in the past.

The circular also lowers the charging standards for quarantining animal and animal products with batch production. Local authorities should not top the national charging standards when setting theirs, the circular said. Practices such as duplication of charges and charging production cost for quarantine badges and signs are also banned in the circular.

Shandong Province issued new pork quality rules⁵

Shandong province issued new rules that require all pig abattoirs to keep records of animal's source, circulation and consumption information to guarantee its safety, according to the Shandong Provincial Commerce Department.

Under the new rules that will be implemented on Oct. 1st, abattoirs should establish a well-functioned system to recall unsafe products.

Once plants discover any health issues, they should stop production, inform distributors, who should then recall the product and inform the public immediately.

Abattoirs caught injecting water or other unsafe materials into pork will be fined CNY10,000 to 20,000 (USD1,565 to 3,130). Their products and equipment will also be confiscated. In serious

⁴ China Daily Sept. 19, 2011

⁵ ThePigSite News Sept. 1, 2011

cases, the related producers and sellers will be investigated for criminal acts in accordance with the law.

Fujian Province released 12th five-year plan for 'shopping basket' project⁶

Fujian provincial economic and trade committee distributed the 12th Five-year Plan (2011-2015) of Fujian Province to construct the "shopping basket" project. The document stipulates to construct "shopping basket" bases for the four major products of pork, egg, vegetable and fish to promote effective supply and quality.

Under its terms for its live pig feeding bases, Fujian province will construct 16 competitive pig breeding bases in Xinluo district, Fuqing city, Yanping district, Xianyou county, Xiuyu district and Shanghang county. It expects to have the capacity to supply 2.08 million tons pork by 2015.

For its poultry bases, Fujian province plans to construct 11 competitive poultry bases in Guangze county, Chengxiang district, Nanjin city, Xinluo district, Fuqing city and Longhai city. It will construct six competitive egg production bases in Fuqing city, Changle city, Minhou county, Jianyang city, Jinjiang city, and Yongchun county. It will strive to supply 390,000 tons of eggs annually by 2015.

As for its aquatic product bases, Fujian province aims to construct 39 competitive aquatic bases in Fuqing city, Changle city, Minhou county, Lianjiang county, Luoyuan county and Mingqing county, with integrated capacities for young fish cultivation, breeding, processing and trade. Its target is to supply 6.5 million tons of aquatic products annually by 2015.

Industry and Business Watch

Food prices continue to rise in early September⁷

China's statistics authority said that food prices, including those of staples, meat, edible oil and vegetables, continued rising in the first 10 days this month compared to the August 21-30 period.

Prices of rice and flour both rose 0.2 percent during the period; the price of soybean oil rose 0.8 percent, according to figures released by the National Bureau of Statistics (NBS).

The price of pork remained stubbornly high and was up 0.8 percent. The pork price in August surged 45.5 percent from a year ago, and was the leading contributor to the surging food prices, which rose 13.4 percent year-on-year last month.

The price of beef price rose 1.1 percent, with chicken up 0.6 percent; most vegetables saw price increases during the period with cabbage rising 1.8 percent and celery up 1.1 percent.

The rising food prices signalled that inflationary pressure remains high after the NBS data earlier showed that the consumer price index (CPI), a main gauge of inflation, rose 6.2 percent year-on-year in August, which was far above the government's 4-percent target for the year.

Food prices account for about a third of the weighting in CPI calculation in China.

⁶ ThePoultrySite News Sept. 29, 2011

⁷ China Business Review Sept. 14, 2011

Official: Grain prices likely to rise mildly⁸

China will see a mild rise in grain prices in the near-term, due to increasing production costs, Chen Xiaohua, vice minister of agriculture, said.

Average prices of rice, wheat and corn rose 10.5 percent year-on-year to reach CNY119.82 (USD18.72) per 50 kilos last month, and were up 0.8 percent from the previous month, Chen said. The production costs of the three crops grew at an annual rate of around 10 percent in recent years, which led to a rise in grain prices, according to data from the National Development and Reform Commission.

High global grain prices and the country's excessive liquidity intensified inflationary expectations among consumers. The country's growing demand for food also boosted grain prices, Chen said.

Grain output to hit a record of 550m tons⁹

China's grain output is expected to reach a record high of 550 million tons in 2011, the Ministry of Agriculture said. It would be the first time for China to record grain growth for eight consecutive years in half a century.

China's grain output rose 2.9 percent year-on-year to 546.61 million tons in 2010, according to the National Bureau of Statistics.

Corn crop headed for record¹⁰

The corn crop is expected to reach a record high of more than 180 million tons, said Xu Xiaoqing, the director of the Department for Rural Economic Development at the Development Research Center of the State Council, a top state think tank. But fast-growing domestic demand means that the bigger harvest is unlikely to offset the surging corn imports, which will probably show a "mild and stable increase" over the next few years, said Xu.

According to a monthly forecast released in August by Grain.gov.cn, a website operated by the China National Grain and Oils Information Center, corn production this year is expected to surge to 182.5 million tons, up 3 percent from last year.

China uses 105 million tons of corn a year for animal feed, with another 60 million to 70 million tons used in the processing sector for such products as starch, citric acid and ethanol.

Increased meat consumption in China has generated extra demand for corn as animal feed. Also, industrial demand for starch and ethanol is increasing, putting upward pressure on corn imports.

According to the General Administration of Customs, corn imports in 2010 reached a record high of 1.57 million tons, a staggering increase of 17.6 times that of the previous year. In July, China ordered 533,400 tons of corn from the United States, exceeding the US estimate of the country's corn imports for the whole year. China ordered another 55,900 tons of US corn in August.

More early season rice reaped¹¹

⁸ Ministry of Agriculture Sept. 29, 2011

⁹ Xinhua News Sept. 22, 2011

¹⁰ China Economic Net Sept. 14, 2011

¹¹ Xinhua News Sept. 1, 2011

China's annual output of early-season rice, which is mainly planted for reserves and industrial use, registered slight growth this year, a hard-won result thanks to improved yields amid drought, the National Bureau of Statistics (NBS) said. Output hit 32.76 million tons, an increase of 4.5 percent from a year ago.

The rise in output is the result of an improvement in yield per unit, although the planting area shrank 45,000 hectares, or 0.8 percent of the total from a year earlier, to 5.75 million hectares, the NBS said.

More than 96 percent of China's early-season rice is planted in eastern Zhejiang province, the central provinces of Anhui, Jiangxi, Hubei, Hunan, and the southern provinces of Guangdong, Guangxi and Fujian, where severe drought hit.

Early-season rice, which is harvested every July after a 90-to-120-day maturity period, accounts for nearly 6 percent of China's total grain output.

New world record with hybrid rice yield set¹²

Super Rice, the newly-developed hybrid rice breed by Chinese scientists, has set a new world record in output. The rice breed, DH2525, produced a harvest of 926.6 kg per mu (0.067 hectare), during its trial plantation in Longhui County in central China's Hunan Province.

However, the breeding cannot be deemed a success until the new breed produces the targeted yield of over 900 kg per mu on at least 100 mu of farmland for two consecutive years, according to the team's leader Cheng Shihua.

DH2525 was developed by Yuan Longping, known as the "father of hybrid rice," who started developing hybrid rice in the 1960s. His research team reached the target unit yield of 700 kg per mu and 800 kg per mu in 1999 and 2005, respectively, setting world records both times. Yuan believes the yield could eventually increase further to 1,000 kg per mu.

With skills honed by his team over several decades, Chinese farmers are estimated to have harvested 300 billion kg more in aggregate output. Their hybrid rice, therefore, has become known as super rice.

By 2009, super rice had been planted in India, Vietnam, and the United States, among others, and covered a total of 3 million hectares. The average unit yield had increased by 15 percent.

Agricultural experts estimated that it could take three to five years for the company to realize widespread planting of the variety.

Hog market updates¹³

According to Genesis, the breakdown of China's hog inventory for August 2011 was around 47.86 million of breeding stock and about 461.42 million of on-farm inventory (as compared to May 2011 breeding stock around 47.1 million and total on-farm inventory about 453 million head). The 461.42 million head for August is up 1.10 percent from July. Sow inventory reached 47.86 million head in August, up 1.40 percent from July. Sow inventory had increased in September 2010 but decreased through October and November, a marginal increase in December and then

¹² The Asian Age Sept. 19, 2011

¹³ ThePigSite News Sept. 16, 2011

slightly lower in January to March 2011. A gradual increase in sow inventory has occurred since March.

National piglet price rose to CNY45.82 per kg (USD7.17), a rise of 129.56 percent from the beginning of the year. Live hog prices continue to rise since 18 July, when the national price was CNY19.14 per kg liveweight (approximately USD2.96). During Aug. 24 to Sept. 4, the national average price for slaughter pigs was CNY19.48 per kg (USD3.05), soared by 45.5 percent in August, compared to an increase of nearly 57 percent in July. Profit margin for August is estimated to be CNY721 per market pig (USD112.83).

Farmers have high expectations that the market price will be steady or will slightly increase through the Golden Week holiday (Oct. 1 to 8). Current market analysis suggest that the pork and pig prices will increase before the holidays; remain steady through to the end of the year and then there may be some price relief after the Spring Festival (Jan. 23, 2012).

The ratio of pig and grain (corn) is 8.08:1 at the beginning of September. With continued Government incentives and 'huge profit margins', pig expansion in China will continue.

Pork imports set to hit a record¹⁴

China's pork imports are likely to hit a record this year, but the surge will have limited influence on surging prices, analysts said.

"China imported about 400,000 tons of pork and pork offal in the first five months of this year, up 43 percent year-on-year, and imports will probably hit a record 1 million tons this year," said Ma Chuang, deputy secretary-general of the China Animal Agriculture Association.

An earlier report from the Netherlands-based Rabobank Group indicated that the potential gap between pork supply and demand would be between 2 and 2.5 million tons in 2012. The import volume of pork and pork offal will be 1.1 to 1.4 million tons this year, which will be between 25 percent and 60 percent higher than 2010's figure.

The price of pork will continue to be high in the foreseeable future owing to the rising cost of labor, corn and feed and the risks inherent in the industry, such as stock mortality. Experts said prices will begin to decline "around the second quarter of next year, with supplies increasing from July onwards".

China's imports of pork and pork offal reached their peak in 2008 with a volume of 910,000 tons. In 2010, the country imported 900,000 tons of pork, with Denmark being the major supplier, followed by the United States, Canada and France. About 700,000 tons of the imports comprised offal including pigs' heads, knuckles and haslet.

US pork exports to China surge over 2010 numbers¹⁵

The cumulative volume of pork exported from the U.S. to China was 200 million pounds in first seven months of 2011, a five-fold increase from the same period of last year, according to the U.S. Department of Agriculture. China has become the fifth-largest market for U.S. pork exports.

China's domestic pork output was 50.7 million tons in 2010, with 667 million pigs sold for slaughter. Domestic demand for pork is currently strong and expected to remain so, and the

¹⁴ China Daily Sept. 17, 2011

¹⁵ China Business News Sept. 15, 2011

number of pigs sold to slaughter will increase, according to analysts. The sales price of pork, at CNY30.86 (USD4.83) per kilogram on Sept. 9, may fall in the second half of 2011.

Dutch pork gains entrance to the Chinese market¹⁶

The Dutch Product Board for Livestock, Meat and Eggs reported that two Dutch pork processing companies have received a thumbs-up from Chinese authorities for shipping pork to China: Vion Food Group, headquartered in Boxtel, and Van Rooi Meat, headquartered in Helmond.

The Dutch government has attempted to open up the Chinese market for its pork products for years. In 2008, an agreement was reached, after which the Chinese have started inspecting Dutch slaughter plants. Until now, only intestines had been allowed to be exported from the Netherlands to China.

China can become a very important market for Dutch exports as there is a large market for what are considered 'by-products' in the Netherlands, like trotters and organs.

US challenges China-imposed duties on poultry products¹⁷

The U.S. is challenging the 54 percent to 65 percent duties China has imposed on roughly 35 poultry exporters, saying the country is improperly using trade remedy laws and appealing to the World Trade Organization.

China, which put the duties in place after the U.S. raised barriers to imports of Chinese chickens, has said it is in line with WTO rules. "It's a case that has implications for an estimated 300,000 American farmers and workers throughout the U.S. poultry supply chain," said U.S. Trade Representative Ron Kirk. Pilgrim's, Tyson Foods and Keystone Foods are among the poultry exporters affected by the duties.

China is accusing the companies of selling in China at below market prices and receiving government subsidies. The U.S. says China has not accurately calculated the U.S. cost of production, did not objectively examine the evidence it received from U.S. industry and made other errors, on top of not following WTO rules in their investigations.

Dairy firms must improve and lead in world market¹⁸

During a visit to a dairy company in Zhangbei county, Premier Wen Jiabao stressed that China has a long-term task to develop its own dairy cattle breed, produce quality milk and dairy products and cultivate famous milk and dairy brands that not only dominate the Chinese market, but also take a lead in the world market.

China is the world's third largest milk producer, accounting for almost six percent of the global dairy output and it has eight percent of world's dairy herds. But the milk output per cow in China is merely 4.6 tons a year, in contrast with 11.5 tons in Israel, 9.5 tons in Canada and 9.2 tons in the US.

Increasing production per cow is an efficient way to satisfy the growing demand from Chinese residents. The annual milk consumption per head of cattle in China is 26 kilograms, compared with the world standard of 95 kg.

¹⁶ PigProgress.net Sept. 20, 2011

¹⁷ WattAgNet.com Sept. 21, 2011

¹⁸ TheCattleSite News Sept. 1, 2011

Premier Wen stressed the agricultural authorities and enterprises should play a bigger role in introducing and hybridising new quality breeds according to China's natural conditions and devise a far-sighted plan for future development and investment to raise the standard of domestic dairy products.

Milk powder imports to dominate market¹⁹

China's milk powder imports have surged more than fourfold since 2008, when the melamine-tainted baby formula scandal was exposed, pressing hard on domestic milk powder manufacturers.

Statistics released by the General Administration of Customs show that milk powder imports to China set a new record each year since 2008. The number surged to 414,000 tons in 2010, tripling that of 2008. In the first three months of this year, 166,000 tons were imported.

This year is likely to be the first in which more than half of the milk powder sold on the Chinese mainland is foreign, industry experts estimated, after domestic and foreign producers split the market 50-50 last year.

"Based on current momentum, the foreign brands will surpass domestic ones this year, and they will take at least 60 percent of the baby formula market," Wang Dingmian, chairman of the Guangzhou Dairy Association, said. As much as 600,000 tons of milk powder could be imported this year, he said.

Dairy industry experts said it will take at least three years for domestic brands to reverse the year-on-year rise in import volume and win back their customers.

Agricultural machinery promoted²⁰

As the nation's grain production is heavily reliant on autumn crops, agricultural authorities should coordinate their efforts to maximize mechanical advantages in production of crops harvested during this season, the Ministry of Agriculture said.

Areas of corn crops harvested by machines will reach 145 million mu (9.67 million hectares) this autumn, accounting for 31 percent of the crop's total, while 69 percent, or 240 million mu, of rice crops will be reaped by machines, the ministry said.

The ministry will also lift machine-planted areas of winter wheat to 290 million mu, which will make up 86 percent of the crop's total, while areas of land cultivated by machines will increase by 10 million mu to 148 million mu, it added.

The ministry also urged local authorities to send technicians to help the use of agricultural machines and promote technologies for agricultural mechanization.

Tequ Group invests in animal feed in Vietnam²¹

Sichuan Tequ Group on Sept 19 officially commenced production of animal feed in Vietnam's northern Bac Giang Province.

¹⁹ Global Times Sept. 17, 2011

²⁰ China Economic Net Sept. 24, 2011

²¹ Xinhua News Sept. 20, 2011

Khu Hope Feed Company, the first feed company invested by Tequ Group in Vietnam, with the investment of USD10 million and an annual output of 400,000 tons, is currently the largest Chinese-funded feed manufacturer in Vietnam.

Wang Degen, president of Sichuan Tequ Group, said the operation of the Khu Hope Company made a very good start in the group's business in Vietnam. Tequ Group will take advantage of the rich local resources and other favorable conditions to improve the investment in Vietnam and achieve the group's strategy of a complete livestock and aquiculture, feed production and food processing chain in Vietnam by 2020.

The group will construct seven more feed manufacturers, two breeding pig farms and two breeding poultry farms in Vietnam during 2012-2017, bringing the group's annual sales to 2.8 million tons, annual production value to USD3 billion by 2020, according to Wang.

Compulsory vaccination boosts vaccine production²²

China's animal vaccine industry has been fast-growing. The market maintained an average annual growth rate of 13.6 percent in 2006-2010, and reached around CNY7.5 billion in 2010, up 21.0 percent year-on-year, according to China Animal Vaccine Industry Report, 2010-2011. With the increase of state investment in animal epidemic funds, the expansion of compulsory immunisation against animal epidemics, and the strengthening of China livestock breeding industry standardisation, China's animal vaccine industry is expected to continue to maintain a relatively high growth momentum in future.

Although there are nearly 60 animal vaccine manufacturers in China, the market share is concentrated in the hands of a few enterprises. CAHIC, Yebio QD, Guangdong Dahuanong Animal Health Products, Tecon and Chengdu Tech-Bank are representatives of the Chinese animal vaccine industry, accounting for a market share of 37.4 percent. Sales of these companies mainly come from the government procurement of compulsory vaccines, wherein, the revenue from government compulsory vaccines accounted for 88 percent of the total animal vaccine revenue of CAHIC in 2010.

According to China's compulsory immunisation plan against animal epidemics in the past three years, China not only expands the application scope of the existing animal immunisation products but also attaches great importance to the upgrading of animal vaccine products at the same time. The applications of high-performance passage cell-derived vaccine, synthesis peptide vaccines, etc, are gradually being expanded, e.g. Classical Swine Fever Vaccine, Live (Cell Line Origin) expanded its application coverage from eight provinces in 2010 to 16 provinces in 2011.

However, due to the high requirements on technology and equipment from passage cell-derived vaccines and synthesis peptide vaccines, etc., there are limited manufacturers available currently. Although CAHIC, Tecon and other manufacturers all start their layout in the field of Classical Swine Fever Vaccine, Live (Cell Line Origin), Guangdong Winsun Bio-pharmaceutical is still the major supplier in the present market. Tecon, Shanghai Shenlian, CAHIC, etc are involved in the production and sales of synthesis peptide vaccines, but CAHIC produces synthesis peptide vaccine by purchasing antigens from Shanghai Shenlian.

²² ThePigSite News Sept. 1, 2011

In recent years, the scope of China's animal compulsory vaccinations scheme is being gradually expanded. Constrained by economic conditions, the compulsory immunisation against animal epidemics currently only contains five kinds of Epidemics of Class I, while there are about 17 kinds of epidemics of Class I in China and other epidemics lead to greater risk as well. With the increasing recognition of animal epidemic prevention and control from breeding enterprises and individuals, the future demand for conventional self-pay vaccinations will be further enhanced. As China's livestock breeding relies mainly on raising pig and poultry, Newcastle disease vaccines and porcine circovirus vaccines will be two conventional vaccines with good market prospects.

Pfizer, Guoyuan to create animal vaccine JV²³

Pfizer Animal Health, a subsidiary of Pfizer Inc and Jilin Guoyuan Animal Health Co Ltd announced that they will create a joint venture program to develop, manufacture and distribute animal vaccines in China.

Jilin Pfizer Guoyuan Animal Health Co Ltd will bolster the capabilities of both companies to offer vaccines for China's livestock producers amid increasing demand for a safe and abundant supply of pork, beef, dairy and poultry, Pfizer and Guoyuan said in a joint statement.

The two companies have valued China's animal vaccine market at USD800 million per year.

Pfizer Guoyuan Animal Health will initially focus on developing vaccines for pigs, as China is world's leading producer of pork.

The terms of the agreement have not been disclosed. The joint venture remains subject to approval by government authorities in China.

Established in Jilin's Huinan Economic Development Zone in 2009, the Jilin Guoyuan Animal Health Company is mainly engaged in the research, development, manufacture and sale of veterinary products.

Alltech aims to build Chinese revenue to USD1b by 2015²⁴

Alltech Inc, one of the world's largest animal health and nutrition companies, will achieve annual revenue of USD1 billion in China by 2015 and make a contribution to the nation's production of pork, said Pearse Lyons, company founder and president. The company's focus is on improving animal performance and growth, digestion, and reproduction by offering yeast-based, natural nutritional products.

According to Lyons, the company has been growing at 20 percent year-on-year for three decades and expects global revenue totaling USD700 million this year, 10 percent of it from China. "We target USD4 billion by 2015, USD1 billion in China," Lyons said.

Alltech entered China in the 1980s and its business here has been growing by 20 percent year-on-year. It will invest USD9.5 million this year in its facility in Tianjin. The plant produces natural minerals and proteins for feed with a total output capacity of 30,000 tons every year.

²³ Xinhua News Sept. 10, 2011

²⁴ China Daily Sept. 23, 2011

According to Rabobank Group, a financial service provider, the gap between pork supply and demand could be between 2 and 2.5 million tons in 2012. This year, 1.1 to 1.4 million tons of pork and pork offal will be imported, at least 25 percent more than in 2010.

Significant growth for DaChan's food business²⁵

DaChan Food (Asia) Limited, one of the largest chicken meat products and feeds suppliers in China, saw its processed food business deliver a remarkable performance during the first six months of the year, as sales surged 35.8 percent year on year.

The Group's sales reached USD4.64 million while gross margin was up 27.1 percent according to the interim results for the six months ended 30 June 2010.

The Group had a turnover of USD660 million for the six month ended 30 June 2010, up 17.9 percent from last year.

Turnover of the chicken meat segment amounted to over USD330 million, representing a growth of 19.7 percent over the last corresponding period. The feeds to external customers segment recorded a turnover of over USD270 million, up 12.9 percent from last year.

Turnover of the processed foods segment continued to grow as a share of the Group's total revenue, reaching a record 8.3 percent during the period, thanks to an enhanced product mix, broader sales channels and impressive performance by the branded business.

Good progress was made in the Group's efforts to lift brand recognition, leveraging its proprietary product tracing program which has been well received by the market.

Ministry of Commerce looks into Nestle and Yum²⁶

The Anti-monopoly Bureau of the Ministry of Commerce is looking into Nestle SA's takeover of Chinese candy maker, Hsu Fu Chi International Ltd, and Yum Brands Inc's acquisition of Chinese hotpot chain, Little Sheep Mongolian Hot Pot.

The ministry's spokesman Shen Danyang said that the ministry will publicly release the investigation results if the acquisitions are denied or approved with restrictions. If the cases are given unconditional approval the ministry will only inform the reporting party.

Yum announced on May 13 plans to acquire Little Sheep with an acquisition premium of 30 percent in cash. Once the acquisition is complete, Little Sheep will be delisted from the Hong Kong stock exchange.

The Mongolian hotpot chain was established in Baotou of North China's Inner Mongolia autonomous region in 1999. It was listed in Hong Kong in 2008. According to its annual report of 2010, it operates 179 self-owned restaurants and has 274 franchisees on the Chinese mainland.

Nestle announced on July 11 that it will purchase 60 percent of Hsu Fu Chin for USD1.7 billion. The Guangdong-based company is China's biggest candy producer.

²⁵ ThePoultrySite News Sept. 8, 2011

²⁶ Beijing Review Sept. 1, 2011

Statistics

Average food prices in 50 cities September 11-20, 2011²⁷

Item	Specification/Unit	Current price (RMB)	Percentage changes as compared to last period (% , September 1-10, 2011)
Rice	Japonica rice / kg	5.40	0.2
Flour	Strong flour / kg	5.08	0.2
Flour	Standard wheat / kg	4.12	0.0
Soy products	Bean curd / kg	3.77	0.0
Peanut oil	5 Lin barrel bulk / litre	24.38	0.5
Soyabean oil	5 Lin barrel bulk / litre	12.11	0.3
Rape seed oil	Grade 1 in bulk / kg	12.51	-0.2
Pork	Rump / kg	31.68	0.2
Pork	Belly meat / kg	30.71	0.4
Beef	Leg / kg	40.63	0.8
Mutton	Leg / kg	47.29	1.1
Chicken	Frozen fresh chicken / kg	19.49	0.7
Chicken	Breast / kg	21.36	0.5
Ducks	Frozen fresh duck / kg	17.36	-0.2
Eggs	Fresh eggs in bulk / kg	10.87	-0.6

²⁷ National Bureau of Statistics

Major meat retail price September 2011²⁸

Pork (Lean):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 09/11/11-09/20/11	B. 09/01/11-09/10/11	C. 08/11/11-08/20/11	D. 09/11/10-09/20/10	(A-B)/B	(A-C)/C	(A-D)/D
34.80	34.72	34.28	24.44	0.23%	1.52%	42.39%

Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 09/11/11-09/20/11	F. 09/01/11-09/10/11	G. 08/11/11-08/20/11	H. 09/11/10-09/20/10	(E-F)/F	(E-G)/G	(E-H)/H
11.00	10.96	10.50	9.48	0.36%	4.76%	16.03%

Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 09/11/11-09/20/11	J. 09/01/11-09/10/11	K. 08/11/11-08/20/11	L. 09/11/10-09/20/10	(I-J)/J	(I-K)/K	(I-L)/L
18.66	18.72	18.36	15.66	-0.32%	1.63%	19.16%

Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 09/11/11-09/20/11	N. 09/01/11-09/10/11	O. 08/11/11-08/20/11	P. 09/11/10-09/20/10	(M-N)/N	(M-O)/O	(M-P)/P
39.28	38.94	38.58	34.46	0.87%	1.81%	13.99%

Mutton (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
Q. 09/11/11-09/20/11	R. 09/01/11-09/10/11	S. 08/11/11-08/20/11	T. 09/11/10-09/20/10	(Q-R)/R	(Q-S)/S	(Q-T)/T
47.44	46.72	46.14	38.68	1.54%	2.82%	22.65%

²⁸ China Animal Agriculture Association