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China Agricultural Newsletter – August 2010

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Laws, Regulations and Policies

Measures step up to ensure grain safety¹

China is enacting various measures, such as increasing its annual grain harvest and creating new grain safety legislation, to ensure a food-secure society, according to Zhang Ping, Minister in charge of the National Development and Reform Commission (NDRC).

Zhang Ping said in his report to the top legislature that China would increase its grain output capacity to an annual yield of 550 million tonnes by 2020, which would be a rise in output from 530.8 million tonnes in 2009.

Zhang said the country would further strengthen its grain production capacity, by means such as improving infrastructure construction, especially the farmland irrigation system, expanding the use of fine breed and high-productivity technology, improve farming methods and upgrading the farming industry's ability to resist disasters.

China's total grain demand is expected to reach 572.5 million tonnes by 2020, and to maintain a food self-sufficiency rate of 95 percent, at least 540 million tonnes of grain would be needed by then, Zhang said.

Zhang added that the NDRC and other food administrative agencies were working together in a draft law on food and grain.

According to Zhang, China has established a preliminary emergency response system for grain safety, strengthening the production, storage, transportation and distribution of food and grain during emergency situations.

Efforts urged to boost autumn grain production²

Ministry of Agriculture (MOA) said China's autumn grain production has entered a critical period, as it urged local authorities to step up efforts to ensure a good harvest.

¹ Xinhua News Aug. 26, 2010

² Xinhua News Aug. 13, 2010

The autumn grain harvest makes up 70 percent of total annual grain harvest. The MOA predicted the autumn grain planting area will hit 76 million hectares this year, 871,000 hectares more than last year.

The MOA also asked local authorities to keep close watch on weather conditions and to make efforts to minimize losses. The ministry said it will send agriculture experts to different localities to give advice on grain production.

Extreme weather conditions, including lower temperatures and heavy snow, hit the summer grain output declining 0.3 percent year on year to 123.1 million tonnes this year, the first fall in seven years, according to the National Bureau of Statistics. That total included 108.8 million tons of winter wheat. By Aug 19, a total of 10.9 million hectares of crops nationwide had been damaged by severe floods and typhoons

In August, the central government set up a special fund of 1,100 million yuan (US\$162 million) to support the planting of autumn grains in major rice-producing areas in the South and Northeast region. All of the fund has been allocated and will be mainly used for subsidizing local farmers to increase fertilizer dosages and eliminate plant diseases and insect pests

Food safety systems move to improve³

China's food monitoring and risk assessment systems are to be upgraded with new technologies and more funding, said a government report.

The report was submitted to China's top legislature by a food safety office under the State Council which gave an account of the government's work in implementing the Food Safety Law.

To improve assessment of safety risks of food and agricultural products, the government had already drawn up regulations and set up national expert commissions, it said.

The government would work to build a more extensive safety risk assessment system, make assessment more scientific and standardized, and broaden its information monitoring, it said.

The report said the Ministry of Health had established 31 food safety monitor centers at provincial level and 312 at county level, while the Ministry of Agriculture had expanded monitoring of quality safety of agricultural products to 259 big and medium cities.

However, it noted that China's food safety monitoring was still in its infancy and was technologically weak, and said government departments would increase spending, among other measures, to improve monitoring.

In 487,000 inspections of food companies between January and May this year, quality supervision authorities nationwide dealt with 71,000 cases of sub-standard food production and cracked 12,000 cases of illegal food production.

The report also said the focuses of the crackdown would be the adding of inedible ingredients to food and the abuse of additives.

Nationwide cold-chain planned⁴

³ Xinhua News Sep. 3, 2010

⁴ ThePoultrySite News July 30,2010

National Development and Reform Commission (NDRC) is drawing up a plan to establish cold chain logistics of agricultural produce across the country by 2015.

In accordance with the Plan to Readjust and Rejuvenate Logistics issued by the State Council, the Development Plan for Cold Chain Logistics of Agricultural Produce compiled by the NDRC was formally released.

According to an official source, in the six-year Development Plan starting in 2010, objectives, main tasks, key projects and safeguards are laid out, based on the analysis of the current situation and problems, for the development of cold chain logistics of agricultural produce, such as fruits, vegetables and aquatic products.

According to the Development Plan, by 2015, China will establish a number of large-scale, efficient and modernized trans-regional cold chain logistic centers, and foster the growth of core enterprises with a strong capacity for resource integration and international competition, so as to promote core technologies and preliminarily build a well-established streamlined service system with a proper layout, advanced equipment, regulated operational management, and a sound system of technical standards.

Serious vegetable supply problem to prevent⁵

China's State Council has ordered the expansion of vegetable production, with increased funding and rail links, in a move to stop an "increasingly serious" food supply situation in some major cities.

The State Council agreed to take measures covering the entire process of vegetable planting, storage, transport, distribution, marketing, quality monitoring and consumption.

It ordered local governments to stabilize and expand vegetable farms in the suburbs of large cities, with minimum planting areas, and to set up vegetable reserves to meet demand for five to seven days in large cities like Beijing and Shanghai.

In a statement issued after an executive meeting, the State Council pledged more funds and preferential policies to support the construction of major vegetable production bases across the country.

Banks and other financial institutions were encouraged to step up lending to vegetable production firms and individuals.

The State Council also urged efforts to step up construction of special railway lines linking production areas with major cities.

Those who spread false information to manipulate prices would be severely punished, said the statement.

City mayors were to assume responsibility for the so-called "vegetable basket project" to ease pressures on the supply of vegetables and foodstuffs.

Vegetable prices have fluctuated sharply in some large cities, with the supplies affected by frequent floods this summer.

⁵ Xinhua News Aug. 18, 2010

Boosted by rising food prices after widespread floods, China's CPI rose to 3.3 percent year on year in July, its highest level since October 2008. Food prices, which account for about a third of the weighting in calculating the CPI, climbed 6.8 percent in July, compared with June's increase of 5.7 percent, the National Bureau of Statistics said in its August report. Because of severe floods across China, vegetable prices surged 22.3 percent in July from a year earlier, grain prices were up 11.8 percent while poultry product prices rose 4.1 percent, said the report.

Anti-subsidy duties on US chicken imposed⁶

China has imposed anti-subsidy duties for five years on imports of U.S. chicken products after concluding producers received improper support, the Ministry of Commerce announced on Sep.1.

Importers must pay tariff rates ranging from 4 percent to 30.3 percent on U.S. broiler or chicken products, starting Aug. 30, the ministry announced. The ministry said producers benefited from government subsidies that lowered feed prices and hurt Chinese competitors.

The tariffs apply to chicken parts and whole birds but not to live chickens or cooked products such as chicken sausage.

The announcement was the final ruling in a case announced earlier this year.

Among major producers, Tyson Foods Inc. is required to pay 12.5 percent duty, Pilgrim's Pride Corp. 5.1 percent and Perdue Farms Inc. 7.4 percent, the ministry said.

China imported 305,600 tons of U.S. chicken products in first half of last year, the ministry said on its website. Imports were 584,000 tons for all of 2008.

Products from the U.S. accounted for 89.2 percent of China's chicken product imports in the first half of 2009, the ministry said.

Anti-subsidy probe into potato starch imported from EU launched⁷

The Ministry of Commerce (MOFCOM) announced it would investigate whether the European Union (EU) members subsidized exports of potato starch to China, and if so to what extent the subsidies had harmed domestic industries.

This is China's first anti-subsidy probe into imports from the EU.

The MOFCOM said in a statement posted on its website that it had received the anti-subsidy probe application submitted by the China Starch Industry Association on June 30 and reviewed the application and related products.

According to the statement, the investigation would initially focus on whether the subsidies exist. It would then look at the subsidy margin and degree of harm brought by the subsidies to the Chinese domestic industry.

⁶ Associated Press Sep. 1, 2010

⁷ Xinhua News Aug. 30, 2010

The ministry said it would conduct the probe in a fair and transparent way, in line with the rules of the World Trade Organization and domestic trade laws.

Industry and Business Watch

Quick work to restore farming in flood-hit areas urged⁸

The Ministry of Agriculture urged local authorities in flood-hit regions to step up efforts to resume agricultural production and create favorable conditions for the autumn harvest following this summer's severe floods.

Local departments were ordered to accelerate water drainage, restore damaged infrastructures, strengthen field management, and plant mung bean, potatoes and buckwheat, which have short growth periods, to make up for losses, according to an official from the ministry.

The official also required departments to clear away and carry out bio-safety disposal of dead livestock, while increasing epidemic control measures.

As of July 21, more than 7 million hectares of farmland in China had been destroyed by torrential rains and floods, according to data from the State Flood Control and Drought Relief Headquarters.

Grain prices to remain stable despite rising international prices⁹

Increased international grain prices are not high enough to raise China's domestic prices, and the ample domestic supplies will be able to meet the demand this year, China's economic regulator National Development and Reform Commission (NDRC) said.

"Currently, the global grain prices are still much lower than domestic prices. Even if international prices rise steeply, it will not pose a significant impact on domestic prices," a statement posted on the ministry's website said, quoting an unnamed officer with the NDRC.

The official pointed out that the international grain market is balanced in terms of supply and demand at present, and said there is no possibility of sharp price increases.

He attributed the recent rise in global wheat prices to short-term market speculation. The prices would return to normal levels after speculative moves are phased out, the official said.

In July, international wheat prices rose significantly after Russia, a major wheat producing country, reported a sharp decline in wheat output following its worst drought in more than a century.

China could meet its demand for wheat, as most of its farms grow grains. A series of policy tools could also keep grain prices at balanced and reasonable levels this year, the official said.

Shang Qiangmin, Director at the China National Grain and Oils Information Center, also said domestic corn supply was adequate, and a recent price increase was the result of market speculation

⁸ Xinhua News Aug. 6, 2010

⁹ Xinhua News Aug. 14, 2010

Although floods that ravaged the country's northeastern regions in late July have caused adverse impacts on regional corn growing, final output was expected to increase from one year earlier due to the expanding of planting areas, Shang said.

The buying boom in the northeastern region is currently caused by enterprises' increasing corn stocks on speculation of price increase, he said.

According to Shang, corn stocks at major grain enterprises in northeastern Jilin, Liaoning and Heilongjiang provinces, and Inner Mongolia Autonomous Region, increased by 5.12 million tonnes at the end of July compared with one year earlier.

The Chinese government has strengthened macro control of corn market by increasing supply and cracking down on illegal activities that force up corn prices.

As the world's major corn producer and consumer, China's annual corn production and consumption both exceed 150 million tonnes.

Farmland, water shortage may threaten grain output¹⁰

The growing shortage of farmland and water resources may prevent China from achieving its ambitious grain output targets in the next decade, warned both officials and experts

Facing a rising population, the central government plans to boost China's annual grain output to more than 550 million tons by 2020, an increase of 50 million tons over 2007. By contrast, the cultivable land in the country sharply decreased from 130.04 million hectares in 1996 to 121.72 million hectares in 2008 due to rapid urbanization and natural disasters, figures from the National Bureau of Statistics show.

"The increase of the grain output in recent years is mainly due to enlarging the planted areas, as the government encouraged farmers to produce grain by offering subsidies since 2004," said Lu Bu, a researcher with the institute of agriculture resources and regional planning at the Chinese Academy of Agricultural Sciences.

"But these grain output increases cannot be continued since China does not have much additional farmland to be cultivated in the future," he said. More improvements should be made in other aspects, such as advancing planting techniques and increasing high-yield fields, he said.

Currently, China's wheat yield is 4.61 tons per hectare compared with the world average of 2.76 tons. Per hectare rice and corn yields are 6.38 tons and 5.28 tons respectively, compared with the global average of 3.38 tons and 3.41 tons.

Although the country now is comfortably ahead of the global average in grain output, the potential demand is still overwhelming, Lu said. Only 33 percent of the total planted areas in China are high-yield fields. That percentage needs to increase.

Water-saving agriculture should also be encouraged, Lu said. Less than 20 percent of the country's water resources are focused on large areas of farmland north of the Huaihe River, which account for two-thirds of the country's total cultivable areas.

Rice imports seen soaring in wake of disasters¹¹

¹⁰ China Economic Net Aug. 27, 2010

Vietnamese rice traders said they have exported 600,000 tons of rice to China since May. And the Vietnam Food Association said much of those shipments were going to buyers in southern China hoping to offset a rice shortage resulting from severe drought.

The group said the shipments were “unusually big orders” from China, the world's largest rice consumer and producer.

That 600,000 tons, if accurate, is more than three times the total amount of rice the Chinese government says was imported into the country during the first six months of the year.

Neither the Chinese Ministry of Agriculture nor the Ministry of Commerce confirmed the report.

The latest figure released by the Ministry of Agriculture showed that China's rice imports in the first six months were up 44.3 percent, year on year, totaling 174,000 tons. By contrast, rice exports dropped almost 25 percent.

Food-security concerns have been raised, given that domestic grain prices are expected to be pushed up as this year's domestic agricultural production has been affected by natural disasters, including drought and floods.

Wang Guozhi, an official with the provincial government of Heilongjiang, a major grain-production base in China, said the amount of imported rice from Vietnam is small, especially compared with the more than 10 million tons of rice produced in Heilongjiang Province per year. The rice output from Heilongjiang accounts for about 30 percent of the total.

Wang said that a variety of grain sources and a small amount of rice imported, are actually good for the market, helping it deal with emergency situations such as disastrous weather.

Wang Jimin, a researcher with the Chinese Academy of Agricultural Sciences (CAAS), thought that some buyers may speculate as they anticipate that prices may be pushed up because of natural disasters.

Corn imports set to slow¹²

Corn imports saw a 56-fold increase to 282,000 tons during the first seven months of this year, according to data from the Ministry of Agriculture. However, agricultural experts believe surging corn imports are only a temporary phenomenon and do not pose a major threat to China's food security.

Corn imports peaked in July, with the nation importing as much as 194,000 tons compared with 65,000 tons in June. Exports of corn, however, remained relatively stable at 13,000 tons in July compared with 9,000 tons in June.

Import surges were also seen in other commodities like cotton and wheat. Cotton imports rose by 97.6 percent to 1.71 million tons for the seven-month period, while wheat imports doubled to 1.02 million tons.

¹¹ Global Times Aug. 13, 2010

¹² China Daily Sep. 2, 2010

The urbanization pace has triggered an increase in meat consumption. In tandem with this, the demand for corn has also gone up as it's essentially used as an animal feed in China, said Jeroen Leffelaar, managing director of Netherlands-based Rabobank. "China will become a net importer of corn from this year," Leffelaar said.

According to Rabobank, China utilized nearly 64 percent of its corn for animal feed in 2009. The balance was used for industrial and edible purposes.

"China consumes 150 million tons of corn every year. The current import volume accounts for a small portion of this. There is no need to worry about food security," said Cheng Guoqiang, deputy director-general of the Institute of Market Economy under the Development Research Center of the State Council.

Cheng said the weather vagaries had a limited impact on corn yields as the damage was restricted to certain areas. The total supplies in the domestic corn market are still unaffected, he said. With the autumn grain harvest just two months away, the situation will improve, as the output is enough for storage and domestic needs, said Cheng.

China told to develop its own GM food¹³

China needs to step up agricultural innovation, including development of its own GM varieties, in response to climate change and to reduce reliance on foreign technologies, top agricultural experts and scientists said.

"Making technical preparations for transgenic technology is very necessary for China," said Zhai Huqu, president of the Chinese Academy of Agricultural Sciences.

Last year, China issued bio-safety certificates to two strains of pest-resistant GM rice and corn. The strains still need about three to five years of registration and production trials before commercialization.

China consumes about 10 million tons of soybean oil and about 40 million tons of soybean meal per year in processed food and animal feedstuff. More than 80 percent of the total is imported GM soybean oil or made from imported GM soybeans.

Approval has not been given for the import of GM crop seeds.

International companies such as Monsanto, which have already sold seeds of GM cotton and conventional crops in China, have started exploring the potential GM market in China.

To make its seeds more adaptable to local situation, Monsanto set up a research and development center in China last December and carried out joint research with several Chinese institutes. China is the number one growth opportunity for Monsanto in the long term, said Kevin Eblen, Monsanto's regional leader in North Asia and president of Monsanto China.

Chinese agricultural research institutes should catch up and develop their own anti-drought crops to reduce possible reliance on foreign technologies, said scientists.

China needs to carefully study what kind of products will be needed in the next 15 years when investing in agricultural technologies, said Fan Shenggen, Director-General of International Food

¹³ China Daily Aug. 23, 2010

Policy Research Institute. Factors such as climate change and alterations to water resources need to be taken into consideration when designing the plans, he said.

Fan urged the government to take environmental protection into consideration in transgenic technology development from the very beginning.

Factory said to supply high-quality seedlings¹⁴

A computer-controlled greenhouse-type factory has begun operations in Beijing to supply high-quality vegetable, fruit and flower seedlings to domestic growers.

The largest of its kind in China, the Jingpeng Plant Factory is a key scientific program of the municipal government.

It has floor space of 1,289 square meters and is located in the Tongzhou District in the east of the city.

It will be able to produce 15 million seedlings per year, Tian Zhen, director of the Beijing Agricultural Machinery Institute, said. The institute worked with the Jingpeng International Hi-Tech Corporation to develop the computer system that regulates the environment of the factory to ensure optimal plant growth.

Tian said plants are grown in a liquid solution on a production line, with the factory's computer system controlling the temperature, light and humidity the seedlings are exposed to and the amount of nutritive material added to the solution.

"The plants here are pesticide free. The factory depends on a 15-kilowatt solar power generator for electricity," Tian added.

Pork and egg prices continue rally¹⁵

Pork and egg prices continued to grow in August, beef and mutton prices rose slightly and fresh milk prices keep steady, according to monitoring results issued by the Ministry of Agriculture. Prices of live pigs saw a general increase, with higher prices in east China and lower prices in southwestern regions.

After seeing an increase for 9 weeks in a row, the average prices of live pigs in the first week of August rose to 12 yuan per kilogram, up 1.4 percent from the previous week. And pork prices grew by 19.4 percent from the previous week.

In addition, the average prices of eggs saw a steady increase for 11 weeks, up 12 percent, and the prices in the first week of August stood at 8.4 yuan per kilograms, up nearly 2 percent.

It also showed corn prices have risen by 38 percent since the end of February 2009.

Milk powder hormone claims investigated¹⁶

China's Health Ministry has instructed food safety authorities in Hubei Province to investigate claims that milk powder has caused infant girls to grow breasts.

¹⁴ China Daily Aug. 23, 2010

¹⁵ ThePigSite News Aug. 11, 2010

¹⁶ TheDailySite News Aug. 13, 2010

The ministry spokesman Deng Haihua said at a regular press conference that food safety authorities were already testing samples of milk powder made by Syrutra, a dairy company set up in Qingdao, a coastal city in Shandong Province, in 1998.

Parents and doctors in Hubei were reported earlier this month voicing fears that milk powder produced by Syrutra had caused at least three infant girls to develop prematurely.

Mr. Deng said authorities were also conducting a medical investigation into the cause of the infants' conditions in consultation with medical experts.

He said estrogen hormones were forbidden in milk powder products and the Ministry of Agriculture had formulated test procedures for estrogen hormones and had provided them to Hubei authorities.

The food safety supervision team in Hubei Province decided to transfer the milk samples to central government authorities for testing. He promised timely publication of the investigation results.

Settling of farm insurance claims urged¹⁷

China insurance authorities urged insurance companies nationwide to survey and settle insurance claims involving floods as part of efforts to help farmers to resume production.

As of July 31, total insurance indemnities to the nation's agriculture industry caused by floods across the country were estimated to be 1.21 billion yuan (US\$178.7 million), the China Insurance Regulatory Commission said in a statement posted on its website.

Devastating floods hit central China's Hunan province and eastern Anhui province and northeast Jilin province this summer, destroying farm production. The expected insurance claims in each of the three provinces were estimated to exceed 200 million yuan, according to the statement.

China suffered a string of natural disasters this summer, including a massive mudslide that hit Zhouqu county, northwest China's Gansu province on August 8 and, so far, resulted in the deaths of 1,447 residents.

Also, a devastating flood in Jilin, China's main grain-growing region, affected at least 1.25 million hectares of crops and caused 45 billion yuan in damages.

AgFeed acquires M2P2¹⁸

AgFeed Industries Inc., a US company and one of the largest independent hog production and animal nutrient companies in China, has announced that it has agreed to definitive terms for the acquisition of the operations and assets of M2P2 LLC based in Ames, Iowa. AgFeed and M2P2 have entered into a binding term sheet summarizing the principle terms of the acquisition and expect to complete the transaction later this month.

Dr Songyan Li, AgFeed's Chairman, said: "We are very pleased with the progress we have made to move this transaction forward and expect to move rapidly to complete the acquisition. The

¹⁷ Xinhua News Aug. 27, 2010

¹⁸ ThePigSite News Aug. 16, 2010

transaction has developed during the last weeks to allow us to purchase not only M2P2's operations, but also its farm and real estate assets. We expect that M2P2's base of hog production will add approximately US\$180 million of revenue to our company and provide a solid platform to pursue growth opportunities.”

The aggregate consideration AgFeed expects to pay to acquire M2P2 is US\$26 million, subject to adjustment based upon the book value of M2P2's assets, of which approximately 49 percent will be paid in cash and approximately 12 percent in AgFeed common stock with the balance being in the form of a 10-year seller note. The completion of the transaction is subject to a number of conditions including the finalization of due diligence, negotiations and execution of definitive agreements and board approvals. It is anticipated that John Stadler, Chairman of M2P2 will join AgFeed's Board of Directors upon completion of the transaction.

Tianli Agritech announces closing of IPO¹⁹

Tianli Agritech, a leading producer of breeding hogs in central China, has closed its initial public offering of 2,000,000 common shares at US\$6.00 per share on the Nasdaq Global Market.

With a projected annual capacity of 130,000 hogs, Tianli Agritech operates nine hog farms in Wuhan, Capital of Hunan Province.

Revenue is primarily generated through the sale of breeder hogs to other hog farmers. Tianli also sells hogs that do not meet breeder standards to slaughter houses for meat production. It receives a nominal amount of revenue from the sale of hog waste products.

There are over 40 local pig breeds in China. Tianli's primary varieties are Yorkshire, which originated in England, the Landrace, which originated in Denmark and the Duroc, which originated in the United States.

With 230 employees, the company employs sophisticated nutrient feeding and disease control technology. To reduce the effects of antibiotics and drugs used by other hog farmers, the company has developed its own premix feed, which improves the health of the hogs and has greatly reduced feed cost.

China is the world's biggest hog producer and pork consumer, consuming more than 600 million pigs a year. Pork accounts for approximately 65 percent of total Chinese meat consumption.

China dominates the global pork market with estimated 2009 sales of 47 million metric tons. Production is expected to reach 68 million metric tons by 2015, a gain of 45 percent. Increasing urbanization and rapid growth of the Chinese middle class are major drivers of the growing demand for pork.

Hog production in China is currently dominated by backyard farms that sell 5 to 10 hogs a year and small farms that sell fewer than 100 hogs annually. These farms account for some 75 percent of China's total hog production. Large farms selling 100 to 500 hogs a year account for 21 percent, those selling 500 to 10,000 account for 3 percent and the remaining 2 percent is from farms selling between 10,000 to 50,000 hogs a year. Tianli is one of a relative handful of 'super' hog farms with 2009 production over 50,000 hogs a year and a production capacity of 110,000 hogs a year.

¹⁹ ThePigSite News Aug. 23, 2010

The Chinese government is actively encouraging the development of large hog breeding companies in order to increase national production. Tianli has benefited from these efforts including approximately US\$455,000 in government grants and subsidies and income tax holidays in 2008 and 2009.

The IPO raising gross proceeds of US\$12 million will be used for the construction and/or acquisition of hog farms to increase capacity by an aggregate amount of 40,000 hogs. Proceeds also will be used to purchase or import purebred hogs for breeding stock, the establishment of retail shops in Wuhan City and working capital for general corporate purposes.

Tianli's strategic goal is to become a vertically integrated producer of premium pork products. It plans to operate a complete operation starting with feed mills all the way through purebred hog farms, crossbred hog farms, meat hog farms, slaughter houses, pork processing plants and retail chains.

The company has its own pork brand Hanshi and has applied for Green Food Certification. It is currently in with major supermarket chains to carry the Hanshi brand. In 2010, the company expects to market pre-packaged ground pork, shredded pork, pork chops and pork slices with branding based on green, no-antibiotics labels.

Tianli is also considering expanding into the food service segment. Other planned growth strategies include opening retail locations, acquisitions and the feed business with sale of the company's proprietary premix feed.

Company revenues increased 44 percent in the first fiscal quarter ended 31 March 2010 to US\$4.46 million. The number of breeder hogs sold in the quarter was up 137 percent at a price 1.7 percent higher than 2009. Revenue from meat hogs sales was up 22 percent. Gross margins in the quarter increased to 42 percent from 37 percent a year earlier. Net income for the quarter was US\$1.67 million, up 39 percent from US\$1.21 million in the first quarter of 2009.

McDonald's RMB corporate bond launched in HK²⁰

Standard Chartered Bank announced in Hong Kong that it has launched a renminbi (RMB) corporate bond for the McDonald's Corporation.

The bank declared it was the first RMB bond launched for a foreign Multinational Corporate in the Hong Kong debt capital market.

The notes, with a 3 percent coupon rate and an issue size of 200 million yuan, were targeted at institutional investors and have a maturity date of September 2013.

The launch of McDonald's RMB corporate bond signifies the beginning of a new funding channel for international companies to raise working capital for their China operations and it has already generated good investor interest, said the bank.

Agricultural fair opens in Changchun²¹

The ninth China International Agricultural and Food Fair opened on Aug. 15 in Changchun, capital of northeast Jilin Province, underscoring the country's efforts to ramp up agricultural production and trade in the wake of the deadliest floods in a decade.

²⁰ Xinhua News Aug. 19, 2010

²¹ Xinhua News Aug. 19, 2010

The 10-day fair attracted more than 600 agricultural enterprises from home and abroad to participate and over 40 projects were expected to be signed during the 10 days.

Jilin is one of the most important commodity grain bases in China. However, recent flooding, which affected 1.25 million hectares of crops as of Aug. 10, raised public expectations of higher food prices during the second half of the year.

The agricultural trade and investment promotional event was jointly sponsored by the Ministry of Agriculture, Jilin provincial government and Changchun municipal government.

Scientists complete genome framework map of common wild rice²²

After the high coverage sequencing, splicing and assembly of common wild rice genome, the genome framework map was completed by a research team led by Professor Gao Lizhi at the Kunming Institute of Botany, Chinese Academy of Sciences (CAS). This is the first wild rice genome sequencing project completed by Chinese scientists and is also the first wild rice genome framework map with high heterozygosity in the world. It was shown that common wild rice genome had nearly 370 million base pairs and contained about 40,000 genes. The sequencing depth was 70 times of the genome size and 92 percent of the wild rice genome had been covered, as well as more than 90 percent of the genes. At present, the research team is stepping up the detailed genome map of common wild rice.

Following the indica (9311) genome framework map completed by Chinese scientists, the common wild rice genome framework map and further sequencing of the detailed genome map will promote the large-scale analysis and identification of important functional rice genes to provide unprecedented opportunities for high-throughput mining and utilizing of excellent wild rice genetic resources. It will also boost the improvement of rice varieties and germplasm and make it possible for an in-depth understanding of the origin and acclimation mechanisms of cultivated rice in Asia.

Experts urged to halt corn-based ethanol production on price, food security concerns²³

China's industrial experts are advising the government to halt projects making ethanol bio-fuel with corn, as the projects are pushing up corn prices and sparking food security concerns.

Zhao Youshan, Director of the Commercial Petroleum Flow Committee (CPFC) under the China General Chamber of Commerce (CGCC), a national industrial organization, said he has informed the State Council of his views.

Zhao said livestock breeders are facing feed shortages as ethanol fuel makers prompted by government subsidies of roughly 1,900 yuan (US\$279) per tonne of ethanol they can produce have rushed to buy corn.

Makers of ethanol fuel also enjoy tax exemptions according to a policy approved by the government in 2004 designed to boost the bio-fuel industry's development, Zhao said. The subsidies and preferential policies gave companies the incentive to buy corn, leading to price hikes and shortages of supply, he said.

²² Crop Biotech Update Sep. 3, 2010

²³ Xinhua News Aug. 10, 2010

Higher corn prices at home also lead to more imports. Zhang Jianbo, a CGCC analyst, said China became a net importer of corn for the first time in the first half of the year. He said corn imports outweighed exports by 78 million tonnes.

"The average corn price in July in northeastern China surged 15.7 percent year on year to 1,845 yuan per tonne," Zhang said, adding that livestock breeders cannot afford the high prices. "These projects pose a great risk for grain supply in China," he added.

Zhao said China's annual 10 million tonnes of ethanol fuel production could potentially consume 30 million tonnes of corn per year. Production costs for one tonne of ethanol range between 8,000 yuan and 9,000 yuan, adding the same amount of money could buy two tonnes of refined oil.

He suggested using other materials, such as cassava and wheat straw, to produce ethanol.

Green policies spur wind energy and photovoltaic markets²⁴

Chinese government policies intended to promote the adoption of green technologies are having the desired effect, with the country enjoying a boom in wind power capacity and Photovoltaic (PV) installations.

For the wind energy market, China's output last year accounted for nearly one-third of new wind capacity generated worldwide during the same period, iSuppli data show, and continuous growth in the sector over the past five years propelled China to surpass Spain in 2009 and become the world's third largest provider of wind power. New wind capacity generated in the country amounted to 25,100 megawatts (MW) in 2009, more than double the 12,100 MW of power posted in 2008.

A bastion of support for the wind power market comes from local sourcing regulations. In particular, National Development and Reform Commission has ruled that domestic sourcing rates should make up at least 70 percent of wind power mills for facilities to gain construction approval.

As a result of the policy, locally manufactured wind turbines now account for more than 76 percent share of new orders, while also making up 62 percent of the total wind market in the country.

The top players - Sinovel Wind Co., Goldwind Science and Technology Co., and DEC - account for 55 percent share of the market, iSuppli figures show. In addition, more than US\$900 million in new business related to the sector is expected to be created annually over the next three years.

PV power installations grew faster during 2009 than the government had planned. While official forecasts had originally expected PV power installations to reach 300 MW in 2010, projections indicate that the local industry will generate 580 MW this year-fully exceeding the initial government targets.

China is currently the world's largest PV cell manufacturing country as well as the leading global exporter. China in 2008 produced approximately 2 Gigawatts (GW) of PV cells, with more than 90 percent shipped outside the country.

²⁴ Solar Daily Aug. 10, 2010

Among the world's top 10 PV cell manufacturers are five Chinese firms, including Suntech Power, JA Solar, Yingli Green Energy, Ningbo Solar Electric and China Sunergy.

To encourage the development of the local PV industry, the Chinese government in March 2009 launched Solar Roof and Golden Sun, twin projects subsidizing domestic investment in PV power stations.

Over the next three years, the two stimulus programs will support 3 GW of new PV power stations in the country, expanding the roles of local firms in the entire PV supply chain.

Statistics

Agricultural produce average prices from 200 major production counties Aug. 1-10, 2010²⁵

Product	Grade/Unit	Price (CNY)	Percentage changes as compared to last period (% , July 20-31, 2010)
Corn	Unprocessed / kg	2.12	-0.01
Soybean	Unprocessed / kg	5.11	0.42
Hsien rice	Unprocessed / kg	2.19	-0.52
Japonica rice	Unprocessed / kg	2.70	1.74
Wheat	Unprocessed / kg	2.08	0.27
Rapeseed	kg	4.13	1.55
Peanut	Shelled / kg	9.81	0.54
Hog	Finisher / kg	11.95	6.04
	Piglet / kg	15.95	6.49
Broiler	Ready for slaughter / kg	12.17	1.50
Live cattle	Ready for slaughter / kg	16.51	-0.21
Live sheep	Ready for slaughter / kg	17.50	0.27

²⁵ National Bureau of Statistics

Major meat retail price August 2010²⁶

Pork (Lean):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 08/11/10-08/20/10	B. 08/01/10-08/10/10	C. 07/11/10-07/20/10	D. 08/11/09-08/20/09	(A-B)/B	(A-C)/C	(A-D)/D
24.08	23.68	22.02	22.48	1.69%	9.35%	7.12%

Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 08/11/10-08/20/10	F. 08/01/10-08/10/10	G. 07/11/10-07/20/10	H. 08/11/09-08/20/09	(E-F)/F	(E-G)/G	(E-H)/H
8.90	8.66	7.84	7.88	2.77%	13.52%	12.94%

Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 08/11/10-08/20/10	J. 08/01/10-08/10/10	K. 07/11/10-07/20/10	L. 08/11/09-08/20/09	(I-J)/J	(I-K)/K	(I-L)/L
15.40	15.18	14.68	14.26	1.45%	4.90%	7.99 %

Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 08/11/10-08/20/10	N. 08/01/10-08/10/10	O. 07/11/10-07/20/10	P. 08/11/09-08/20/09	(M-N)/N	(M-O)/O	(M-P)/P
34.30	34.28	33.96	33.70	0.06%	1.00%	1.78%

²⁶ China Animal Agriculture Association