



China Agricultural Newsletter

December 2008

More focus on rural development in 2009	2
4-month campaign to ensure food safety launched	3
NDRC lifts freeze on product prices	3
Price control on fertilizer to be eased	4
Measures to protect domestic soybeans may be taken	4
Fewer corn licenses to be issued for 2009	5
Flour bleach may soon be banned	5
Irish pork banned on dioxin scare.....	6
12 U.S. food products on import alert list	6
China steps up checks on tainted soybeans from U.S.	7
WB offers 120-mln-dollar loan to support China's eco-farming	8
Machinery subsidies raised to help farmers, returning migrants	8
Grain purchase for reserve added in main producing areas.....	9
Greater presence of imported food to be seen	10
EU allows China's poultry exports	11
Milk crisis spills out on all food sectors	11
Massive payouts for milk-powder victims	12
Most feed free of melamine	13
Hong Kong confirms bird flu is high-path H5N1.....	13
H5N1 reported outbreak in Jiangsu Province.....	13
Carrefour cuts prices to boost sales amid financial crisis	14
Coca-Cola seeks anti-trust nod for Huiyuan deal	14
DSM opens new premix plant in China	15

Yili ex-boss prepares for a 4b-yuan comeback	16
\$100 million private investment in Chinese raw milk	16
Nutracea, Bright Food to build rice bran oil plant in China	17
Top 3 Countries Exporting Major Agricultural Produces to China (Jan– Oct. 2008)	18

Laws, Regulations and Policies

More focus on rural development in 2009¹

China concluded its annual two-day central rural work conference on Dec. 28 with a pledge to give priority to maintaining stable rural and agricultural development, ensuring supplies of farm produce and facilitating income increases for farmers.

Attendees agreed the government would increase subsidies for agricultural production next year. This year, subsidies for things like grain production, seed purchases, farm vehicles and production materials, such as fertilizer, totaled 102.86 billion yuan, according to Agricultural Minister Sun Zhengcai.

Next year, China will begin building cotton production bases in the Yangtze River valley and Huanghe, Huaihe and Haihe plains, according to the conference attendees.

Policy makers also said, infrastructure construction projects in both urban and rural areas should employ as many migrant rural workers as possible in 2009. Additional jobs for public benefit should be provided to migrant workers first.

Those migrant workers who returned home jobless should be encouraged to start their own businesses. They will be given credit extensions, tax breaks, business registration and information consulting.

In terms of rural infrastructure construction, priority should be given to projects that improve water, power and gas supplies as well as those which provide more and better roads and housing, according to policymakers.

Meanwhile, an additional 60 million rural residents should be offered safe drinking water, they added.

It is estimated that China yielded a record 528.2 billion kilograms of grain this year, representing an annual grain output growth for the fifth consecutive year.

Sun Zhengcai said the yield was 26.9 billion kg, or 5.4 percent, higher than last year's figure.

¹ Xinhua News Dec. 29, 2008

Farmers' annual per-capita net income is estimated to reach 4,700 yuan (US\$687.1) this year, up 8 percent or so in real term from the previous year level. The annual growth rate of farmers' income exceeded 6 percent for five years in a row.

4-month campaign to ensure food safety launched²

A four-month nationwide campaign will begin on Dec. 10 to ensure all food products are free of non-edible substances and excessive levels of additives, the government said.

The campaign, to be jointly conducted by nine central government departments, is aimed at cleansing and regulating the market, Chen said, and firms using excessive food additives will be hauled up.

The Ministry of Health said the campaign would be divided into three phases:

From Dec. 11 to Jan 10, companies will be asked to conduct self-examination and correction.

From January 11 to March 10, law enforcement officers will raid high-risk food producers or regions, and intensify random checks on markets.

From March 11 to April 10, the focus will be on illegal food-additive producers and cutting off the supply of high-risk non-food substances.

Yang Xueshan, vice-minister of industry and information technology, said the campaign would help cleanse the market of illegal producers of food additives. Yang said companies misusing food additives face closure if they don't streamline their production or fail quality control tests.

NDRC lifts freeze on product prices³

The National Development and Reform Commission (NDRC) removed price controls on a range of products introduced in January as an anti-inflationary measure.

In a statement released on its website, starting on Dec. 1, the caps imposed in January on a wide range of food items such as meat, grain, cooking oil and milk products would be suspended, and that companies were free to decide pricing. The commission also called on local pricing departments to take "cautious steps" to ensure market stability and prevent abnormal price fluctuations.

China froze food price increases in mid-January, when they seemed out of control. As a result, manufacturers had to apply for government approval for any substantial price increase. But food prices and overall inflation edged downward, easing worries of

² China Daily Dec. 9, 2008

³ South China Morning Post Dec. 2, 2008

runaway inflation and gradually prompting it to shift its focus to propping up economic growth.

The mainland's CPI rose 4 per cent in October from the same month a year ago, down from a 12-year high of 8.7 per cent in February. Food prices, which account for one-third of China's CPI basket, rose 8.5 per cent in October, compared with 23.3 per cent in February.

Price control on fertilizer to be eased⁴

China is planning to speed up reform of its fertilizer pricing mechanism by letting market forces determine prices at an appropriate time, while scrapping temporary price controls imposed on fertilizers, the State Council announced at a meeting on Dec 24.

But the government will still retain a "certain" degree of price controls on potash, of which China is a major importer, the State Council said.

The government will allow all types of investors to invest in the fertilizer circulation sector and will also strengthen the export management system and fertilizer reserve mechanism.

Fertilizer prices have long been under government regulation, which set ceilings on factory prices, aiming to ensure supply and lighten burdens on farmers.

"Price intervening is unnecessary under the current situation," Li Guoxiang, a researcher at the Chinese Academy of Social Science said.

The global financial crisis has dragged down prices of some major raw materials used in the fertilizer industry, making factory prices at some producers already lower than government-set prices.

The price of American diammonium phosphate has shrunk 40 percent from the beginning of 2008. Sulphuric acid prices in November dropped 24.1 percent from October, and 33 percent from the same month in 2007, according to the Ministry of Commerce.

Measures to protect domestic soybeans may be taken⁵

The increasing reliance on imports of soybean has triggered off China's worries about grain and vegetable oil security.

According to the statistics, the price of imported soybeans is about 900 yuan (\$131US)/ton cheaper than that of domestic soybeans, so most crushers choose to use imported soybeans.

⁴ China Business News Dec. 25, 2008

⁵ Asia Pulse Dec. 11, 2008

To restrict imports of soybean and solve the problem of sluggish sales of soybeans produced by northeast China, NDRC has decided to take some measures to protect domestic soybeans, such as procuring domestic soybeans at a protective price and offering subsidies to soybean crush enterprises. However concrete measures have not yet been decided.

Fewer corn licenses to be issued for 2009⁶

China may issue fewer corn export licenses in 2009 than expected and won't provide trade incentives as it seeks to control prices and ensure domestic supply, according to two traders who declined to be identified.

The government may also decide to delay issuing the licenses, they said. Chinese corn prices have risen from a two-year low after the government said it would increase buying of domestic corn to boost farm incomes.

China earlier this month was said to be considering as much as 5 million metric tons in corn export quotas after high output and controls on overseas sales created a domestic glut. Tightening of China's shipments will help grain suppliers in the United States keep their share of the Asian market.

May-delivery corn on the Dalian Commodity Exchange ended 0.2 percent higher at 1,527 yuan (US\$224) a metric ton. The most active contract is up 6 percent since touching a two-year low of 1,440 yuan on December 12. Corn prices on the Chicago Board of Trade have fallen 50 percent from a June record as slowing global growth trimmed demand for raw materials.

The government this week ordered reserves to boost buying corn from farmers by 20 million tons to a total of 30 million tons, the China National Grain and Oils Information Center said.

China sells corn mainly to South Korea and Japan. Exports in the first 11 months this year plunged 95 percent to 235,379 tons after the government in January levied taxes and stopped issuing new export permits.

Flour bleach may soon be banned⁷

A food additive - Benzoperoxide - used to bleach flour may soon be banned as another measure to ensure consumers' safety, the Ministry of Health (MOH) announced on Dec. 10.

⁶ Shanghai Daily Dec. 26, 2008

⁷ China Daily Dec. 11, 2008

Benzoperoxide, added to flour to make it appear whiter, is widely used in several countries, including the US, Canada, the Philippines and China. It has been used in the country's flour production for over two decades.

“There is no need to use Benzoperoxide any more, thanks to the present advanced flour processing technology and improved wheat cultivars, ” said Mao Qun'an, spokesman of MOH. “The ministry received a report from the State Administration of Grain urging us to stop the use of the flour-bleaching agent, ” he said. The decision to ban the additive would only be taken after the ministry has discussed the report.

Benzoperoxide came under public scrutiny last month when the Guangzhou-based Southern Weekend newspaper questioned whether the presence of the bleaching agent in flour was safe for consumers. The paper said the health ministry was reluctant to ban the additive because it wanted to protect the economic interest of Benzoperoxide producers.

Mao denied the accusation saying that the paper had not interviewed his ministry before publishing the report. China's food additive regulation stipulates a "dynamic mechanism" to decide if certain agents can be used or not, Mao said. “A food additive is used only after it has been evaluated under strict procedures and has cleared all safety tests.”

Irish pork banned on dioxin scare⁸

China has banned imports of all pork products from Ireland after dioxin, a carcinogenic chemical, was found in some of them, the country's quality control watchdog General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) said on Dec. 8.

About 2,047 tons of Irish pork products, imported since Sep. 1, will be recalled from the market and returned to Ireland, the GAQSIQ said on its website.

12 U.S. food products on import alert list⁹

12 food products from the United States have been put on a 90-day import alert after they were found to be unfit for human consumption, the General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) said on Dec. 10.

The products include chocolate, candy, cheese, almonds, juices, whey powder and health care products, it said on its website.

The chocolate was found to contain Quinoline Yellow, a food dye banned in China, while most of the other products were found to contain excessive amounts of food additives or preservatives, the statement said.

⁸ China Daily Dec. 9, 2008

⁹ Xinhua News Dec. 11, 2008

The "substandard products", all of which have either been returned or destroyed, were found during border quality checks in Shanghai, Beijing and Guangdong, it said.

The border checks have been tightened on these products from the U.S. after the import alert was issued over the weekend, a GAQSIQ official said.

"Whether we'll take any further action depends on the situation in the next three months," she said.

The GAQSIQ said it has already provided the U.S. with detailed reports on the substandard products, and would like to strengthen dialogue and cooperation with it on food safety issues. The import alert came a day after the issue of another alert on five food items - chocolate, brandy, flavoring ingredients, soybean powder and dairy products - from the European Union.

Experts said the high-profile announcements show China is becoming more transparent and active in making the public aware of substandard products from overseas, although the GAQSIQ said the issue of these alerts is normal practice within its authority.

China steps up checks on tainted soybeans from U.S.¹⁰

China's quality supervisor said on Dec.23 that it would step up checks of soybeans from the United States after tons of soybeans were found tainted by pesticides.

The General Administration of Quality Supervision, Inspection and Quarantine (GAQSIQ) said the local quality watchdog in eastern Zhejiang Province found some 57,000 tons of U.S. soybeans were mixed with soybean seeds coated with three types of pesticides - metalaxyl, fludioxonil and thiamethoxam.

Such seeds are for planting and usually bear warning colors such as red, blue or green, said the GAQSIQ.

In response, the GAQSIQ said it had issued a notice to all local quality bureaus, ordering them to implement an early-warning system within 90 days and step up inspections of U.S. soybeans.

The GAQSIQ also informed the U.S. about the issue and required the U.S. side to intensify quality checks on soybeans destined for China.

The GAQSIQ said it had found soybean seeds mixed in many batches of soybeans imported from the U.S., which it said indicated there were major problems in the U.S. soybean export system.

¹⁰ Xinhua News Dec. 23, 2008

WB offers 120-mln-dollar loan to support China's eco-farming¹¹

The World Bank's (WB) China Office announced on Dec. 3 the WB's board of executive directors had approved a loan of 120 million dollars for an eco-farming project in China.

The office said farmers in central China's Anhui and Hubei provinces, Chongqing Municipality, Hunan Province and Guangxi Zhuang Autonomous Region would benefit from improved rural environment and living conditions through the project.

The WB loan would cover half of the project costs, with the other half would be financed through counterpart funding. Funding will be provided over the next five years, to be spent over the next 20 years.

The project would assist farmer households to integrate biogas into their agricultural production systems. The loan would be used to build biogas digesters, improved kitchens, animal sheds, and toilet facilities in the households.

The project would also help develop local extension and training facilities for rural energy and agricultural service, provide equipment and materials for the service systems, training for farmer technicians and farmers, and support farmer biogas organizations.

Machinery subsidies raised to help farmers, returning migrants¹²

China's State Council said on Dec. 11 that the central government would allocate 10 billion yuan (\$1.46 billion) in subsidies for agricultural machinery purchases next year to help farmers and returning migrants.

At an executive meeting presided over by Premier Wen Jiabao, the council said that "to provide such subsidy could raise the country's agricultural mechanization level and boost the development of the farm machinery industry and economic development."

The amount of the subsidy was 6 billion yuan more than in 2008, and it will be available to farmers and farm workers across the country.

This plan was another important way to boost domestic demand apart from providing subsidized household appliances for farmers, said the meeting. The government promised to grant a 13-percent subsidy for farmers' purchase of household appliances including color TV sets, refrigerators, mobile phones, washing machines and freezers starting in December 2007.

¹¹ Xinhua News Dec. 3, 2008

¹² Xinhua News Dec. 11, 2008

China has about 210 million migrant workers who have left their rural hometowns to work in cities and towns. The cabinet urged local governments to open more employment channels for migrant workers, give strong support to labor-intensive companies and pool more funds for migrant workers' skill training. Local governments should streamline the procedures involving land use, taxation, business registration and other functions as well as providing better financial services to help migrant workers who return home to start businesses, said the meeting. Local authorities should also ensure migrant workers are promptly paid by employers, provide them with good social security services and protect their land contract rights as they return to their rural homes, according to the meeting.

Grain purchase for reserve added in main producing areas¹³

China will largely increase purchase of soybean, corn, and rice for state reserve in Heilongjiang Province, one of the country's major grain producers, in a bid to stabilize planting acreage and restore farmers' confidence.

According to the news on official website of Heilongjiang Grain Administration, China decided to purchase new grain in main producing areas for state interim reserve, with 1.03 millions of soybean, 1.3 million tons of corn, and 2.6 million tons of rice in Heilongjiang.

Industry insiders point out that the new round of grain purchase will ease sales pressure of farmers, but fail to stimulate oilseeds processing enterprises to purchase more domestic soybean.

To stop soybean price from diving in northeastern area, China launched purchase of 1.5 million tons of soybean for state reserve at 0.925 yuan/kg on October 20, with 10 million tons in Heilongjiang, 0.06 million tons in Liaoning, 0.21 million tons in Jilin, and 0.23 million tons in Inner Mongolia Autonomous Region.

In response to the state purchase, soybean price in Heilongjiang surged from 0.8-0.85 yuan/kg to 0.95 yuan/kg in short time, but then slip under purchase price of 0.925 yuan/kg in two weeks.

As the price of import soybean can be as low as 0.775 yuan kg, 0.1-0.15 yuan lower than the domestic soybean, most oilseeds processing companies stopped purchasing domestic soybean, and turned to import genetic-modified soybean.

By November 26, Heilongjiang farmers had sold 1.02 billion kg of soybean, down 1.25 billion kg year on year. State purchase has become the main channel to absorb the local soybean.

According to statistics of Heilongjiang Soybean Association, the output of local soybean reached 16.5 million tons this year, up 3.5 million tons over last year.

¹³ Asia Pulse Dec. 4, 2008

The two rounds of state purchase and reserve will digest 2 million tons of soybean in Heilongjiang. Some analysts held that the country might further add purchase if the second round of purchase failed to play obvious effects on soybean market.

Greater presence of imported food to be seen¹⁴

Imported foods will have a greater presence in China, with imports to total 1 trillion yuan (147 million U.S. dollars) in the next five years, despite the impact of worsening global financial crisis, according to industry experts.

The National Bureau of Statistics showed the per capita disposable income for urbanites rose from 343.4 yuan (about 50.5 U.S. dollars) in 1978 to 13,785.8 yuan last year. The per capita net income for rural people also went up from 133.6 yuan to 4,140.4 yuan last year.

“With global economic crisis as the backdrop, it will be very important to boost international trade in order to improve competing power of China's food industry, ” said Wang, Wenzhe, chairman of China National Food Industry Association, who estimated business deals for foreign food producers at one trillion yuan (147 billion U.S. dollars) in the next five years.

China has transformed from a nation short of food supplies into a leading food producer and consumer in the world through the reform and opening-up drive of the past three decades. The country's food sector generated 3.27 trillion yuan last year, compared to 47.1 billion yuan in 1978. The sector's sales revenue is expected to skyrocket to 4 trillion yuan this year.

According to Wang Wenzhen, China exported 9.6 billion U.S. dollars worth of foodstuffs and imported 4 billion U.S. dollars worth of foodstuffs in 1992. But food exports soared to 32.3 billion U.S. dollars and imports rose to 30.6 billion U.S. dollars last year.

At present, imported food is available only at exclusive chainstores established by multinationals. Since the explosion of these stores five years ago in major Chinese cities, volume has increased at an annual rate of 15 percent.

Wang was supported by other industry experts who believe importing high-end foodstuffs from foreign countries will not only help foster a consumption trend and meet market demand, but also advance the incorporation of the agricultural and food industries. This could be crucial in helping China's food sector develop from primary processing to in-depth processing.

Potential market for EU pig industry¹⁵

¹⁴ Xinhua News Dec. 16, 2008

¹⁵ ThePigSite News Desk Dec. 2, 2008

Speaking at the recent China Pig Summit at the EuroTier Exhibition in Hanover, International Director for the Danish Meat Association, Knud Buhl, said that forecasts for the coming year predict a 3% drop in pig meat production in the EU.

For EU exports, Japan used to be the most important market up to 2004, now the favored destination is Russia and in the future, Mr Buhl said, it is likely to be Hong Kong and China.

China took 3% of the EU production in the first eight months of this year and it has seen a rise of 25% since 2004.

A Sino-Danish Porcine Genome project has been developed and there has been an increase in the export of breeding pig to China.

China has also become a complementary market for the EU because of the amount of by-products it takes.

Mr Buhl said that although China will continue to expand its own production, there will remain to be a market there for more imports and he added that he believed that while certain tariff barriers will be removed, health and hygiene barriers could still remain.

EU allows China's poultry exports¹⁶

After 6 years, the EU market has re-opened its doors to Chinese poultry meat products. Shandong is the only province in China allowed to export poultry meat into the EU nations.

The first 600 tons of cooked chicken meat has been transported to Europe by Shandong Zhucheng Foreign Trade Co., Ltd from Qingdao to the Port of Antwerp in Belgium.

The EU prohibited the import of animal-source products from China in January 2002, saying that the Chinese residue pesticide system did not reach standards set down by the EU. Then in January 2004, the EU banned the import of poultry products originating from China due to the bird flu outbreak in the country.

In July this year, the EU Committee announced that it allowed member states of the EU to resume import of China's cooked poultry meat products from 9 companies.

Poultry meat exported from Shandong Province makes up half of China's total export, with its cooked poultry meat exports accounting for 60% of the national total.

Milk crisis spills out on all food sectors¹⁷

¹⁶ People's Daily Dec. 1, 2008

¹⁷ TheFishSite News Desk Dec. 2, 2008

The melamine milk scandal had devastated Chinese dairy exports, but now other food sectors are beginning to feel the aftershock.

The growth in agricultural and meat products' exported from Qingdao, a major port in the country's largest agricultural product exporting province of Shandong, fell to 1.9 percent in October from a monthly average of 15 percent in the first nine months of the year.

The export growth of agricultural products from Yantai, another big port in Shandong, dropped from 12 percent in September to 3.2 percent in October. Yantai's exports to the US grew by only 3.6 percent in October, compared with 27 percent in August.

Companies in Guangzhou exported only 38 tons of frozen fish in October, down 64 percent year-on-year. And poultry exports from the city dropped 63 percent to 106,550 pieces, local Customs figures showed.

"The tainted-milk scandal has dealt a heavy blow to the 'made-in-China' label, and the global financial crisis has worsened the situation," said Zhao Xinzhi, an official with the Yantai foreign trade and economics bureau.

Massive payouts for milk-powder victims¹⁸

Families of tainted milk-powder victims could receive up to 200,000 yuan (\$29,000) compensation from major dairy companies in the coming weeks, media reports said.

The China Dairy Industry Association, a coalition of about 600 dairy manufacturers nationwide, said on Dec. 27 that 22 Chinese producers will provide one-time compensation payments to victims' families, whose infants contracted kidney stones and urinary problems from baby milk formulas tainted by melamine.

The contaminated milk products have killed at least six babies and infected another 294,000 infants. As of last month, 861 babies still remained in the hospital.

Although the association did not release details regarding the amount of compensation the families will receive, Caijing Magazine reported over the weekend that families of children killed by the tainted milk will receive 200,000 yuan (\$29,000).

Families of babies hospitalized will receive between 30,000 and 50,000 yuan and compensation will be paid from mid January, the magazine revealed. The payout could be more than 13.5 billion yuan.

The milk companies have also set up a special fund to cover medical bills for future health problems.

¹⁸ China Daily Dec. 29, 2008

Most feed free of melamine¹⁹

After examining 22,700 batches of animal feed in China, only 2.39% was found with excessive melamine content, the National Feed Office, under the Ministry of Agriculture, said.

China began investigating melamine in feed in early 2007 and banned its use in June 2007, after wheat gluten for pet food exported to the US was found with excessive melamine content. However, the country increased its efforts to deal with the problem after milk and eggs, which had been tainted with melamine, were found in the market in September.

The National Feed Office is working on amending the 1999 regulation on the management of feed and feed additives. Hopefully, the new version of the regulation will be released in January 2009. China will also strengthen the market threshold for feed and its additive producers, and improve the risk analysis and safety evaluation mechanism.

Hong Kong confirms bird flu is high-path H5N1²⁰

Hong Kong health authorities have confirmed that the recent outbreak of bird flu in the area was caused by the highly pathogenic H5N1 strain.

Chickens were first found on a farm in the Yuen Long district. Tests confirmed the birds had bird flu, and consequently 80,000 birds were culled. Additionally, imports were halted for 21 days.

Reports state that some chicken traders believe that fertilized eggs smuggled from mainland China may have started the spread of the disease.

"We aren't ruling out any possibilities, though the H5N1 source is not likely to have come from inside the farm but to have come from outside," said Health Secretary York Chow.

H5N1 reported outbreak in Jiangsu Province²¹

Chinese authorities have begun destroying and vaccinating poultry after an outbreak of bird flu was discovered in the east of the country, the agriculture ministry said.

The deadly H5N1 strain of the virus was discovered on a chicken farm in Dongtai city and in another farm in Haian county both in eastern Jiangsu province, the ministry said in a statement posted on its website.

The discovery had prompted local agricultural authorities to step up vaccinations, while culling 377,000 chickens in the area around the farms. The spread of the virus had not been detected in any other areas around the two farms, it added.

¹⁹ WorldPoultry.net Dec. 15, 2008

²⁰ WorldPoultry.net Dec. 12, 2008

²¹ WorldPoultry.net Dec. 19, 2008

Carrefour cuts prices to boost sales amid financial crisis²²

French retail giant Carrefour will cut the prices of selected goods at its 125 outlets in China from Dec. 26 through Feb. 9 to boost sales amid the global financial crisis.

The prices of rice, cooking oil, candy, wine, food, festival gifts and other commodities, will be slashed by 20 to 30 percent, said Li Jia, media relations manager for Carrefour's South China division.

The promotion, said to be the largest since Carrefour entered the Chinese market in 1995, would be initially launched at 23 Carrefour outlets in southern China regions, Li said. "Carrefour is taking this move to answer the call of the central government to stimulate consumption and expand domestic demand," Li said. "The company also hopes to help consumers spend less against the backdrop of economic downturn."

Earlier this month, U.S. retail giant Wal-Mart started offering discounts of up to 20 percent on an average of 1,000 items at its 119 stores in China.

Analysts forecast retailing industry would experience a low season between February and April next year as the global financial crisis worsens.

"Retailers all hope to seize the market ahead of others through lowering prices," said Sun Xiong, chairman of the Guangdong Provincial Chain Store and Franchise Association.

The Lunar Chinese New Year, or the Spring Festival, will fall on Jan. 26. It is usually a gold season for shopping before and after the festival, the most important occasion in the Chinese year.

Also Thursday, U.S. fast-food giant KFC began reducing its prices by up to 20 percent at almost 1,400 outlets in China. The promotion will last until Feb. 3. The company said it is reducing prices to boost domestic demand amid the financial crisis.

Earlier this month, McDonald's also started offering discounts of up to 30 percent at its outlets in Guangzhou, Shenzhen and Nanjing. It said it would consider expanding the promotion to more cities if market feedback proves good.

Coca-Cola seeks anti-trust nod for Huiyuan deal²³

The Coca-Cola Company announced on Dec. 2 that it had submitted an application for anti-monopoly approval to the Ministry of Commerce (MOFCOM) for its \$2.3 billion takeover of premier domestic juice maker China Huiyuan Juice Group.

Coca-Cola proposed to purchase the country's biggest fruit juice company for a steep

²² Xinhua News Dec. 25, 2008

²³ China Daily Dec. 3, 2008

premium on Sep. 3, 2008, marking the largest foreign takeover of a Chinese company.

The offer price of HK\$ 17.9 billion is also the US beverage giant's most aggressive move in China since the company started its operations in the country in 1979.

The large cross-board transaction, however, has been closely watched in China as the acquisition may become the first major test case since the country's anti-monopoly law took effect on Aug 1.

It would take MOFCOM much effort to determine the effects of the deal in light of Coca-Cola's significant share of the low-end juice market and a would-be large share of the mid- and high-end market through the transaction, insiders believe.

According to ACNielsen, Huiyuan owns 46 percent of China's pure fruit juice market.

DSM opens new premix plant in China²⁴

Royal DSM N.V., the global Life Sciences and Materials Sciences company headquartered in the Netherlands, has announced that DSM Nutritional Products has opened its third premix plant in China.

The new facility allows DSM to serve a larger geographical area in China. This enables the company to capitalize on opportunities that arise from the rapidly growing animal nutrition & health industry in one of the key growth countries for DSM.

The new plant is located in the Hengyang High-tech Zone in the Hunan Province. It will provide DSM customers in the provinces of Hunan, Guangdong, Guangxi, Fujian and Jiangxi with feed premix under the brand name Rovimix®.

DSM opened its first Chinese premix plant in 1997 in the Shanghai area. In 2006, the second premix plant was opened in the Shandong province. The fourth plant is expected to open next year in the Jilin province. Currently options for further expansion into Western China are investigated, with the intention to be operational by 2010.

China is already accounting for a quarter of global meat consumption, a share that is expected to further grow at an accelerated pace. Global meat consumption is expected to rise by 20% by 2015, growth which is mainly coming from China.

"The animal nutrition & health industry in China continues to develop rapidly, and it is an honor for DSM to take part in this development and to act as a leader in promoting it. This investment is a significant contribution to the target of US\$ 1.5 billion in sales in China by 2010 in this strategic emerging market," DSM's China President Jiang Weiming stated at

²⁴ ThePigSite News Desk Nov. 28, 2008

the official opening. "Meanwhile, we will make sure the new plant, like DSM's other plants, strictly adheres to our state-of-the-art global standards."

Yili ex-boss prepares for a 4b-yuan comeback²⁵

Zheng Junhuai, former chairman of Inner Mongolia Yili Industrial Group Co Ltd, is preparing to invest 4 billion yuan (\$584 million) in a new dairy company, the National Business Daily reported on Dec. 25.

Quoting an unnamed source, the Shanghai-based paper said Zheng has gathered 4 billion yuan and plans to base his new company in Hohhot, Inner Mongolia, one of China's dairy heartlands.

Zheng was sentenced to six years in prison in Dec 2005 for misappropriating public funds. Before his conviction, Zheng was chairman and CEO of Yili, one of China's largest dairy producers, from May 1993 till Dec 2004. He was released in early September of this year, after receiving a reduction in his sentence twice, the paper said. Zheng is considered as one of the most experienced leaders in China's dairy industry.

Most dairy producers in China have taken a hard hit from the tainted milk scandal that was blamed for killing six babies and sickening 294,000 children, according to official figures from the Ministry of Health.

Sanlu Group, the first Chinese dairy company whose products were found to contain high levels of the industrial chemical melamine, filed for bankruptcy on Dec 24. Meanwhile, Mengniu Dairy, the nation's largest liquid-milk producer, is expected to report a 900 million yuan loss for 2008 because of the melamine scandal, according to a statement released by the company on Dec 23.

However, this has also opened a window for dairy veterans like Zheng, said China Business Journal, citing an anonymous official from one of China's top dairy producers.

\$100 million private investment in Chinese raw milk²⁶

KKR & Co. LP., the private equity company of Henry Kravis and George Roberts, will invest \$100 million in a Chinese raw milk supplier, betting the \$18 billion market will recover from a contamination scandal, two people familiar with the plan said.

According to Bloomberg, KKR will buy a minority stake in the Anhui province-based Modern Farm, controlled by former managers of China Mengniu Dairy Co., the nation's biggest liquid milk producer, the two people said, asking not to be identified because it's a private investment.

²⁵ National Business Daily Dec. 25, 2008

²⁶ TheCattleSite News Desk Dec. 3, 2008

KKR is investing as China's milk producers, the world's third-largest, are pushed to meet higher standards by the government after a lack of quality control led to a chemical taint that killed at least six infants, reports Bloomberg.

"Valuations in the industry were lowered quite a bit as a result of the milk-powder tainting," Sophie Fan, an analyst at CSC Securities HK Ltd., said. "So now is probably a good time for private equity to enter the market, and expectations of this may be relatively high at the moment."

NutraCea, Bright Food to build rice bran oil plant in China²⁷

U.S. NutraCea announced an agreement with Bright Food Investment Group to build a new rice bran oil refinery in China designed to process an estimated 500,000 tonnes of raw rice bran annually.

In addition, the facility will process new patent-pending defatted rice bran and stabilized rice bran, the companies said.

"The size and scale of this agreement presents a major opportunity for NutraCea to enter China's vast market and introduce rice bran oil, our new patent pending defatted rice bran and stabilized rice bran to one of the world's most vibrant economies," said Brad Edson, president and chief executive officer of NutraCea.

The facility is expected to be completed in 2010, and will have the capacity to produce in excess of \$200 million in annual gross revenues based on today's market prices, the companies said. The agreement will require normal and customary government approval.

NutraCea will provide 80% of the capital and retain 72% of the ownership and profits of the venture, per the terms of the agreement. Bright Group will contribute 20% of the capital and receive 28% of the profits.

²⁷ World-Grain.com Dec. 3, 2008

Statistics

Top 3 Countries Exporting Major Agricultural Produces to China (Jan. – Oct. 2008)

Quantity: Tonnes Amount: USD 10,000

Top 3 Markets	Jan. – Oct. 2008		Jan. – Oct. 2007		Var. % Jan. – Oct. 2008/2007	
	Quantity	Amount	Quantity	Amount	Quantity	Amount
Soybean: Total	30,820,400.7	1,873,728.0	24,539,534.5	851,208.0	25.6	120.1
1. Brazil	11,139,527.2	702,115.0	9,441,568.6	335,614.6	18.0	109.2
2. United States	10,608,182.4	625,610.3	8,988,410.5	300,262.5	18.0	108.4
3. Argentina	8,608,789.3	517,754.9	5,870,389.6	206,493.1	46.6	150.7
Soybean Oil: Total	2,045,414.7	257,651.5	2,216,730.7	161,296.8	-7.7	59.7
1. Argentina	1,296,897.3	161,148.9	1,762,138.2	127,909.9	-26.4	26.0
2. Brazil	573,596.1	75,949.5	287,931.6	21,156.3	99.2	259.0
3. United States	174,327.8	20,492.4	157,897.3	11,511.0	10.4	78.0
Corn: Total	22,601.5	753.3	13,301.4	383.4	69.9	96.5
1. United States	5,430.8	330.3	2,921.5	125.2	85.9	163.7
2. Burma	13,481.7	152.5	1,260.9	11.1	969.2	1,278.1
2. Laos	3,529.4	72.2	9,006.5	111.0	-60.8	-35.0
Mix Animal Feed: Total	113,608.3	18,443.6	79,808.3	11,109.6	42.4	66.0
1. United States	63,955.5	7,587.2	37,006.9	3,927.7	72.8	93.2
2. France	7,633.9	1,621.9	3,293.5	765.9	131.8	111.8
3. Britain	694.7	1,302.1	431.5	638.9	61.0	103.8
Broilers: Total	672,392.9	88,318.2	660,490.3	76,342.8	1.8	15.7
1. United States	484,716.2	64,628.3	433,898.0	48,353.4	11.7	33.7
2. Argentina	168,432.7	21,130.1	63,177.9	8,524.7	166.6	147.9
3. Chile	9,353.2	1,289.1	0	0	0	0
Fishmeal: Total	1,266,530.6	130,674.5	846,139.0	90,064.2	49.7	45.1
1. Peru	833,181.1	82,376.9	457,654.2	47,534.9	82.1	73.3
2. Chile	231,057.1	25,310.8	161,370.5	19,077.0	43.2	32.7
3. United States	66,534.0	8,442.5	58,383.9	7,330.3	14.0	15.2

Source: China Chamber of Commerce of Import and Export of Foodstuffs, Native Produce and Animal By-Products.