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## China Agricultural Newsletter – October 2011

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## Laws, Regulations and Policies

### **Grain law to be introduced for security<sup>1</sup>**

China is set to introduce grain law in a bid to safeguard the country's grain security, according to the Agriculture and Rural Affairs Committee of the National People's Congress, or China's top legislature.

National Development and Reform Commission, and State Administration of Grain are now preparing a draft bill, which will be submitted to the State Council, for review in a near future, according to a report by the committee.

The committee proposed that the concerned State Council organs speed up the preparation of draft bill, aiming to submit it to the NPC Standing Committee for review in 2012.

According to the report, the committee has proposed that the prospective grain law should stress efforts to improve China's grain production capability, to protect farmland resources and to legalize policies favorable for agriculture and farmers.

Furthermore, the committee also proposed that efforts to clarify government duty on guarding grain security, to improve national grain reserve system and to prevent foreign capital from undermining national grain security should be highlighted in the new law.

### **Action on illegal slaughtering, improving meat safety<sup>2</sup>**

The authorities are to crack down on illegal slaughtering and strengthen meat safety through a nine-month action plan starting this month.

The crackdown is contained in an official notice on food safety issued by General Office of the State Council, MOFCOM, MPS, MOA, SAIC, AQSIQ and SFDA.

The notice calls on local authorities to make it a priority to outlaw specialised village (household) and illegal slaughtering. They are to take action on the whole process of illegal butchering, focus on comprehensive control of illegal slaughtering, crack down on criminals and criminal gangs, put forward standardised production and management practices and improve market orders of butchering and meat products.

Local authorities should be to ensure that cities should be supplied from official slaughterhouses from next July and towns should be supplied from official slaughter facilities by next October.

<sup>1</sup> China Economic Net Oct. 27, 2011

<sup>2</sup> ThePigSite News Oct. 10, 2011

The notice calls for a five pronged attack on illegal slaughtering.

Firstly the authorities will crack down on illegal processing operations in remote rural villages, urban fringes and on major roads and side streets.

Secondly they will strengthen the use of qualification certificates and licenses of selected slaughtering enterprises, and come down hard on lending or transferring of butchering certificates and the fraudulent use of fake certificates or signs.

Third, the authorities will impose a strict inspection of pig slaughtering plants, severely crack down the appearance of uninspected and substandard meat products.

Fourth, they will make wholesale markets, farmers markets, bazaars and supermarkets key points for inspection of pork and severely crack down on selling uninspected and substandard meat products.

Finally the authorities will concentrate on specialised villages and small factories for meat products processing, schools, construction site canteens, small restaurants and catering institutions in tourist areas and they will severely crack down on the use of privately slaughtered meat products.

The notice stressed that local authorities should plan to take tough action against private slaughter plants, the use of the drug clenbuterol in pig meat, water-injected meat and diseases found in the meat.

MOFCOM, MPA, MOA, SAIC, AQSIQ and SFDA are to collaborate closely to step up law enforcement and form an entire seamless regulatory chain to combat private illegal slaughtering. The six ministries will examine and evaluate the special actions and carry out on-the-spot inspections on major regions and targets.

### **Production and sale of clenbuterol banned<sup>3</sup>**

China has banned the production, sale and use of clenbuterol tablets, a medicine used to treat bronchial asthma that has also been illegally used by farmers to make their pigs leaner.

The decision was made after an overall consideration of the risks of drug abuse and the drug's clinical value and safety risks, the State Food and Drug Administration (SFDA) said.

Existing clenbuterol tablets will be destroyed under the supervision of local food and drug authorities.

Compound clenbuterol, as well as aerosol and powdered forms of the drug, do not fall under the ban, as they are considered safe to use as prescription drugs under a doctor's guidance, according to the SFDA.

The ban will not affect bronchial asthma patients who are currently receiving the tablet form of the drug, as they can replace the drug with other medicines such as salbutamol and terbutaline, the SFDA said.

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<sup>3</sup> PigProgress.net Oct. 10, 2011

## **Tougher supervision over cooking oil urged<sup>4</sup>**

Stricter measures are called for to supervise the production of cooking oil, yet admitted that finding a method to identify used cooking oil or "gutter oil," was likely too difficult.

Illegally recycled cooking oil, or gutter oil, is usually scooped up from the gutters and sewers behind cooking establishments, then clarified and resold to restaurants, but it can also be oil refined from low-quality pork, animal by-products, and oil overused for fried food in a broader sense.

Deng Haihua, spokesman for the Ministry of Health, said comprehensive measures should be taken to conduct enhanced inspections and eliminate gutter oil processing bases in order to protect food safety.

Authorities set up a panel of 13 experts who specialize in cooking oil processing, food safety and chemical analysis, to find a method of identifying the illegally recycled cooking oil.

## **Better agricultural products distribution urged<sup>5</sup>**

China's State Council urged the building of an efficient, safe and regulated distribution system for agricultural products in a bid to lower prices.

The government will work to boost the country's logistics capabilities and better link producers and consumers to cut intermediary costs, according to a statement released after a State Council executive meeting chaired by Premier Wen Jiabao.

An information network should be built to monitor production, distribution and consumption of farm produce, while cities should have enough storage for emergency supplies to avoid large price fluctuations, said the statement.

It also seeks the improvement of the tracking system and the establishment of a regular quality inspection system for agricultural products.

The government will spend more to renovate the current wholesale and retail farm produce markets and also build new ones while cutting rent and management fees for sellers in those markets, according to the statement.

Private investment should be encouraged in the farm produce logistics industry sector, it said.

## **2012 sugar import quotas to be issued<sup>6</sup>**

China will issue 2012 low-tariff import quotas for sugar, with volume unchanged from this year, according to a statement issued by the Ministry of Commerce.

The ministry said 1.945 million tons of quotas will be issued, of which 70 percent will be allocated to state-owned companies. Importers have to apply for the quotas from the ministry before Nov 30 and the quotas will be issued on Jan 1, 2012.

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<sup>4</sup> Xinhua News Oct. 14, 2011

<sup>5</sup> Ministry of Agriculture Oct. 8, 2011

<sup>6</sup> Xinhua News Oct. 1, 2011

### **Farm produce prices continue to decline<sup>7</sup>**

Farm produce prices in China continued to fall in the week ending Oct 23 compared to the previous week, the Ministry of Commerce said.

Vegetable prices posted the sharpest declines, with the wholesale prices of 18 staple vegetables down 2.5 percent on average during the week, the report said.

Meanwhile, the price of pork fell 1.8 percent, 0.6 percentage points more than the fall of the previous week. Pork prices have dropped 3.7 percent since mid-September as supplies increased, the report said, expecting the downward trend to continue in the short term.

Egg prices shed 0.8 percent from the previous week, extending losses from a 0.4 percent decline during the week ending Oct 16.

The price of chicken, beef and mutton posted slight increases during the week, according to the report. Eight kinds of seafood products also saw an average price rise of 0.3 percent.

The index eased to 6.1 percent in September from 6.2 percent in August and a 37-month high of 6.5 percent in July. The government's full-year target is around 4 percent for this year.

### **Corn production may fall short of consumption<sup>8</sup>**

China will not be able to produce enough corn to meet rising domestic demand even as farmers harvest a record corn crop, the U.S. Grains Council said after completing its fifteenth annual field tour.

Consumption may total 170.1 million metric tons, a record 6.7 billion bushels, in the year that began on October 1, according to Thomas C. Dorr, the Council's president and CEO. However, according to Kevin Rempp, a member of the Council's Asian advisory team, China farmers may produce 166.6 million tons during the same period, an increase of 5.6 percent over the previous season - but not enough to eliminate China's need to import corn. Dorr said China may still need to import 5 million to 10 million tons from global suppliers before the end of 2012. According to Hanver Li, chairman of the market research firm Shanghai JC Intelligence Co. Ltd, China's total corn imports could climb to as much as 15 million metric tons by 2015.

Farmers will harvest an average of 85.9 bushels of corn per acre from an estimated 76.35 million acres in the next year, up from an average yield of 84.7 bushels from 73.82 million acres, Rempp said after sampling fields in September with U.S. and Chinese grain traders, government officials and other council members.

China has purchased 900,000 metric tons of U.S. corn, according to reports.

### **GM corn research accelerated<sup>9</sup>**

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<sup>7</sup> Global Times Oct. 25, 2011

<sup>8</sup> WattAgNet.com Oct. 10, 2011

<sup>9</sup> Crop Biotech Oct. 28, 2011

China is accelerating the pace of GM corn research to address the increasing demand for corn. This was announced by Xiaohua Chen, Vice Minister of MOA, on a Press Briefing hosted by State Council on October 4, 2011.

Corn is one of the three staple foods in China. Corn price has been climbing up since 2010, which pushed up the pork price and the Consumer Price Index (CPI). Chinese government expects corn production can be boosted by mechanization and S & T development, which includes GM New Variety Breeding Program as one of the key programs.

China has granted Bio-safety Certificate to a GM corn line in 2009. However, it is under the Variety Registration and not yet approved for commercialization. According to Chen, development of transgenic technology in crops is "an important strategic option" which will be insistently pushed by Chinese government. "China will always comply with regulations to ensure the safety of GM production," Chen added.

### **Nitrogen moderation promoted in grain preserves<sup>10</sup>**

China Grain Reserve Corp. (Sinograin), manager of the central government's grain and edible oil reserves, is actively pushing forward nitrogen and temperature controls for more efficient grain storage.

Sinograin is promoting such methods in efforts to reduce food losses during the process of grain preservation. The company has so far stored up to 3.5 billion kilograms of grains with the nitrogen moderation method, according to a report released by the company.

Nitrogen usually stays unreactive. By replacing oxygen with nitrogen in sealed storage space, the food can remain in better conditions for a longer time because the method slows the decomposition of food.

Government data showed that Chinese farmers used to lose as much as 10 percent of their grain harvest due to unscientific storage methods.

The report said that the company has so far started preserving corn, soybeans, and wheat with nitrogen controls after the method was first applied with the rice storage. It also said that the company has begun the construction of a 2-billion kilogram nitrogen-based grain reserve project this year. The Sinograin report said that nitrogen moderation could be a new chapter for the safety of food storage and food saving.

The report said the company is now also using temperature controls to better preserve grains across the country. In northern China, more than 80 percent of the grains are stored with temperature controls, up nearly 30 percentage points compared to five years ago.

### **COFCO inaugurates two new rice processing plants<sup>11</sup>**

China National Cereals, Oils and Foodstuffs Corp Limited (COFCO) recently expanded its presence in the grain market by establishing two new rice processing plants in Heilongjiang province. The creation of COFCO Rice (Suihua) Ltd and COFCO Rice (Wuchang) Ltd will raise the group's annual cereal handling capacity to 4.08 million metric tons.

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<sup>10</sup> Xinhua News Oct. 16, 2011

<sup>11</sup> Xinhua News Oct. 12, 2011

In Heilongjiang alone, the company's rice processing capacity will top 1 million metric tons with the operation of two plants in the cities of Suihua and Wuchang, said Yu Xubo, president of COFCO.

The plant in Suihua has an annual rice processing capacity of 300,000 metric tons, while the Wuchang plant has a capacity of 100,000 metric tons.

### **USDA: Egg and poultry review<sup>12</sup>**

China's total meat production for 2012 is being forecast to increase 3 percent from 2011. Beef is estimated to account for 7 percent, pork 63 percent, sheep meat 6 percent and poultry meat 23 percent of total meat production in 2012.

Surging pork prices in 2011 became a top policy concern for China as affordable pork is considered important for social stability. Pork production in 2012 is estimated to increase 4 percent following a 3 percent decline in 2011. The increase in pork production is the result of high prices and a resumption of production subsidies. Even with an expected recovery in pork production, fuelled by a strong demand pork imports are forecast to rise 8 percent, pork offal up 10 percent and live swine increase 20 percent.

Broiler meat is the second largest animal protein in China and as a result plays an import role when pork supplies are short. The record high pork prices in 2011 along with China's implementation of anti-dumping duties (AD) and countervailing duties (CVD) in 2010 have helped push broiler meat prices to their highest level in four years.

The considerably higher pork prices in 2011 combined with lower expected lower broiler meat imports in 2012 are helping to cause rising broiler meat production. Broiler meat production is expected to increase 5 percent in 2011 and another 5 percent in 2012 to 13.8 million metric tons (MMT). Because broiler meat is more efficiently produced than red meat, it is less affected by China's high feed costs resulting in broiler meat production growth outpacing all other meats in 2011.

The increase in Chinese broiler production is also being supported by a shift to larger standardised commercial production, which boosts disease control. The larger farms have isolated facilities resulting in reduced risks of spreading highly pathogenic avian influenza (HPAI). HPAI is China's greatest avian disease threat affecting mostly backyard and other small operations. These larger operations continue to increase and now account for a significant share of the poultry meat output while the number of small sized operations continues to shrink.

China's broiler meat consumption for 2011 is expected to increase 5 percent over 2010 and increase another 4 percent for 2012 to 14MMT as broiler meat continues to be a lower cost alternative to red meat. Consumption of turkey, goose and duck is also on the increase.

Meanwhile, broiler meat (not including chicken claws) is forecast to decline 13 percent in 2012 to 200,000 metric tons (MT) following a 20 percent drop in 2010. Chicken claw imports, which account for over two-thirds of China's broiler imports, are forecast to drop 42 percent in 2011 to 300,000MT in response to AD and CVD measures against US broiler meat exports.

Turkey products are mostly consumed in larger cities with better economies and consumers willing to try new products. Almost all turkey products are imported given the small local

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<sup>12</sup> USDA Foreign Agricultural Service GAIN Reports

production. Mostly in response to higher domestic pork and broiler meat prices turkey meat shipments in 2011 will be 70 percent higher than 2010. In 2012, Chinese turkey meat imports are being forecast to increase approximately 21 percent to an estimated 39,000MT.

The US has been the largest supplier of China's turkey meat imports providing almost 90 percent of the country's total turkey meat imports. It is anticipated in 2012 this is unlikely to change.

China is the world's largest poultry egg-producing country. They do not import table eggs. Total production is forecast to grow 1 percent in 2012 to 28.3MMT from 27.9MMT in 2011. Current year production is slightly higher than previous forecasts because of better control of avian leucosis virus. Egg producers in China are also facing higher production costs which are making producers less willing to expand. Labor shortages are also anticipated to become a concern in 2012.

Over 90 percent of China fresh table egg exports are to Hong Kong, Macau and Japan. In response to higher egg export prices caused by domestic inflation, egg exports are expected to fall over 3 percent. For the January-July 2011 time frame, export prices rose 24 percent for the Hong Kong and Macau markets.

### **Wen's Group to build pig farms in Sichuan province<sup>13</sup>**

Wen's Group has signed a framework agreement with the local governments of Nanchong and Bazhong in Sichuan province to build six pig farms.

According to the agreement, Wen's will first invest in a standardized pig farm in Pingchang county in Bazhong, and then move on to five more in the following years in the regions two cities cover. The amount of pigs annually produced in the two cities is expected to increase from the original 600,000 to 2.6 million when the six farms are put into operation.

### **Zhongpin to start trial production at new pork plant<sup>14</sup>**

Zhongpin Inc., a leading meat and food processing company in China, announced that the trial production at its new prepared pork products plant in Tianjin started on September 30, 2011.

Zhongpin's new prepared pork plant is phase 2 of its industrial park in Tianjin. Phase 1, for chilled and frozen pork, began operating in January 2010 with an annual production capacity of about 100,000 metric tons for chilled and frozen pork.

The new prepared pork products plant will have an annual production capacity of about 36,000 metric tons. The total investment in phase 2 was approximately US\$22 million.

The new prepared pork facility will produce sausages, hotdogs, and other Chinese-style and western-style low-temperature meat products. These products have been developed by thorough market research and analysis and R&D by the company.

### **Tianli acquires land use rights, facilities for hogs<sup>15</sup>**

Tianli Agritech, Inc. has acquired approximately 2.1 acres land use rights and facilities in the Osmanthus Village Industrial Park, Xiangfeng Town in Laifeng county with CNY3,220,000

<sup>13</sup> WattAgNet.com Oct. 21, 2011

<sup>14</sup> PigProgress.net Oct. 3, 2011

<sup>15</sup> ThePigSite News Oct. 6, 2011

(US\$510,000), on which it also intends to build a 50,000-ton feed production facility. The new feed facility will be dedicated to supplying feed to black hogs in Tianli's Enshi Black Hog Programme starting in February 2012.

Tianli plans to spend an additional CNY1,300,000 (US\$210,000) to renovate the facilities and CNY2,700,000 (US\$436,000) for new equipment to achieve 50,000 tons of annual feed production capacity at the facility.

As of 4 October, the company has signed agreements with 111 farming households in Enshi Autonomous Region, which will raise black hogs for Tianli's Black Hogs Programme. The company estimates that these 111 farming households have an initial annual aggregate production capacity of 11,100 hogs. Tianli will market its black hog meat in leading supermarkets in the Hubei province through its cooperation with An Puluo Food Co. Ltd.

### **Brazilian pork imports to start in 2012<sup>16</sup>**

The beginning of 2012 marks the start of pork shipments which will make its way from Brazil to China. The pork export agreement has already been put in place.

Although authorised production firms will be allowed to export meat as of November.

According to Pedro de Camargo Neto, chairman of the Brazilian Association of Pork Meat Producers, in the first 12 months 50,000 tonnes of pork is expected to export to China.

In April last year, a pork exports agreement was made so that the meat could be exported from Brazil to China from three refrigeration facilities, which are run by the Aurora cooperative (Santa Catarina) e BrasilFoods (Goiás) and Marfrig (Rio Grande do Sul).

### **Farmers hurt as potato prices drop<sup>17</sup>**

Data shows that potato prices have dropped by 30 percent to 50 percent year on year. Despite a record-high potato harvest, due to recent low purchase prices, many farmers in Inner Mongolia have had to suspend their harvesting, keeping ripe potatoes in the fields or storing ones that have already been collected in cellars.

Inner Mongolia is China's largest potato production area as well as its largest volume production area. The purchase price of potatoes is critical to local farmers who rely mostly on potato crops. Potatoes are one of the major crops planted in China's northwestern, northeastern, northern and southwestern areas, which cover fifteen provinces and regions and includes 60 million farmers.

Now the potato prices would barely offset local farmers' production costs, including fees for fertilizer, electricity and diesel and not including human labor.

Given the stable market demand, the glut of potatoes could be a reason for the decline in purchasing prices, said Zhou Qingfeng, head of the Potato Starch Specialty Council of the China Starch Industry Association. "The total potato production volume is estimated to exceed 70 million tonnes, compared to less than 50 million in 2010. That's an increase of 5 million tonnes in Inner Mongolia alone," Zhou added.

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<sup>16</sup> Macauhub.com Oct. 21, 2011

<sup>17</sup> China.org.cn Oct. 12, 2011

According to experts, the small-scale peasant economy is very vulnerable in the market economy, so the government should promote integrating it into the cooperative-based agriculture industry where farmers are more competitive and unified. A fundamental solution is to develop a deep-processing industry for agricultural products at the local level.

Some farmers are calling on the government to provide more information about agricultural products and offer guidance in their planting plans, which could both contribute to reducing the risk of blind planting.

### **Harsh harvest looms for Xinjiang cotton growers<sup>18</sup>**

Xinjiang, the country's major cotton production region, had 1.4 million hectares planted in cotton last year and produced 2.5 million tons, about one-third of the country's total, according to local statistics. The region needs almost a million cotton pickers every year for the 10-week harvest period through November. The majority of workers, mostly women, come from Gansu and Qinghai provinces and Ningxia, all in the far west, and from China's most populous province, Henan, in the central region.

However, shortage of labor and plunging prices bring crop of despair to local cotton growers this year. Labor costs rose from CNY1.4 (US\$0.20) last year for every kilogram of cotton picked to at least CNY2.0 this year, an increase of about 40 percent. The price of cotton, meanwhile, has dropped from CNY10.8 a kilogram last year to CNY8.4, a drop of 22 percent.

"We are still crying for about 100,000 migrant laborers," said Li Jianjun, director of the labor managerial department of the Labor and Social Security Bureau, at Xinjiang Production and Construction Corps (XPCC).

The corps is responsible for about one-sixth of the country's cotton output and the main cotton production area in Xinjiang. It planned to employ 400,000 laborers to pick cotton, which accounts for about 70 percent of the corps' annual income, he said.

But the number of migrant pickers working for XPCC has dropped 10 percent each year since 2009, Li said. He attributed that to the labor shortage nationwide and to an increased demand for general laborers in Xinjiang.

About 1,000 mechanical cotton pickers work in the corps' fields this year, and their daily output equals 600 regular hands. Nearly half of the corps' 4,700 or so square kilometers are harvested mechanically, replacing 350,000 human pickers and cutting labor costs significantly. The corps' general plan calls for all cotton to be picked by machines at the end of the 12th Five-Year Plan (2011-15).

However, that doesn't solve this year's labor shortage. "The corps has more than 2,000 divisions dealing with cotton planting around Xinjiang. Compared with the big harvest demand, the number of picking machines is quite small," said Fu Deqiang, a grassroots official for XPCC who is in charge of 613 hectares of cotton and hires only 600 cotton pickers. His cotton could have been picked in mid-September, Fu said, but he had to wait for the machines.

There is an important trade-off for the labor savings. Mechanical pickers degrade cotton quality, lowering the price. "The impurity content takes up 2 to 2.5 percent of a kilogram of handpicked cotton, while that of mechanically picked cotton amounts to 15 to 18 percent," Fu said. "On

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<sup>18</sup> China Daily Oct. 11, 2011

average, the price of a kilogram of handpicked cotton is CNY0.5 higher than mechanically picked cotton."

Additionally, mechanical cotton picking requires standardization throughout the process - planting rows a consistent distance apart, for example."Big farmland, standardized mode of planting, expensive imported mechanical cotton picker and the matched cotton processing machine ... Each is important and necessary," Fu said.

XPCC is in the earliest stages of transforming from labor-intensive to mechanical agricultural production. Meanwhile, outside farmers are trying to survive on small, uneconomical farms.

### **Mengniu reveals interest to bid for Pfizer infant nutrition business<sup>19</sup>**

Mengniu Dairy Co. expressed for the first time publicly its keen interest to bid for Pfizer Inc's infant nutrition business if the giant pharmaceutical company put the assets up for sale.

"If Pfizer finally decides to dispose of its infant nutrition business, Mengniu will closely monitor the development as other dairy producers would," the nation's largest dairy firm said.

Pfizer has been trying to sell or spin off the infant nutrition business since July to focus on its core business.

Inner Mongolia-based Mengniu's interest in Pfizer's baby nutrition would place the Chinese dairy firm in competition with Danone SA, Nestle SA, Mead Johnson Nutrition Co, Heinz Co and Abbot Laboratories, which are all eyeing the possible sale.

"Infant formula has been a segment that is attractive for China's dairy firms," said Zhang Yun, an analyst at Huatai Securities. "Mengniu lags its biggest rival Yili in this niche market."

### **Nutreco buys Shihai Feed<sup>20</sup>**

Nutreco, a global leader in animal nutrition and fish feed, announced that it has successfully completed the acquisition of 100 percent of the shares in Zhuhai Shihai Feed Co. Ltd. (Shihai), a reputable and profitable fish and shrimp feed company in China. This acquisition will provide Skretting, the Nutreco fish feed business, with a production base in China, the world's number one aquaculture feed market.

The acquisition is fully in line with the strategy to capitalise on Nutreco's leading fish feed positions by expanding in new regions and into feed for other species. Shihai supplies a growing market and produced approximately 100,000 tonnes of fish and shrimp feed in 2010, a year in which it commissioned a new feed plant with a capacity of approximately 150,000 tonnes.

The new plant is constructed and equipped to a high standard and is capable of operating to Skretting specifications. Shihai employs approximately 300 people.

Skretting will continue growing the business, supplying fish feed for species such as shrimp, various marine fish species, tilapia, snakehead and catfish.

### **COFCO seeks more overseas acquisitions<sup>21</sup>**

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<sup>19</sup> Shanghai Daily Oct. 25, 2011

<sup>20</sup> TheFishSite News Oct. 20, 2011

<sup>21</sup> China Daily Oct. 22, 2011

China National Cereals, Oils and Foodstuffs Corp Limited (COFCO) said it is seeking overseas acquisitions. Any purchases would help to secure supplies of commodities including soybeans, wheat and sugar as rising domestic incomes spur faster food demand growth.

The state-owned COFCO is looking for investments in the United States, South America, Australia and Russia, said Frank Ning, the company chairman, in an interview. He did not identify which companies were under consideration.

"I'm trying to connect the Chinese consumer market with outside sources," Ning said. "Whatever the Chinese consume more of, need greater supplies of from outside, this is our area," he said. The company may become engaged in farming, logistics, processing, and trading ventures in supplier countries, he said.

Securing external food supplies is becoming increasingly important after urban household incomes in China more than tripled in the past decade, fueling consumption of meat, poultry and dairy products. China, which last year became a net importer of corn for the first time in more than 10 years, may have bought as much as 3.5 million metric tons in the first half, according to the researcher with Grain.gov.cn.

Corn imports may surge to as much as 20 million tons annually by 2015, while rice imports may total 8 million tons, said Sunny Verghese, CEO of Olam International Ltd on Tuesday.

"Today China will have to look at global sources to balance its demand," Ning said. Corn has become particularly "tight" because of its wider application outside the livestock industry, such as paper-making and pharmaceutical use, he said.

While the government has limited the expansion of corn-based industry to ensure a priority for livestock, "it's difficult to control demand for starch" and other corn-derived products because there's a strong demand for them, he said. So "either we produce here, or buy from outside", he said.

Still, the world's biggest grower of grain will probably remain mostly self-sufficient in wheat and rice, Ning said. China's 1.3 billion people consume 160 million tons of rice annually, so no country can "fill the gap, if China produces a gap", he said. Thailand, the biggest exporter, only exports 8 million tons, said Ning.

### **Tsingtao Beer to open brewery in Thailand<sup>22</sup>**

China's brewery giant Tsingtao Beer announced that it plans to set up its first overseas plant in Bangkok, the capital of Thailand, as a significant step towards globalization for the century-old brand, which was introduced by the Germans 108 years ago.

The plant, which will begin operations in early 2013 with an estimated total investment of US\$100 million, will have an annual production output of 200,000 liters and will create hundreds of local jobs, said Jin Zhiguo, chairman of Tsingtao Brewery Co Ltd. The company's branch in Thailand, operating as Tsingtao Beer (Thailand) Co Ltd, will be the sixth-largest brewery in terms of production output in the world.

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<sup>22</sup> China Daily Oct. 18, 2011

"The exploration of the Southeast Asian market will be the first stop for Tsingtao beer in the quest to expand to European and Oceania markets," Jin said. "It is a solid step towards multinational management after careful preparation and accumulation."

The establishment of the Thai plant aims to ride on the enormous market volume and growing demand. The brewery exports beer to more than 70 countries around the world. The overseas plant is expected to expand its market share in the Southeast Asian and European markets, according to a statement from the company.

### **Conservancy projects to draw more investment<sup>23</sup>**

China will continue to increase its investment in water conservancy infrastructure and accelerate the building of projects to counter drought and flood, said Jiao Yong, deputy minister of water resources.

By the end of September, China had invested nearly CNY260 billion (US\$41 billion) in 2011 in building water conservancy infrastructure, with the central government's investment reaching CNY114 billion. The investment has been primarily used to supply clean and safe drinking water to 63.5 million rural residents, to reinforce 6,595 dangerous reservoirs, to harness 800 rivers and to build early warning systems for flooding in 1,100 counties.

"The government will continue efforts to further develop the country's water conservancy, such as increasing investment and speeding up construction," the deputy minister said.

A total of CNY4 trillion will be invested in water conservation projects in the next 10 years, with China aiming to double its average annual spending of CNY200 billion in 2010, according to this year's No 1 Central Document issued by the Central Committee and the State Council.

From 2011 to 2015, the total investment in such projects will reach CNY1.8 trillion and give priority to improving irrigation infrastructure for grain security and projects to deal with droughts and floods.

### **Food safety risk assessment center formed<sup>24</sup>**

China has established a national professional center for food safety risk assessment, which is a major move for China in applying improved scientific management to preventing food scandals. Inaugurated in Beijing, the government-funded organization is designed to offer technological support in assessing, monitoring, issuing early warnings and communicating food security risks and food safety standards.

Minister of Health Chen Zhu addressed the founding ceremony, calling the center's formation a key step for China in guarding food safety. Chen urged the center to play an active role in helping authorities make decisions regarding food safety in a scientific manner.

According to officials, the center has formed more than 300 monitoring sites across China, including sites in supermarkets and farm produce markets.

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<sup>23</sup> Beijing Review Oct. 13, 2011

<sup>24</sup> Xinhua News Oct. 14, 2011

Since 2010 China has established a nationwide food safety risk monitoring system, as well as a national panel of experts to assess food safety risks and a judgement commission for national food safety standards.

## Statistics

### Average food prices in 50 cities October 11-20, 2011<sup>25</sup>

Item	Specification/Unit	Current price (RMB)	Percentage changes as compared to last period (% , October 1-10, 2011)
Rice	Japonica rice / kg	5.52	0.4
Flour	Strong flour / kg	5.13	0.0
Flour	Standard wheat / kg	4.14	0.0
Soy products	Bean curd / kg	3.78	-0.3
Peanut oil	5 Lin barrel bulk / litre	24.38	0.0
Soyabean oil	5 Lin barrel bulk / litre	12.13	0.3
Rape seed oil	Grade 1 in bulk / kg	12.53	0.0
Pork	Rump / kg	30.99	-1.2
Pork	Belly meat / kg	30.26	-1.0
Beef	Leg / kg	41.20	0.2
Mutton	Leg / kg	48.27	0.3
Chicken	Frozen fresh chicken / kg	19.35	-0.2
Chicken	Breast / kg	21.29	-0.2
Ducks	Frozen fresh duck / kg	17.25	-0.5
Eggs	Fresh eggs in bulk / kg	10.24	-1.8

<sup>25</sup> National Bureau of Statistics

## Major meat retail price October 2011<sup>26</sup>

### Pork (Lean):

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
<b>A.</b> 10/11/11-10/20/11	<b>B.</b> 10/01/11-10/10/11	<b>C.</b> 09/11/11-09/20/11	<b>D.</b> 10/11/10-10/20/10	(A-B)/B	(A-C)/C	(A-D)/D
34.08	34.42	34.80	24.78	-0.99%	-2.07%	37.53%

### Egg:

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
<b>E.</b> 10/11/11-10/20/11	<b>F.</b> 10/01/11-10/10/11	<b>G.</b> 09/11/11-09/20/11	<b>H.</b> 10/11/10-10/20/10	(E-F)/F	(E-G)/G	(E-H)/H
10.42	10.56	11.00	9.12	-1.33%	-5.27%	14.25%

### Chicken:

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
<b>I.</b> 10/11/11-10/20/11	<b>J.</b> 10/01/11-10/10/11	<b>K.</b> 09/11/11-09/20/11	<b>L.</b> 10/11/10-10/20/10	(I-J)/J	(I-K)/K	(I-L)/L
18.76	18.88	18.66	15.96	-0.64%	0.54%	17.54%

### Beef (Fresh Boneless):

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
<b>M.</b> 10/11/11-10/20/11	<b>N.</b> 10/01/11-10/10/11	<b>O.</b> 09/11/11-09/20/11	<b>P.</b> 10/11/10-10/20/10	(M-N)/N	(M-O)/O	(M-P)/P
39.82	39.68	39.28	34.64	0.35%	1.37%	14.95%

### Mutton (Fresh Boneless):

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
<b>Q.</b> 10/11/11-10/20/11	<b>R.</b> 10/01/11-10/10/11	<b>S.</b> 09/11/11-09/20/11	<b>T.</b> 10/11/10-10/20/10	(Q-R)/R	(Q-S)/S	(Q-T)/T
48.92	48.74	47.44	39.14	0.37%	3.12%	24.99%

<sup>26</sup> China Animal Agriculture Association