



## China Agricultural Newsletter – December 2011

The China Agricultural Update is provided by the Iowa Economic Development Authority's (IEDA) office in China, which is operated by Phoenix Consulting LLC. Ms. Wendy Zhang, IEDA's trade specialist in the China office, can provide customized market research information for your company. For more information on how to utilize the services offered by IEDA's Beijing Office, please contact Kathy Hill at 515.725.3141 or [kathy.hill@iowa.gov](mailto:kathy.hill@iowa.gov).

### Table of Contents

<b>Central rural work conference opens in Beijing.....</b>	<b>3</b>
The Chinese government's annual central rural work conference, in which it maps out policies for the next year's development of agriculture and rural regions, opened in Beijing. >> <a href="#">More</a>	
<b>Prudent monetary policy continued next year.....</b>	<b>3</b>
The central bank, People's Bank of China, said China will continue its prudent monetary policy next year while making the policy more targeted, flexible and forward-looking. >> <a href="#">More</a>	
<b>Agriculture-related fiscal spending surges.....</b>	<b>4</b>
China's central government is stepping up fiscal spending on the development of agriculture and rural regions as well as on the improvement of farmers' livelihoods, in efforts to bridge gaps of wealth distribution and urban-rural development. >> <a href="#">More</a>	
<b>Tougher measures called for to ensure food safety .....</b>	<b>4</b>
In a written instruction forwarded at a recent national meeting attended by officials in charge of food safety offices, Vice Premier Li Keqiang pushed for practical efforts to ensure food safety in a bid to boost consumer confidence and promote social harmony. >> <a href="#">More</a>	
<b>Low import tariffs to be kept in 2012 .....</b>	<b>4</b>
China will keep import tariffs at a low level next year as part of its course to promote balanced trade by boosting imports, according to a statement issued by the Ministry of Finance. >> <a href="#">More</a>	
<b>Production and sale of ractopamine banned.....</b>	<b>5</b>
The Ministry of Industry and Information Technology announced that China has banned the production and sale of ractopamine, a controversial feed additive used to promote lean meat growth in food animals. The ban became effective on December 5 <sup>th</sup> , 2011. >> <a href="#">More</a>	
<b>Grain output reaches 571.21 million tons .....</b>	<b>6</b>
China saw a bumper harvest of grain this year, with its output rising to a record high of 571.21 million tons, a year-on-year increase of 4.5 percent, the National Bureau of Statistics (NBS) said. The strong harvest marked eight consecutive years of growth for grain output. >> <a href="#">More</a>	
<b>GM wheat development.....</b>	<b>7</b>
Chinese Academy of Agricultural Sciences scientist Lanqin Xia and colleagues reported the current status of GM wheat in China through an article published in the Journal of Experimental Botany. According to their report, significant financial resources were provided by the Chinese government for research and development of GM crops. >> <a href="#">More</a>	
<b>China remains largest market for U.S. soybeans.....</b>	<b>7</b>
China remains the world's largest market for U.S. soybeans, importing a record 24 million tons, valued at US\$12.1 billion in fiscal year 2011. >> <a href="#">More</a>	

<b>Anti-dumping probe extended on US distillers' grains imports .....</b>	<b>7</b>
China's Ministry of Commerce has said that it will extend an anti-dumping probe on imports of U.S. dried distillers grains until June 28, 2012 before making a final ruling. >> <a href="#">More</a>	
<b>Meat industry continues to grow.....</b>	<b>7</b>
With the potential economy growth of nine percent forecasted by <i>Forbes</i> for next year, China's meat processing market is developing and growing. It is being spurred on by new technology and a population that is changing their way of eating meat. More and more consumption is in the form of processed and pre-cooked products. >> <a href="#">More</a>	
<b>1.4 million tons of pork estimated to be imported in 2012.....</b>	<b>8</b>
China will import an estimated 1.4 million tons of pork in 2012, according to the latest Rabobank report, up from a projected 1.1 million tons in 2011. >> <a href="#">More</a>	
<b>Topigs exported 1,003 breeding hogs to China.....</b>	<b>8</b>
Dutch genetics company Topigs has exported 1,003 breeding hogs to China. These animals originate from the company's nucleus farms in Canada. >> <a href="#">More</a>	
<b>Lushan Group teams up with IBM to improve pork safety.....</b>	<b>9</b>
Shandong Commercial Group Co. Ltd. (Lushan Group) and IBM announced that they have built a system that will help ensure the safety of pork products in the Shandong Province while improving the efficiency of the food supply chain in the region. >> <a href="#">More</a>	
<b>Zhongpin starts trial production at two new pork plants .....</b>	<b>9</b>
Zhongpin Inc. announced that trial production at its two newest chilled and frozen pork products plants, in Jiangsu and Jilin provinces, began on December 16 <sup>th</sup> . >> <a href="#">More</a>	
<b>Egg prices fall for 11<sup>th</sup> consecutive week.....</b>	<b>10</b>
Egg prices fell for an 11 <sup>th</sup> consecutive week ending on December 11, while other farm produce prices edged up, the Ministry of Commerce said. >> <a href="#">More</a>	
<b>Hong Kong culls chickens infected with avian influenza virus .....</b>	<b>10</b>
Hong Kong health workers recently began culling more than 17,000 chickens after finding a chicken carcass infected with avian influenza at a poultry market. >> <a href="#">More</a>	
<b>Economic trends drive change to modern, efficient agriculture.....</b>	<b>10</b>
With a growing population but a shrinking rural population, China's farmers are changing from man-power to iron horse-power as they move to a more contemporary approach to agriculture. Larger state-owned and private farms are already dominating the leading areas for field crops. >> <a href="#">More</a>	
<b>Coffee output in Yunnan province grows by 11.33 percent in 2011 .....</b>	<b>11</b>
The Yunnan province, China's major coffee-growing base, is expected to produce 55,000 tons of coffee beans this year, up 11.33 percent from a year earlier, the provincial agriculture department reported. >> <a href="#">More</a>	
<b>Cold storage industry sees a hot market .....</b>	<b>11</b>
International cold storage experts see China as a market where the industry can offset sluggish revenues in developed countries, building on growing middle-class demand for clean, safe and convenient food. >> <a href="#">More</a>	
<b>Hot pot chain Haidilao to tap U.S., Singaporean markets .....</b>	<b>12</b>
Famous Chinese hot pot chain Haidilao will start tapping overseas markets next year by opening two restaurants each in the United States and Singapore, the company announced. >> <a href="#">More</a>	
<b>Organic food, a growing business .....</b>	<b>12</b>
The organic food business is experiencing rapid growth in China as a consequence of increasing concerns over food safety. However, people have expressed fears over how genuine the goods are. >> <a href="#">More</a>	
<b>Average food prices in 50 cities December 11-20, 2011 .....</b>	<b>13</b>
<b>Major meat retail price December 2011 .....</b>	<b>15</b>

### **Central rural work conference opens in Beijing<sup>1</sup>**

The Chinese government's annual central rural work conference, in which policies for the next year's development of agriculture and rural regions are mapped out, opened in Beijing. It is attended by senior officials of the State Council, China's Cabinet, and provincial-level officials.

This year's meeting deliberates on and specifies policies that focus on boosting farm produce supply and the development of modern agriculture for the year 2011. The participants discuss problems in the sector, such as the frequent price fluctuations for farm produce, and setting the foundations for steady increases in grain output and rural incomes.

Experts believe China needs to intensify its efforts to safeguard grain supply security in 2011, improve rural infrastructure construction, accelerate the transformation of the agricultural development, and speed up construction of public cultural services and social security system covering urban and rural areas.

Policy-makers agreed earlier this month at the Central Economic Work Conference that the government would increase subsidies for agricultural production, steadily raise minimum grain purchase prices, and raise investment in the major grain producing areas and water conservation facilities.

### **Prudent monetary policy continued next year<sup>2</sup>**

The central bank, People's Bank of China, said China will continue its prudent monetary policy next year while making the policy more targeted, flexible and forward-looking. The announcement came after the conclusion of the annual central economic work conference, which has set economic policy guidelines for the coming year.

The central bank will maintain control over the intensity, pace and focus of macroeconomic regulation, make full use of monetary tools, tune up credit supply and promote reasonable growth in social financing, according to a statement.

The bank will improve credit structure, increase support to key sectors and weak areas, especially to agriculture, small and medium-sized enterprises and affordable housing construction, as well as better serve the real economy.

It will continue to perfect its yuan exchange rate formation mechanism, and keep the yuan exchange rate basically stable at a reasonable and balanced level.

Meanwhile, the bank will strengthen and improve its foreign exchange management, deepen financial system reforms, prevent and solve financial risks, the statement said.

---

<sup>1</sup> China.org.cn Dec. 21, 2011

<sup>2</sup> People's Daily Dec. 14, 2011

### **Agriculture-related fiscal spending surges<sup>3</sup>**

China's central government is stepping up fiscal spending on the development of agriculture and rural regions as well as on the improvement of farmers' livelihoods, in efforts to bridge gaps of wealth distribution and urban-rural development.

Xie Xuren, minister of finance, said that fiscal spending from the central government for agriculture-related projects and farmers are likely to top RMB1.04 trillion (US\$164 billion) this year, which represents a 21.3 percent surge compared to the figure last year.

To boost agricultural development, the fiscal expenditures have served the construction of more water-related facilities at farmlands and consolidation of small reservoirs. The central government has also urged financial institutions to increase lending to agriculture-related businesses through incentive policies.

Local governments' finance departments have implemented subsidy programs for farmers who raise live pigs and sought measures to raise farmers' income such as hiking minimum purchase prices for wheat and rice.

Meanwhile, around RMB227 billion of funds have been appropriated to help impoverished farmers in the rural regions.

### **Tougher measures called for to ensure food safety<sup>4</sup>**

In a written instruction forwarded at a recent national meeting attended by officials in charge of food safety offices, Vice Premier Li Keqiang pushed for practical efforts to ensure food safety in a bid to boost consumer confidence and promote social harmony.

In a separate written instruction, Vice Premier Hui Liangyu urged authorities to "resolutely guard against major food safety incidents", strengthen law enforcement and promote regular supervision.

Food safety has become one of the most troubling issues since various scandals have been exposed by the media. To address food safety issues, authorities have requested the death sentence be applied in the most serious food crimes.

The latest scandal was Henan province, where 113 people were penalized, including 77 government employees, over chemically-tainted pork.

### **Low import tariffs to be kept in 2012<sup>5</sup>**

China will keep import tariffs at a low level next year as part of its course to promote balanced trade by boosting imports, according to a statement issued by the Ministry of Finance (MOF).

The average tariffs on more than 730 categories of imported goods will stand at 4.4 percent in 2012, less than half the rate for the most favored nation under WTO rules, the MOF said.

Imports covered in the low tariff catalogue for 2012 include energy products such as coal, refined oil and rare earths, sophisticated equipment-making products, and parts and facilities used in

---

<sup>3</sup> China.org.cn Dec. 26, 2011

<sup>4</sup> ThePigSite News Dec. 9, 2011

<sup>5</sup> Xinhua News Dec. 15, 2011

emerging industries ranging from high-definition cameras to high-voltage transmission lines. Farm produce, consumer goods, like baby formulas, and public health products, such as vaccines and serums, are also included.

In 2012, China will maintain import quotas on seven types of farm produce and three kinds of chemical fertilizers. Temporary tariffs on chemical fertilizers which exceed the quota will be set at one percent.

To boost regional and bilateral trade, China will continue to lower tariffs on imports from ASEAN countries, Chile, Pakistan, New Zealand, Peru, Costa Rica, the Republic of Korea, India, Sri Lanka and Bangladesh, based on relevant signed free trade agreements.

China will also maintain special favorable tariffs for the 40 least developed countries, including Laos, Sudan and Yemen.

To meet its growing and diversified demand, China has expanded the import catalogue from this year's 7,977 to 8,194 next year, including additions of items like wireless earpieces and other medical instruments.

To save energy and promote sustainable development, China will continue to impose tariffs on exports of energy-intensive products such as coal and crude oil.

The adjustments will be effective from January 1<sup>st</sup>, 2012.

### **Production and sale of ractopamine banned<sup>6</sup>**

The Ministry of Industry and Information Technology announced that China has banned the production and sale of ractopamine, a controversial feed additive used to promote lean meat growth in food animals. The ban became effective on December 5<sup>th</sup>, 2011.

The order came after a major pork contamination scandal hit China this spring when the Shuanghui Group, China's largest meat-processing company, was found to be purchasing pigs that had been fed with adulterated pig feed, prompting a national crackdown on the use of "lean meat powder".

Yu Kangzhen, China's chief veterinary officer, said that "lean meat powder" includes around ten kinds of ingredients such as clenbuterol and ractopamine.

The "lean meat powder" was first introduced to China in the early 1990s. It was not until 1998 that Chinese society started getting concerned over the chemical's toxic nature when the first human case of lung infection was reported in Guangdong province after consumption of pork contaminated with clenbuterol.

In 2002 China issued an order to ban the use of "lean meat powders", including ractopamine, clenbuterol, and salbutamol, in feed additives and drinking water for food animals.

---

<sup>6</sup> China Economic Net Dec. 23, 2011

### Grain output reaches 571.21 million tons<sup>7</sup>

China saw a bumper harvest of grain this year, with its output rising to a record high of 571.21 million tons, a year-on-year increase of 4.5 percent, the National Bureau of Statistics (NBS) said. The strong harvest marked eight consecutive years of growth for grain output.

Yields of summer grain, early rice and autumn grain totaled 126.27 million tons, 32.76 million tons and 412.18 million tons this year, up 2.5 percent, 4.5 percent and 5.1 percent year-on-year, respectively.

The output of the country's three major crops - rice, wheat and corn - hit 510.45 million tons this year, according to the NBS, adding that a sharp increase in corn output showed further improvement in the country's grain production structure.

The country's 13 major grain-producing regions, including the provinces of Hebei, Jiangxi, Shandong, Jiangsu and Anhui, saw their output rise 5.4 percent from one year earlier to 434.22 million tons in 2011. The 13 regions contributed 76 percent of the nation's total grain output.

The provinces of Heilongjiang, Jilin, Liaoning and the Inner Mongolia autonomous region reported a combined rise of 13.86 million tons in their grain output this year, which accounted for 56 percent of the country's total increase.

However, grain output in Guizhou province and Chongqing municipality dropped because of a severe drought this spring. Grain yields in Guizhou fell 21.2 percent, while Chongqing's grain output decreased 2.5 percent year-on-year.

The NBS said government farming subsidies plus favorable weather conditions, despite a drought in the southwest regions, contributed to the rise in grain production.

The country handed out RMB140.6 billion (US\$22.18 billion) in subsidies for agricultural production this year, up 17 percent from one year earlier.

Meanwhile, the government raised wheat and rice minimum purchase prices by RMB5 to RMB7 and RMB9 to RMB23 per 50 kilograms, respectively, in order to stimulate farmers' enthusiasm for production.

The nation allocated RMB3.48 billion in relief funds to disaster-hit rural areas this year, a move intended to minimize the impacts of natural disasters on the country's agricultural production.

Thanks to these efforts, only 38.8 million hectares of farmland were affected by floods and droughts during the first nine months of the year, down 9.8 percent year-on-year, which accounted for 24.2 percent of the total acreage sown.

Furthermore, the NBS said application of technological innovations also helped raise grain output. The area yield rose 3.9 percent to hit 5,166 kg per hectare in 2011.

---

<sup>7</sup> China Daily Dec. 2, 2011

## **GM wheat development<sup>8</sup>**

Chinese Academy of Agricultural Sciences scientist Lanqin Xia and colleagues reported the current status of GM wheat in China through an article published in the *Journal of Experimental Botany*. According to their report, significant financial resources were provided by the Chinese government for research and development of GM crops.

The goal of the project was to provide an opportunity to improve crops using a safe, precise, and effective wheat genetic transformation system suitable for commercialization. One of the main aspects of the R&D project is the genetic improvement of wheat. The authors said that the increasing hectareage and acceptance of GM crops appears to be gaining momentum in China, thus providing a broad and stable foundation for future growth of GM wheat both in China and the rest of the world.

## **China remains largest market for U.S. soybeans<sup>9</sup>**

China remains the world's largest market for U.S. soybeans, importing a record 24 million tons, valued at US\$12.1 billion, in fiscal year 2011. U.S. soybean exports to China have increased in each of the past five years and this growth can be linked to expansion in the crushing sector, where imported soybeans are processed into oil for food and meal for animal feed.

According to the Chinese Ministry of Agriculture, there has been significant growth in the number of hog farms with annual output of 500 head or more. This trend is expected to continue, presenting even more growth opportunities for U.S. soybeans in this market. Pork accounts for nearly three-fourths of Chinese meat production.

To capitalize on these opportunities, the U.S. soy industry provided technical assistance throughout 2011 to representatives from Chinese swine farms, feed mills, animal health companies, and crushing plants. The U.S. soy industry conducted more than 40 seminars and 30 one-on-one farm consultations, as well as sponsoring feeding trials using soy products and bringing a Chinese study team to the United States.

## **Anti-dumping probe extended on US distillers' grains imports<sup>10</sup>**

China's Ministry of Commerce has said that it will extend an anti-dumping probe on imports of U.S. dried distillers grains until June 28, 2012, before making a final ruling.

The extension is due to the case being "special and complicated," said the Ministry. The anti-dumping investigation was launched in December 2010, causing DDG imports in the first 11 months of 2011 to fall by 48 percent to 1.5 million tons. 2010 imports from the U.S. had previously grown 385 percent to 3.16 million tons, worth more than US\$753 million.

## **Meat industry continues to grow<sup>11</sup>**

With the potential economy growth of nine percent forecasted by *Forbes* for next year, China's meat processing market is developing and growing. It is being spurred on by new technology and a population that is changing their way of eating meat. More and more consumption is in the form of processed and pre-cooked products.

---

<sup>8</sup> Crop Biotech Update Dec. 21, 2011

<sup>9</sup> Farms.com Dec. 12, 2011

<sup>10</sup> WattAgNet.com Dec. 28, 2011

<sup>11</sup> ThePoultrySite News Dec. 20, 2011

An *IBISWorld* report published this month forecasts that the industry will develop at a rate of 8.3 percent a year, reaching US\$82.38 billion in 2016.

Revenue from the meat processing industry in China in 2011 is expected to have risen by 13 percent year-on-year to US\$55.24 billion. On average, since 2006, the industry has seen a 22.5 percent rise in value.

Meanwhile, imports are also an important part of the Chinese industry and the *IBISWorld* report shows that they are expected to reach US\$2.59 billion in 2011.

A lot will depend on how and whether the Chinese government can keep a cap on inflation. The latest figures show that inflation was running at 4.2 percent in November, down from a July figure of 6.5 percent. If inflation is kept in check and the economy continues to expand, meat consumption is expected to increase and the meat processing industry to develop, albeit at a slower pace than over the past decade.

### **1.4 million tons pork estimated imports in 2012<sup>12</sup>**

China will import an estimated 1.4 million tons of pork in 2012, according to the latest Rabobank report, up from a projected 1.1 million tons in 2011. In the first nine months of 2011, China imported 870,000 tons of pork. The estimated 1.1-million-ton is equal to two percent of nationwide pork consumption in 2010, according to Wang Jimin, a professor from the Chinese Academy of Agriculture Science.

Outbreaks of porcine reproductive and respiratory syndrome have reduced China's swine supply in recent years, and since 2007 China's pork imports have increased dramatically. Pork import volume in 2007 was 47,300 tons, up 115 percent from 2006, while remaining stable at 20,000 tons to 30,000 tons between 2000 and 2006. 2008 saw an increase of 93 percent, followed by a decline in 2009, and 2010 saw a 70.8 percent increase from 2009.

### **Topigs exported 1,003 breeding hogs to China<sup>13</sup>**

Dutch genetics company Topigs has exported 1,003 breeding hogs to China. These animals originate from the company's nucleus farms in Canada. The great grandparent animals are the top of the breeding pyramid and have the highest SPF health status.

The imported hogs will be used to build up extra breeding capacity in China for the production of breeding hogs. They and their offspring will be distributed to clients around the country, complying with the growing demand of genetics.

The imported breeding stock will be housed at the facilities of Topigs Huanshan, a joint venture between the breeding organization and the Huanshan Group. The farm is a modern one with well-equipped facilities.

Huanshan is a corporation with permanent assets worth close to RMB10 million (UK€1.18 million), having 1,800 staff. The company is a modern agricultural enterprise which has integrated businesses including feed production, husbandry and pigs slaughtering.

---

<sup>12</sup> WattAgNet.com Dec. 20, 2011

<sup>13</sup> PigProgress.net Dec. 1, 2011

## **Lushan Group teams up with IBM to improve pork safety<sup>14</sup>**

Shandong Commercial Group Co. Ltd. (Lushang Group) and IBM announced that they have built a system that will help ensure the safety of pork products in the Shandong Province while improving the efficiency of the food supply chain in the region.

Pork is a major pillar of the economy in Shandong Province, one of China's most important agricultural regions. To limit the impact of porcine diseases and prevent tainted pork from being sold to consumers, Shandong Provincial Municipality asked Lushang Group, one of China's top 10 retail companies, and its affiliate research body National Engineering Research Center for Agricultural Products Logistics (NERC-APL), to devise a system that would improve accountability and safety in the region's pork industry.

In 2010, the Lushang Group began working with IBM to create the new system, which is being tested by six selected slaughter houses, six warehouses and about 100 hypermarkets & supermarkets across the Shandong province. Using IBM WebSphere software running on IBM System and Servers, experts from IBM China Development Lab and NERC-APL have created a pork monitoring and tracking system that can extract and store actionable business information from the millions of interconnected sensors. The system brings an unprecedented level of accountability and efficiency to every stage of the pork production process.

When fully deployed in 2013, the system will allow the Lushang Group to monitor and trace the movement of meat across all phases of the supply chain, including farms, processing plants, trucks and supermarkets.

## **Zhongpin starts trial production at two new pork plants<sup>15</sup>**

Zhongpin Inc. announced that trial production at its two newest chilled and frozen pork products plants, in Jiangsu and Jilin provinces, began on December 16<sup>th</sup>. The annual production capacity for the Jiangsu phase 1 plant, located in Taizhou city, will be about 80,000 metric tons for chilled and easy-to-cook pork products and 20,000 metric tons for frozen pork. The annual production capacity for the Jilin phase 1 plant, located in Changchun city, will be about 70,000 metric tons for chilled pork and 25,000 metric tons for frozen pork.

Zhongpin is investing about US\$63million to build the Jiangsu production facility, warehouse, and distribution center. Construction began in September 2010. Phase 2, a production facility for prepared pork products with an annual capacity of about 30,000 metric tons, is expected to open in the third quarter of 2012.

About US\$61.5 million is being invested to build a slaughtering and processing plant, low temperature prepared pork plant, logistics center, and research and development center in Jilin. Construction began in September 2010. Phase 2 in Jilin will include an annual production capacity for about 30,000 metric tons for prepared pork products, plus a research and development center, which are expected to open in the third quarter of 2012.

With the addition of the two phase 1 plants, Zhongpin will have an annual capacity of 728,760 metric tons for chilled and frozen pork, 126,000 tons for prepared pork products, 20,000 tons for pork oil, and 30,000 tons for vegetables and fruits, for a total annual capacity of 904,760 metric tons.

---

<sup>14</sup> PigProgress.net Dec. 20, 2011

<sup>15</sup> PigProgress.net Dec. 16, 2011

Mr. Xianfu Zhu, Chairman and Chief Executive Officer of Zhongpin Inc. said, "With our two newest plants for chilled and frozen pork, we will have increased our annual capacity for chilled and frozen pork by 29.3 percent and our total annual production capacity for all products by 26.4 percent."

### **Egg prices fall for 11<sup>th</sup> consecutive week<sup>16</sup>**

Egg prices fell for an 11<sup>th</sup> consecutive week ending on December 11 while other farm produce prices edged up, the Ministry of Commerce said.

Egg prices dropped 0.6 percent week-on-week and were down 6.2 percent cumulatively from the end of September, the Ministry said.

During the week of December 5 -11, the wholesale prices of 18 staple vegetables rose by 7.9 percent from one week earlier and by 18.4 percent from early November.

The price of meat also rose slightly, with pork prices up 0.2 percent. Mutton prices rose 0.2 percent and beef prices rose 0.4 percent.

However, the retail prices of rice and flour slid 0.2 percent, as they were in plentiful supply.

### **Hong Kong culls chickens infected with avian influenza virus<sup>17</sup>**

Hong Kong health workers recently began culling more than 17,000 chickens after finding a chicken carcass infected with avian influenza at a poultry market.

The first large-scale cull since 2008 was done as part of precautionary measures officials are taking after finding the carcass infected with "highly pathogenic H5N1 avian influenza virus," said York Chow, Hong Kong's secretary for food and health.

Hong Kong officials also raised the territory's avian influenza alert to "serious" and closed the market where the infected bird carcass was found until January 12, 2012. The government also suspended the sale and import of live poultry for 21 days, Chow said even though officials are still determining whether the carcass was imported or came from a local source.

### **Economic trends drive change to modern, efficient agriculture<sup>18</sup>**

With a growing population but a shrinking rural population, China's farmers are changing from man-power to iron horse-power as they move to a more contemporary approach to agriculture. Larger state-owned and private farms are already dominating the leading areas for field crops.

The average farm size in China is increasing rapidly. With fewer farmers living in rural areas, China has compensated with increasing their accessibility and use of agricultural equipment. The average agricultural mechanization use in 2000 was only 20 percent, but annual growth over the last 10 years was about three percent. Alexander Haus with VDMA said the use of farm equipment varies dramatically depending on the area, noting that it's as high as 90 percent in Heilongjiang.

---

<sup>16</sup> Xinhua News Dec. 14, 2011

<sup>17</sup> WattAgNet.com Dec. 22, 2011

<sup>18</sup> TheFishSite News Dec. 13, 2011

China is also seeing a growing demand for contracted services with small and medium-sized farmers contracting for different types of field work in the arable sector. Contractors are very well equipped with agricultural machinery, and the general decision about which machinery to invest in is based on return of investment.

China's agricultural machinery market is the second largest after the US. Over 95 percent of agriculture machinery is locally-made. The main scope for the past five years has been on the basics - tractors and harvesting machinery. However, the core scope for the next five years will be on more modern implements, including soil-working, seeding and plant protection machinery as well as livestock equipment.

"The structural changes in agriculture and growth of mechanization will continue to move forward, increasing demand for efficient machinery," Mr. Haus said. "The main customers for high-tech machinery will be larger state-owned and private farms as well as contractors and cooperatives."

### **Coffee output in Yunnan province grows by 11.33 percent in 2011<sup>19</sup>**

The Yunnan province, China's major coffee-growing base, is expected to produce 55,000 tons of coffee beans this year, up 11.33 percent from a year earlier, the provincial agriculture department reported.

The size of coffee plantations in the traditionally tea-growing province grew by 33.06 percent to 860,000 mu (57,333 hectares) by the end of 2011, according to the department.

Meanwhile, profits from coffee exports, totaling 26,500 tons, reached US\$119.8 million in the first nine months of the year.

U.S. coffee chain Starbucks has been one of Yunnan's biggest customers this year, purchasing nearly 20 times more coffee from the province than it did in 2007.

The provincial government aims to produce 200,000 tons of coffee beans annually by 2020, and the size of coffee plantations needs to be expanded to 1 million mu by 2015.

### **Cold storage industry sees a hot market<sup>20</sup>**

International cold storage experts see China as a market where the industry can offset sluggish revenues in developed countries, building on growing middle-class demand for clean, safe and convenient food.

PFS YIDA Logistics (HK) Group Co Ltd, a joint venture between the US-based Preferred Freezer Services LLC (PFS) and Yida Group, is venturing into China's cold storage market. PFS owns a 60 percent stake in PFS YIDA Logistics (HK) Group Co. Ltd., while the Dalian-based Yida Group holds the other 40 percent.

The venture is opening its first cold storage facility, which has a capacity of 40,000 tons, in Shanghai this December. It is "a first small step to what will be a national network of world-class refrigerated food-handling facilities," said John Galiher, President and CEO of PFS. Building the network will take years and cost more than RMB7 billion (US\$1.1 billion), he said. The second

---

<sup>19</sup> Global Times Dec. 27, 2011

<sup>20</sup> Economic Daily Dec. 7, 2011

facility, which has a storage volume of up to 30,000 tons, will open in the Waigaoqiao area of Shanghai in February, 2012.

The company also broke ground on a 30,000-ton facility in Tianjin on November 28th and is set to start work on a facility in Shenzhen.

Jiang Liqiang is operations director of the quality control center at RCS Group, which handles logistics and delivery for some big-name fast-food companies in southern China. "The participation of companies like PFS in China will greatly improve the industry's standards and service," he said.

In recent years, China's food industry demand for cold chain logistics has expanded at an annual rate of more than eight percent. However, the existing cold storage volume could only satisfy 20 to 30 percent of the market demand, a situation that results in about \$9.25 billion of losses during farm product transportation, according to the *Economic Daily*.

Experts forecast that the nation's cold chain industry will be thoroughly restructured in the next five to 10 years and standards for transportation and storage will be unified.

### **Hot pot chain Haidilao to tap U.S., Singaporean markets<sup>21</sup>**

Famous Chinese hot pot chain Haidilao will start tapping overseas markets next year by opening two restaurants each in the United States and Singapore, the company announced.

The always-packed restaurant chain, known for its friendly and attentive service, will open its first overseas restaurant in the U.S. next year, said a staff member of the company based in the southwestern province of Sichuan.

The company did not disclose which cities the future restaurants would be in, however, it said they would not be located in Chinatowns or Chinese communities but in major commercial districts, as the restaurants will be targeting the mainstream market, said the staff member.

Haidilao has already set up an overseas management department, prepared advertising materials and is working on the menu and decoration of the overseas restaurants.

Dining at the future U.S. Haidilao restaurants will cost about US\$40 to \$50 per person, higher than the average meal fee of US\$20 to \$30 per person at most Chinese restaurants in America.

The hot pot chain was established in 1994 and has more than 50 restaurants with over 10,000 employees in more than nine Chinese cities. The company's revenue reached RMB1.5 billion (US\$238 million) in 2010, according to its website.

### **Organic food, a growing business<sup>22</sup>**

---

<sup>21</sup> China Business News Dec. 16, 2011

<sup>22</sup> Xinhua News Dec. 12, 2011

The organic food business is experiencing rapid growth in China as a consequence of increasing concerns over food safety. However, people have expressed fears over how genuine the goods are.

Compared with ordinary food, organic selections are more expensive, often costing three times more.. For instance, a cabbage weighing 1.3 kilograms is sold for RMB35 at Yimutian organic farm in the Chongming district of Shanghai. The price of an ordinary cabbage is about RMB5 in an ordinary Shanghai market.

Eyeing the tremendous business opportunities in the market, companies have rushed into the organic food sector in search of bigger profits. Media reports suggest that some 345 companies obtained certification from the China Organic Food Certification Center (COFCC) in 2010, an increase of about 18 percent on 2009.

Cities such as Beijing and Shanghai, where people are said to have a better educational background and more disposable income, have been targeted by organic food suppliers. Currently, it is easy for householders to find food labeled organic in stores, supermarkets and online shops in big cities.

Although it is good to have more choice, it is hard to identify whether food is truly organic. The Wal-Mart organic pork scandal in Chongqing city knocked people's confidence over organic food sold in the country.

According to Chinese media reports, organic food labels and certificates are easily available. To establish trust, retailers said they have spared no effort in protecting customers' rights to maintain their patronage.

## Statistics

### Average food prices in 50 cities December 11-20, 2011<sup>23</sup>

Item	Specification/Unit	Current price (RMB)	Percentage changes as compared to last period (% , December 1-10, 2011)
Rice	Japonica rice / kg	5.53	0.0
Flour	Strong flour / kg	5.10	0.0
Flour	Standard wheat / kg	4.14	0.0
Soy products	Bean curd / kg	3.79	0.0
Peanut oil	5 Lin barrel bulk / litre	24.56	0.2
Soyabean oil	5 Lin barrel bulk / litre	12.12	0.1
Rape seed oil	Grade 1 in bulk / kg	12.44	-0.2
Pork	Rump / kg	28.76	0.2
Pork	Belly meat / kg	28.09	0.3
Beef	Leg / kg	42.44	1.7
Mutton	Leg / kg	51.75	1.3
Chicken	Frozen fresh chicken / kg	18.99	-0.1
Chicken	Breast / kg	20.97	0.2

<sup>23</sup> National Bureau of Statistics

Ducks	Frozen fresh duck / kg	17.23	0.4
Eggs	Fresh eggs in bulk / kg	9.48	0.6

## Major meat retail price December 2011<sup>24</sup>

### Pork (Lean):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 12/11/11-12/20/11	B. 12/01/11-12/10/11	C. 11/11/11-11/20/11	D. 12/11/10-12/20/10	(A-B)/B	(A-C)/C	(A-D)/D
31.76	31.72	32.16	25.72	0.13%	-1.24%	23.48%

### Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 12/11/11-12/20/11	F. 12/01/11-12/10/11	G. 11/11/11-11/20/11	H. 12/11/10-12/20/10	(E-F)/F	(E-G)/G	(E-H)/H
9.52	9.54	9.82	9.72	-0.21%	-3.05%	-2.06%

### Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 12/11/11-12/20/11	J. 12/01/11-12/10/11	K. 11/11/11-11/20/11	L. 12/11/10-12/20/10	(I-J)/J	(I-K)/K	(I-L)/L
18.44	18.84	18.80	16.68	-2.12%	-1.91%	10.55%

### Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 12/11/11-12/20/11	N. 12/01/11-12/10/11	O. 11/11/11-11/20/11	P. 12/11/10-12/20/10	(M-N)/N	(M-O)/O	(M-P)/P
40.96	40.44	40.18	35.04	1.29%	1.94%	16.89%

### Mutton (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
Q. 12/11/11-12/20/11	R. 12/01/11-12/10/11	S. 11/11/11-11/20/11	T. 12/11/10-12/20/10	(Q-R)/R	(Q-S)/S	(Q-T)/T
52.32	51.94	51.22	41.78	0.73%	2.15%	25.2%

<sup>24</sup> China Animal Agriculture Association