



China Agricultural Newsletter – November 2011

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Laws, Regulations and Policies

State Council releases plan to prevent drought¹

The State Council, China's Cabinet, approved a national plan listing steps to be taken during the next decade to prevent droughts.

Among the tasks called for by the plan is the completion of projects meant to ensure there is a steady supply of drinking water and to make drought-hit areas arable. It said conservation is the best way to cope with droughts.

More than 60 percent of China's counties are susceptible to droughts, and residents of 110 out of the 658 cities in the country have suffered from water shortages, the State Council said.

According to the plan, the government will seek to "significantly improve" the supply of drinking water in drought-hit counties by 2015. By 2020, the existence of safe supplies of drinking and irrigation water is to be largely ensured.

The government will also construct more water-reserve projects in rural areas, towns and cities, as well as establish a national drought-monitoring network that will help policymakers decide how they should best respond to future droughts.

Hebei introduces source-tracing to ensure milk quality²

Local quality supervision authorities in Hebei Province said they will use a source-tracing system to monitor dairy products.

The digital source-tracing system will record all raw materials used in every phase of production, improving supervision over the quality of dairy products, said Wang Xiaohua, deputy head of Hebei Provincial Administration of Quality and Technical Supervision.

The source-tracing system is the latest effort by Hebei to guarantee the safety of dairy products after the tainted milk scandal in 2008, Wang said, adding that dairy products made in Hebei met national standards.

¹ Xinhua News Nov. 3, 2011

² China.org.cn Nov. 15, 2011

The number of dairy products makers in Hebei has slumped from 109 before the scandal to 38 at present.

More counties to get irrigation improvements³

The Ministry of Water Resources (MWR) said that it has added 400 counties to a list of those whose irrigation facilities will be improved in small-scale projects to boost farmland productivity.

The addition takes the total number on the list to 1,250 key counties, covering 78 percent of China's arable land and accounting for 86 percent of its total grain output, the MWR said.

Chen Lei, minister of the MWR, said that lack of investment in China's water conservation projects in recent years has resulted in facilities falling into disrepair and farmland productivity being reduced.

The first improvement project took place in 2009. By the end of September of this year, those listed counties had increased the acreage of adequately irrigated farmland by 19 million mu (1.27 million hectares), and improved irrigation for 28 million mu of farmland, according to the MWR.

Science and technology investment in agriculture up year-on-year⁴

China will set up a year-on-year growing investment system to facilitate the development of science and technology on agriculture, vice agriculture minister Zhang Taolin said.

In the 2011-2015 period, China faces the enormous pressure and challenges with the surging rigid demand on grains, rising cost of agricultural production and limited land and water resources, Zhang said. China will explore new models and new systems to further increase investment and upgrade its service efficiency on agricultural production, he added.

China's grain output rose 2.9 percent year-on-year to 546.61 million tons in 2010. And the contribution rate of the science and technology development to the agriculture reached 52 percent, which was higher than other factors such as land, labor and material investment.

China will further increase total investment and put more into the integrated layout of investment on science and technology on agriculture, Zhang said.

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

Industry and Business Watch

US-China trade talks progress⁵

The US Department of Agriculture (USDA) and China's Ministry of Agriculture are putting the finishing touches to the framework of a five-year strategic plan focused on food security, food safety and sustainable agriculture to build a stronger foundation for critical cooperation in

³ China Daily Nov. 9, 2011

⁴ People's Daily Nov. 6, 2011

⁵ TheDairySite News Nov. 22, 2011

agriculture, following the conclusion of the 22nd session of the US-China Joint Commission on Commerce and Trade (JCCT) in Chengdu. In discussions also including the General Administration of Quality Supervision, Inspection and Quarantine, progress was made on beef market access, according to the US delegation.

The parties agreed to expand discussion beyond technical to the conditions that include scope of products available in the market. China also committed to make progress on removing avian influenza-related bans affecting several US states, to finalize work on a longstanding market access request for US pears and to complete work on a new dairy certificate to maintain existing market access.

US Secretary of Commerce John Bryson and United States Trade Representative Ron Kirk co-chaired the JCCT along with Chinese Vice Premier Wang Qishan. US Secretary of Agriculture Tom Vilsack also participated in the discussions.

"China is one of the most important agricultural trade partners for the United States and the meetings and discussions in recent days have helped to strengthen this partnership and build greater export opportunities for our farmers, ranchers and growers," said Agriculture Secretary Vilsack.

"We intend to continue these discussions in the months ahead on beef and other agricultural products to break down additional trade barriers so Chinese consumers can benefit from the high quality products that are produced in America," he said.

Farm produce prices up after dropping for six weeks⁶

China's farm produce prices went up for the week ending on November 27, concluding a six-week losing streak, in line with the production of most produce decreasing in winter, the Ministry of Commerce said.

The wholesale prices of 18 staple vegetables were up three percent from a week earlier, representing the third consecutive weekly gain. The price of cucumber surged 19.9 percent from a week earlier, while string bean prices were up 7.6 percent.

Pork prices dropped one percent, marking a decline of 10.7 percent since mid-September. Mutton and beef prices were slightly up compared with a week earlier

The retail price of eggs fell one percent from the previous week, adding up to a five-percent drop in the past two months as supply of eggs was sufficient.

Food prices have a one-third weighting in the calculation of China's consumer price index (CPI), a major gauge of inflation. China's CPI eased to 5.5 percent last month, down from 6.1 percent in September.

Climate change threatens drop in grain harvest⁷

China might face increasingly grim food shortages in the next few decades due to a possible drop in the country's grain harvest, triggered by a climate change, a leading agriculturalist warns.

⁶ Xinhua News Nov. 29, 2011

⁷ China Daily Nov. 9, 2011

Tang Huajun, deputy dean of the Chinese Academy of Agricultural Sciences (CAAS), said yield loss on the country's three main crops - rice, wheat, and corn - is foreseeable if the country fails to take effective measures to offset the impact of climate change. "The impact of climate change, especially extreme weather and plant diseases and insects, will cause a bigger grain production fluctuation in China and bring more serious threats to the country's food supplies," he said.

China's grain output, which recorded 546.4 million tons in 2010, is expected to jump to a record high of more than 550 million tons, marking the eighth consecutive year for increased production, according to the Ministry of Agriculture.

Meanwhile, the impact of climate change, as well as arable land loss and water shortages on the country's food supplies, has sparked growing concerns among agricultural professionals about the world's biggest grain producer.

"The country's rice output may suffer four to fourteen percent decline in 2050. Wheat and maize could fall by two to twenty percent and one to twenty-three percent if climate change continues," Tang said.

The total output coming from the three main crops always accounts for more than 80 percent of China's total grain production.

According to Ministry of Agriculture projections, the country's total grain demand will reach 572.5 million tons by 2020, an increase of 47.5 million tons compared to 2010.

Record corn crop unlikely to meet demand⁸

China reaped its seventh record corn crop in eight years. However, it still won't be enough to meet demand, driving a five-fold gain in imports as prices head for the highest annual average.

Production reached 189.2 million tons in the harvest that began in September, which was 6.7 percent more than a year earlier, according to a survey of growers in the seven main producing regions carried out by SGS SA. Imports in the marketing year that began last month may jump to five million tons from one million tons, according to the median estimate of 10 analysts and traders surveyed by Bloomberg.

While the supply predicted in the SGS survey would exceed the estimates of the US Department of Agriculture (USDA) by more than seven million tons, rising imports show that farmers are failing to grow enough grain for livestock feed. The fivefold expansion in China's economy in the past decade reported by the World Bank has spurred a change in diets. The dairy herd has almost tripled since 2000, and per capita pork consumption rose 26 percent in the nation.

Chinese demand has risen 50 percent since 2000 as output gained by 38 percent, according to USDA data. Only the US grows and uses more. China became a net importer for the first time in 14 years in 2010.

Argentina poised to become new supplier of corn⁹

China is expected to receive its first imports of corn from Argentina, the world's second-largest exporter of the grain, next year, Lorenzo Basso, vice-minister of agriculture, livestock and

⁸ TheCattleSite News Nov. 4, 2011

⁹ Global Times Nov. 4, 2011

fisheries, said. Shipments would likely start in April under a bilateral agreement that is almost ready to be signed.

Argentina expects China to issue a so-called phytosanitary certificate, or a quarantine permit for plant health, in about a month, Basso said.

As the second-biggest corn consumer, China was formerly self-sufficient in the grain, but in recent years, it turned to imports to meet rising domestic demand.

China needs "sufficient maize stockpiles" to meet demand, Basso said. China has shown a willingness to import Argentine corn and agreed to "speed up" negotiations, he said.

Corn now being planted is due to be harvested in March, so shipments to China wouldn't begin until the end of the harvest season, despite current stockpiles of 6 million tons, Basso said.

He also estimated that his country's total corn harvest would reach 25 million tons by March, with 15 million tons available for export.

"Once China opens the corn market to us, it will become one of the most important export markets of Argentina," Basso said.

CGG to set up a soybean base in Brazil¹⁰

Chongqing Grain Group Co Ltd (CGG), one of China's largest state-owned grain corporations, said it will invest US\$500 million to build a soybean industrial base in Brazil.

The planned industrial base, to be built in the northeastern state of Bahia, will require a series of infrastructure projects focusing on the processing, warehousing and logistics of soybeans.

Hu Junlie, CGG president, said: "As our first step, US\$100 million will be devoted to setting up a soybean pressing plant, which will be completed by the end of next year." The plant, which will start production in 2013, will have an annual capacity of 1.5 million tons of cooking oil to be sold in the Chinese and Brazilian markets.

After the pressing plant, CGG will set up a soy refinery and processing plants for bio-diesel fuel and soy lecithin products within a few years.

The Chongqing-based group plans to invest RMB5.8 billion (US\$914 million) to plant 600,000 tons of soybeans on 200,000 hectares in Brazil annually.

Besides CGG, Zhejiang Fudi Agriculture Group and the agricultural bureau of Heilongjiang province have also invested US\$158.4 million to form a joint soybean-growing venture with a Brazilian partner. Other state-owned enterprises are also seeking opportunities to expand abroad, including Chinatex Corp Ltd, the country's largest cotton and soybean trader by revenue, and China National Cereals, Oil and Foodstuffs Corp (COFCO).

COFCO said it will increase investment by more than US\$10 billion to fund overseas mergers and acquisitions over the next five years.

¹⁰ China.org.cn Nov. 24, 2011

CGG has imported 260,000 tons of soybeans from Brazil this year and the total volume will reach 10 million tons by 2015, reflecting expected sales revenue of RMB46.5 billion and net profit of RMB4.2 billion.

Meat production to increase¹¹

The USDA has forecast China's 2012 total meat production to increase three percent year-on-year, to 81.4 million tons.

Pork production is expected to continue to account for the predominant share, at 63 percent of total meat output, followed by poultry (23 percent), beef (seven percent) and sheep meat (six percent).

Meat and Livestock Australia (MLA) market analysts say that China's beef production has been forecast to continue its downward trend into 2012, falling one percent on 2011, to 5.5 million tons, as the cattle herd is anticipated to decline one percent year-on-year, to 46.2 million head.

Contributing to the decreased beef production has been the comparatively poor returns to beef cattle farming relative to swine and poultry farming.

The longer production time for beef cattle, combined with continuing high feed prices have created significant disincentives for small producers, who account for the vast majority of China's cattle operations.

High labor costs, rising utility bills, transportation, and water expenses have also limited beef production growth potential, MLA says.

Following the slow domestic beef production, China was expected to increase beef imports by seven percent to 45,000 tons in 2012. Beef exports were also forecast to increase four percent to 57,000 tons, fuelled by strong demand in China's traditional markets in Asia.

Hog market overview¹²

China breeding stock was around 48.1 million and total on farm inventory was around 465.57 million in September, as compared to August at 47.86 million and total on farm inventory about 461.42 million. This shows growth since May 2011- breeding stock was around 47.1 million and total on farm inventory was about 453 million head. The 465.57 million head for September is up 5.38 percent from last year while the September sow inventory is up 5.13 percent from last year. Sow inventory had increased in September 2010, but decreased through October and November, a marginal increase in December and then slightly lower in January through to March 2011. A gradual increase in sow inventory has occurred since March 2011.

During the week of August 29 to September 4, 2011, the national average price for slaughter pigs was RMB19.48 per kg liveweight (US\$3.05 per kg). This average price was almost equivalent to the peak prices reached in late June. June's price reflected a year on year increase of about eighty-five percent. Since October 25, the average price of slaughter pig is RMB17.97 per kg liveweight (US\$2.83 per kg). During the time period from September 12 to October 10, pig prices dropped from one point four to one point five percent.

¹¹ ThePigSite News Nov. 21, 2011

¹² ThePigSite News Nov. 3, 2011

Profit margins continue to show strength. During spring 2010, there were losses for most large-scale farms. Since that time, and with increasing market price, the profit margins have gained significantly. Now it appears that in June 2011, with the profit margin estimated to be around RMB770 (US\$119.10) per market pig, was the peak price. Feed costs (mainly corn and soybean meal) continue to rise or be stable in some areas and the market price has shrunk since then. Profit margin for August was estimated to be RMB721 (US\$112.83) per market pig. Profit margin for October is estimated to be RMB 659 (US\$103.62) per market pig.

The retail pork prices fell by 0.7 percent through the Golden Week Festival (October 1-8) holidays. Currently, industry estimates that pig supply will gradually rise and this will keep pig prices stable through to the end of the year and then there may be some price relief after the Spring Festival (January 23, 2012).

Tight supply as small backyard farmers exit from the market and farming in general and relocate to the large urban centers to work. Higher feed cost will keep the market price at a high level. Large farms are not able to keep up with the demand.

Although China's domestic supply of pork is showing growth, imports of pork are expected to rise by eight percent in 2012. This is mainly due to rising demand. An USDA report suggests that pork output will reach 51.3 million tons for this year (four percent rise over 2010). Government incentives and/or subsidies to farmers contribute the most for this increase. However, demand will create pork imports to increase by about eight percent to 480,000 tons next year.

According to the Ministry of Agriculture, scaled pig production (greater than 500+ finishers per year) now accounts for 34 percent of the total output of pig production in China.

Rabobank Group has released a digital edition of China's Pork Industry Development Report predicting that China's pig meat supply will grow to 60 million tons by 2020, with a two percent compounded annual growth rate.

The report also estimates that the total number of slaughterhouses in China will drop from the current 12,000 to 2,000 by 2020, while market share of mechanized slaughter will grow from 20-70 percent.

Over 1 million tons of pork forecasted imports in 2012¹³

Chinese pork imports for 2012 are forecasted to be similar to those of 2011, estimated to be between 1 and 1.1 million tons.

Ma Chuang, Vice Chairman of the Chinese Animal Agriculture Association (CAAA), said that the Chinese pork sector is decreasing. He said the decrease of traditional backyard farming is stronger than the growth of professional pig farms at the moment.

He added that this does not mean that the total production output is decreasing strongly.

As for outbreaks of Porcine Reproductive and Respiratory Syndrome (PRRS) and Foot-and-Mouth Disease (FMD), Ma Chuang is not worried, saying that these would not be as widespread as suggested by Rabobank in its latest report. He added that vaccination programs have been initiated to control both diseases.

¹³ PigProgress.net Nov. 28, 2011

Seara to send the first shipment of Brazilian pork¹⁴

Seara Alimentos, a subsidiary of Marfrig, will send its first shipment of Brazilian pork to China. Lots of ham, shoulder, belly and other pork cuts are expected to be shipped on November 24 with destination Port of Shanghai.

Brazilian website PorkWorld reports that they will be marketed in the local market for a specialized distributor.

So far, China has only imported beef and chicken from Brazil. According to the Ministry of Agriculture, since 2008, China is the largest buyer of Brazilian agricultural products and increased its purchases by 214 percent over the last three years (US\$3.5 billion in 2007 to US\$11 billion in 2010). Brazil is awaiting the clearance of six units, two from Seara, to export pork to China.

Dairy imports to maintain growth¹⁵

The latest forecasts from the USDA suggest that milk production in China will grow by five percent in 2012. This will put production at 33.4 million tons, almost all of which will be cow milk. Raw milk output in 2011 and 2012 is likely to remain below the pre-melamine crisis levels.

The period between July 2009 and July 2011 saw raw milk prices increase from US\$407 per ton to US\$515 per ton.

However, strict new regulations for processing plants have led to many smaller plants having to cease production. Coupled with land resource constraints, this is expected to cause the rate of increase in output to slow.

Dairy imports are expected to increase in 2012 owing to higher domestic demand, lower tariffs on dairy products from New Zealand, reduced VAT and a stronger Yuan against the US Dollar.

Traditionally China has been a limited consumer of cheese. However, as consumers adapt more western habits the potential for growth is very significant.

Almost all cheese in China is imported. Currently, New Zealand is the country's biggest cheese supplier, accounting for 41 percent of total imports with value at more than US\$36 million.

Imports of cheese to China have tripled in the last ten years. The most widely available imported cheeses are Mozzarella, Monterey Jack, Cheddar and Parmesan.

Cotton producer faces inventory pressures¹⁶

China's major cotton production base in the far western region is expected to have a good harvest this year, but the lack of processing facilities and smooth transportation is increasing inventory pressures, industry insiders say.

¹⁴ PigProgress.net Nov. 18, 2011

¹⁵ TheDairySite News Nov. 22, 2011

¹⁶ Xinhua News Nov. 7, 2011

Amid a good harvest, government agencies and private firms have purchased 1.23 million tons of cotton from farmers in Xinjiang Uygur Autonomous Region by the end of October, up 240 percent compared with the same period last year, according to official statistics.

But insufficient local processing capacity, sluggish demand from textile enterprises and poor railway transportation combined to build up inventories in Xinjiang, traders said.

About 732,000 tons of Xinjiang's cotton need to be shipped out of the remote region, but only less than one third of that amount had been transported by late October, they said, adding that the cut in the number of cargo trains is to blame for the transportation strain.

About one third of China's cotton output comes from Xinjiang, which is estimated to produce 3.42 million tons of cotton this year, up seventeen point four percent from a year earlier. About 60 percent of the cotton has been harvested, traders said.

China is the world's largest cotton producer and consumer. Figures from the National Statistics Bureau show the country produced 5.96 million tons of cotton in 2010. This year's figure is expected to top 7.28 million tons.

CCI: Cotton imports may rise this year¹⁷

Prompted by booming domestic consumption, China may import more cotton from the United States this year, said Karin Malmstrom, China director of Cotton Council International (CCI), the export promotion unit of the US National Cotton Council.

"According to one of our surveys, we are seeing a growing middle-class in China that is willing to pay more for cotton," Malmstrom said during a promotional campaign. "We are very optimistic about China's retail market," she added.

As the world's largest buyer of cotton and soybeans, China has replaced Canada as the largest export market for US agricultural products, according to a report released by the US Department of Agriculture (USDA) earlier this month.

China bought 996,100 bales of cotton from the US two weeks ago, the largest weekly purchase in eight years, according to data from the USDA.

During the first nine months of the year, global cotton imports to China declined to 1.9 million tons, a fall of 9.7 percent year-on-year, according to data from China's General Administration of Customs. About half of those imports came from the US, according to Malmstrom. "With the recent large purchase, the import market share for US cotton is expected to further expand," she said.

China's cotton harvest this year is expected to jump by 9.3 percent from last year to 7.28 million tons, according to a China Cotton Association (CCA) forecast in October. In October, China imported 252,000 tons of cotton, practically unchanged from September, according to a statement on the CCA website.

¹⁷ China Daily Nov. 18, 2011

Potato growers clinch export deals¹⁸

Potato farmers in north China's Inner Mongolia autonomous region have managed to solve overstocking problems by selling their extra potatoes to foreign buyers.

Agricultural authorities in Darhan Muminggan Joint Banner (county) said they have signed deals with several southeast Asian countries, including Thailand and Indonesia, to export 50,000 metric tons of potatoes.

This autumn's record-setting potato harvest resulted in a potato surplus, with potato prices dropping by thirty to fifty percent year-on-year. Darhan Muminggan Joint Banner has 250,000 metric tons of surplus potatoes.

Local farmers have had difficulty in recouping their expenses because of slow potato sales. On October 10, the Ministry of Commerce urged Inner Mongolia's local commerce administrations to solve the problem, issuing a circular that encouraged supermarkets to establish direct ties with potato farmers and asking export companies to purchase more potatoes.

An agricultural official with the government of Darhan Muminggan Joint Banner said the county is talking to potato purchasers in the United States and Dubai about expanding potato exports.

The county has also directly sent 115,000 metric tons of potatoes to Chinese supermarkets this month through cooperative agreements created with the help of local commerce departments.

Sugar imports head for record¹⁹

China's imports of sugar will hit a record high of more than 2 million tons this year, as domestic production fails to keep pace with growing demand, an industry official said. Statistics from the China Sugar Association (CSA) show that imports of the sweetener stood at 1.2 million tons from January to August.

Sugar imports have been on the rise since 2008, when they totaled 779,900 tons, compared with 1.77 million tons in 2010.

"Imports will probably surpass 2 million tons in 2011, using up the sugar import quota that China commits to with the World Trade Organization," which is 1.95 million tons, said, Xiao Ling, deputy executive general manager of Nanning Sugar Industry Co Ltd.

Morgan Stanley forecasts that China's sugar imports will grow by twenty percent in 2011, noting that the nation's consumption exceeds its production. Imports may grow to 2.75 million tons in 2011, according to the London-based International Sugar Organization.

China's sugar consumption has grown by more than ten percent annually during the past five years, reaching 14.5 million tons last year, said Xiao. But output has continued to fall during the past three years, affected by several factors including adverse weather, a shortage of suitable land and obsolete equipment and technology.

¹⁸ Xinhua News Nov. 9, 2011

¹⁹ People's Daily Nov. 2, 2011

The Guangxi Zhuang autonomous region, China's top sugar producing area, accounts for 65 percent of national production. The region's crop contracted for three consecutive years ending in 2010.

"The big gap between the nation's production and consumption means China has to import from around the world," said Xiao, and "this will probably push up the sugar price". The price hit RMB7,379 (US\$1,1160) per ton on November 1, up from a low of RMB2,990 a ton in 2009. To stabilize prices and ensure supplies, the government has been releasing sugar from stockpiles, selling 1.86 million tons in nine auctions as of September 30.

"The stockpiles are almost zero, and the Chinese government should take more measures to help farmers increase production," Xiao said.

New Hope to set up overseas fund²⁰

New Hope Group Co, China's largest private agricultural conglomerate, will set up an overseas fund with a focus on agricultural investments in China and abroad, President Liu Yonghao said.

Confirmed international investors of the fund, which would be managed by New Hope Group, included Singapore's Temasek Holdings Pte, New York-listed Archer-Daniels-Midland Co and Japan's Mitsui & Co, Liu said at the China Overseas Investment Summit.

Yum! gets approval to takeover Little Sheep²¹

Yum! Brands Inc. has gained approval from the Ministry of Commerce (MOC) over its proposal to take over Little Sheep Group Ltd., China's leading hot-pot restaurant.

Yum! is offering 6.5 HK dollars a share in cash to gain 93.2 percent of Little Sheep. The remaining 6.8 percent stake will be held by the creator of the Chinese company. The privatization plan is still subject to the approval of Little Sheep shareholders.

Yum!, based in the United States, bought a 20 percent stake in Little Sheep in 2009 and raised the share-holding to 27.2 percent last year.

Pepsi, Tingyi ink deal for strategic alliance²²

China's instant noodle and beverage heavyweight Tingyi Holding Corp. signed an agreement with soft drink giant Pepsi to create a strategic business alliance in China.

Based on the agreement, Tingyi Holding's affiliate company, Tingyi-Asahi Beverages (TAB) Holding, will be appointed as Pepsi's franchise bottler in China.

Pepsi's wholly-owned subsidiary, Far East Bottlers (FEB), will hold a five-percent indirect interest in TAB, and the percentage may increase to twenty percent by 2015.

Industry observers said the tie-up marks a long-awaited foray of Tingyi into production and sale of soft drinks, after the company obtained a significant share in China's market for instant noodles and beverages. According to the latest statistics from Tingyi, the company controlled 57

²⁰ Global Times Nov. 16, 2011

²¹ China Economic Net Nov. 9, 2011

²² Shanghai Daily Nov. 5, 2011

percent of the Chinese market for instant noodles, 54 percent for bottled tea, and 21 percent for juice as of June.

Pepsi's expertise and reputation in soft drink production can help Tingyi enrich its beverage categories and strengthen its grip of the market, said Chen Gongru, assistant manager of the public relations department of Tingyi.

For Pepsi, its decision to team up with Tingyi came after its bottling business in China suffered great losses from rising raw material costs. China Bottlers (Hong Kong) Ltd, the company that runs Pepsi's 24 bottling factories in China, reported a loss of US\$220 million in the past two years. Losses were also reported from Pepsi's Chinese shareholder companies.

Tingyi's purchase might therefore help Pepsi's lessen its burden while allow it to reverse its loss-making situation by capitalizing on Tingyi's extensive distribution network in China, said Xiang Jianjun, researcher of food industry at Zhongtou Consulting.

The agreement has yet to be approved by China's Ministry of Commerce and Tingyi Holding's board.

Agricultural hi-tech fair held in Shaanxi²³

The 18th China Yangling Agricultural Hi-tech Fair (CAF) was held in Yangling, Shaanxi province from November 5 - 9.

Yangling is the birthplace of Chinese agriculture and China's only agricultural high-tech Industries Demonstration Zone. This year's theme is "Innovation, Cooperation and Agriculture Modernization."

More than 30 countries and regions from five continents are attending the fair.

The 2011 Yangling National Agricultural Science-Technology Forum on November 5 is part of the CAF. The theme of the forum is "Arid Agriculture: food production, ecological restoration, regional development."

International agricultural machinery exhibition 2011 held in Zhenzhou²⁴

The China International Agricultural Machinery Exhibition was held at Zhengzhou in Henan province October 27-29. Zhang Taolin, Vice Agriculture Minister and Chairman of China Agricultural Mechanization Association (CAMA), attended the opening ceremony and visited the exhibition.

The exhibition showed progress of agricultural machinery development, offered opportunities for users to learn and communicate, and strengthened cooperation. The exhibition saw more than 1,600 enterprises from home and abroad and various kinds of machinery equipment used in agricultural production and construction. Both the area of exhibition, amounting to 170,000 square meters, and the number of visitors reached a new high. It is also the first time to set up an international exhibition section, making the event more globalized.

²³ Ministry of Agriculture Nov. 5, 2011

²⁴ Ministry of Agriculture Nov. 1, 2011

Seed expo 2011 held in Hefei

China Seed Expo 2011 was held in Anhui Exhibition & Conference Center on November 10-12, 2011. Vice Minister Niu Dun visited the Expo.

The Expo this year was hosted by Agricultural Trade Promotion Center of MOA, Specialized Sub-council of Agriculture of CCPIT and Anhui Agriculture Commission. The organizers were Anhui Seed Association and Anhui Association of Agricultural Science Societies.

The exhibition area covered 16,000 square meters. It provided 250 normal stands and 60 specially designed stands in the national section for more than 250 national exhibitors from 22 provinces. It also hosted nearly 50 exhibitors from Germany, Spain, Switzerland, U.K. and U.S. in the international section who came with products ranging from seed R & D, production, sales, and machinery to agro-chemicals. Trade associations and buyers from 23 countries and regions and seed authorities of many provinces of China also paid a visit to the Expo

Vice Minister Niu stated in his speech that the seed industry enjoys strategic importance. It is fundamental to agricultural development and national food security. Anhui has a fast growing seed industry which improves in seed R & D, breeding, marketing and business management. As an influential seed province, Anhui is expected to have a bigger role to play in seed industry development. The Expo will promote cooperation between China and other countries in the seed sector, thus contributing to the development of a modern agriculture and the rural economy.

Statistics

Average food prices in 50 cities November 11-20, 2011²⁵

Item	Specification/Unit	Current price (RMB)	Percentage changes as compared to last period (% , November 1-10, 2011)
Rice	Japonica rice / kg	5.52	0.0
Flour	Strong flour / kg	5.11	0.0
Flour	Standard wheat / kg	4.13	-0.2
Soy products	Bean curd / kg	3.80	0.3
Peanut oil	5 Lin barrel bulk / litre	24.44	-0.2
Soyabean oil	5 Lin barrel bulk / litre	12.11	0.1
Rape seed oil	Grade 1 in bulk / kg	12.56	-0.1
Pork	Rump / kg	29.20	-2.1
Pork	Belly meat / kg	28.53	-1.7
Beef	Leg / kg	41.40	0.2
Mutton	Leg / kg	49.99	0.9
Chicken	Frozen fresh chicken / kg	19.04	-0.5
Chicken	Breast / kg	21.10	-0.1
Ducks	Frozen fresh duck / kg	17.14	-0.2
Eggs	Fresh eggs in bulk / kg	9.77	-1.2

²⁵ National Bureau of Statistics

Major meat retail price November 2011²⁶

Pork (Lean):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 11/11/11-11/20/11	B. 11/01/11-11/10/11	C. 10/11/11-10/20/11	D. 11/11/10-11/20/10	(A-B)/B	(A-C)/C	(A-D)/D
32.16	32.72	34.08	25.58	-1.71%	-5.63%	25.72%

Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 11/11/11-11/20/11	F. 11/01/11-11/10/11	G. 10/11/11-10/20/11	H. 11/11/10-11/20/10	(E-F)/F	(E-G)/G	(E-H)/H
9.82	10.02	10.42	9.68	-2.00%	-5.76%	1.45%

Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 11/11/11-11/20/11	J. 11/01/11-11/10/11	K. 10/11/11-10/20/11	L. 11/11/10-11/20/10	(I-J)/J	(I-K)/K	(I-L)/L
18.80	18.78	18.76	16.38	0.11%	0.21%	14.77%

Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 11/11/11-11/20/11	N. 11/01/11-11/10/11	O. 10/11/11-10/20/11	P. 11/11/10-11/20/10	(M-N)/N	(M-O)/O	(M-P)/P
40.18	39.82	39.82	35.00	0.90%	0.90%	14.80%

Mutton (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
Q. 11/11/11-11/20/11	R. 11/01/11-11/10/11	S. 10/11/11-10/20/11	T. 11/11/10-11/20/10	(Q-R)/R	(Q-S)/S	(Q-T)/T
51.22	50.30	48.92	40.78	1.83%	4.70%	25.60%

²⁶ China Animal Agriculture Association