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China Agricultural Newsletter – October 2009

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Laws, Regulations and Policies

Import quotas of wheat, corn, rice and cotton for 2010 issued¹

China issued low-tariff grain import quotas for 2010, including wheat, cotton, corn and rice, as part of its World Trade Organization joining commitments.

The quota levels remain unchanged from this year, according the National Development and Reform Commission.

The quota for wheat is set at 9.64 million tonnes and for corn at 7.2 million tonnes, of which 90 percent of the wheat quota will go to state-owned companies while 60 percent of the corn quota is allocated for state companies.

The quota for rice is set at 5.32 million tonnes and for cotton at 894,000 tonnes for imports under low tariffs for 2010, the commission said in a document posted on its website.

Electronic import notification required²

China implements its new electronic notification procedures on Oct. 15, 2009. This requires U.S. poultry exporters to the country to e-mail scanned health certificates to U.S. officials.

The USDA's Food Safety Inspection Service will then forward the information to China's General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ).

This change stemmed from incidents of U.S. poultry containing fraudulent FSIS health certificates entering China.

Minimum purchase price for wheat raised in 2010³

China will raise the minimum purchase price for wheat in the country's major wheat and rice production regions in 2010, said National Development and Reform Commission (NDRC) on Oct.

¹ Reuters Oct. 13, 2009

² WATT AgNet.com

³ Xinhua News Oct. 13, 2009

13.

NDRC said in an announcement on its website that the minimum purchase prices for white wheat and red wheat will be increased by RMB 3 yuan (0.44 U.S. dollars) from the 2009 level to RMB 90 yuan and 86 yuan for every 50 kg, respectively.

The move aimed to protect farmers' interests and promote grain production, according to the NDRC.

Industrial overcapacity to crack down⁴

China has laid out plans to curb overcapacity in industries such as steel, aluminum, cement and wind power, warning that its economic recovery could otherwise be hampered.

In a reiteration of existing policy targets, the State Council said meeting the goal of reducing overcapacity was urgent because the result of inaction would be factory closures, job losses and rising bad loans.

For the steel industry, the government toughened its tone by calling some 10 percent of the country's crude steel capacity illegitimate, but did not elaborate what it would do about it. The State Council said it would not approve or support any new steel projects or any expansion in existing projects.

It noted that traditional coal-to-chemical capacity, a highly polluting and water-consuming sector, exceeded demand by 30 percent. The government said it planned to restrict entry into these sectors.

Also on the blacklist is cement. Projects that had not started by September 30 would be halted and reviewed. Certain provinces will also be asked to make plans to eliminate outdated capacity within three years.

To tackle wind oversupply, the State Council said it would not approve the construction of complete wind-power equipment plants. It also banned the use of locally-produced equipment, aiming to prevent local governments from building their own equipment plants.

Industry and Business Watch

Q3 GDP growth accelerates to 8.9 percent⁵

China's economic growth accelerated to 8.9 percent year on year in the third quarter, and 7.7 percent year on year in the first nine months, the National Bureau of Statistics (NBS) said.

NBS spokesman Li Xiaochao told a press conference that China's gross domestic product (GDP) totaled 21.78 trillion yuan (3.18 trillion U.S. dollars) in the first nine months. Policies adopted by the Chinese government to fight the global financial crisis had produced significant results and the Chinese economic growth was on a "consolidated" recovery, he said.

Li said the consumer price index (CPI) dipped 1.1 percent year on year in the first nine months.

⁴ Reuters Oct. 1, 2009

⁵ Xinhua News Oct. 22, 2009

The September CPI was up 0.4 percent over the previous month, but the NBS did not provide the reading of the September CPI on an annual basis. The CPI declined 1.2 percent in August from a year earlier, the seventh consecutive monthly fall since the index dropped 1.6 percent in February, the first fall since October 2002.

The producer price index (PPI) at the wholesale level dropped 6.5 percent year on year in the first three quarters, Li said. The September PPI rose 0.6 percent from a month earlier.

Industrial output rose 12.4 percent in the third quarter from a year ago, and was up 8.7 percent year on year in the first nine months.

Retail sales in the first nine months rose 15.1 percent year on year to 8.97 trillion yuan (1.31 trillion U.S. dollars). Fixed-assets investment rose 33.4 percent in the same period.

Li said investment played an important and active role in helping reverse the downward trend and driving relatively fast growth this year.

Premier Wen stresses autumn and winter grain production⁶

Premier Wen Jiabao on Oct. 12 stressed the growing of autumn and winter crops at an executive meeting of the State Council.

The State Council would continue to strengthen the fundamental status of agriculture and boost the support for agriculture and grain output, according to the meeting.

All provincial areas and departments should put into practice the central government's policies, especially policies for the benefits of farmers, according to the meeting.

Although China reported grain output increase for continuous years, the relationship between grain demand and supply would be strained in the long run as China's infrastructure for grain output was not stable, the grain planting efficiency was relatively low and natural disasters were frequent, according to the meeting.

Autumn and winter planting was key to next summer's harvest and even next year's harvest and measures should be taken to promote grain output, according to the meeting.

The measures should include promoting subsidy policies and stabilizing autumn and winter planting acreage, stabilizing market prices to protect farmers' interests and promoting technology services for farmers, according to the meeting.

Food safety products more promising⁷

China's demand for food safety products is forecast to grow 15 percent per annum through 2013 to 13 billion yuan (US \$2 billion), according to a new Freedonia industry study, entitled Food Safety Products in China.

The study notes that growth will be largely fueled by food and beverage output in processed food, beverage and dairy segments, which are more intensive users of these products. A greater focus on food safety and supply chain security by larger food processing firms in China will also boost growth.

⁶ Xinhua News Oct. 13, 2009

⁷ TheDairySite News Oct. 5, 2009

Recent growth is partly in response to enhanced government regulation, in particular the Food Safety Law introduced in 2009. However, the study says that consumer concerns in both domestic and export food markets following a series of food safety scares involving Chinese food will also prompt spending on food safety products by those involved in the various production aspects of the food industry.

A bumper grain harvest and higher meat output in 2009⁸

China is expecting a bumper grain harvest for 2009, with the early rice harvest up 5.3 percent this year at 33.27 million tonnes, said the National Bureau of Statistics on Oct. 21.

China produced 6.3 percent more pork, or 34.95 million tonnes, in the first nine months of the year. The number of pigs rose 2.2 percent to 468 million heads in the period, said the bureau.

Total meat output, including poultry, mutton and beef, rose 5.6 percent to 52.8 million tonnes in the first nine months, said the bureau.

CNGOIC: 09/10 soybean import may be down 6 percent⁹

China is likely to reduce soybean import in 2009/2010 after record estimated imports of 40.6 million tonnes in the current year ending September, estimates from China National Grain and Oils Information Center (CNGOIC) showed.

Chinese crushers were likely to process more domestic soybeans into soymeal and soyoil, but despite that, the domestic harvest was likely to fall 6 percent this year to 14.5 million tonnes, CNGOIC said.

Chinese soy plants were likely to process 6 million tonnes of domestic soy next year, higher than 2.2 million tonnes forecast for the current year, it said.

China's record imports in the current year were driven largely by Beijing's stockpiling of domestic crops, which had set prices higher than import prices, prompting crushers in the north to shift to cheap imports.

Traders said the government was considering improving its stockpiling scheme on the new harvest, which would encourage plants to crush more domestic soybeans.

The center's soy import estimate was in line with forecast by USDA which put China's imports at 38.1 million tonnes for the 2009/2010 marketing year.

China's soy imports in November and December would pick up to more than 4 million tonnes each month after low imports in September and October, which were estimated at 2.6 million tonnes and 2 million tonnes, respectively.

The center also estimated China's soyoil consumption to grow 11 percent to 9.1 million tonnes in the year beginning October, which includes 2.3 million tonnes of imports. Soymeal use for feed production was projected to rise 8.3 percent to 32.5 million.

⁸ Reuters Oct. 21, 2009

⁹ Alibaba.com Oct. 1, 2009

"The recent rise of breeding margins will help breeders increase breeding stocks and spur demand of soymeal and corn," it said.

Exports of soymeal would fall to 800,000 tonnes in 2009/2010 from 1.15 million tonnes estimated for the current year.

Potato industry to be more productive¹⁰

Potato industry has been turned into a vital agro-business in China to effect a remarkable change to the regional economic structure with its present potato grown acreage making up one fourth of the total grown acreage worldwide.

Farmers around China no longer take potato merely as a favorite dish or food on their table. Instead, potato farmers, particularly those in northwestern and southwestern China, such as Inner Mongolia and Gansu province in the north and northwest, and the provinces of Guizhou and Yunnan in the southwest, all regard it as one of vital agro-businesses with huge business opportunities.

China's total potato acreage reached approximately 5.33 million hectares in 2008, and the combined acreage under potato in the mid-west provinces and regions constitutes 62.5 percent of the total potato-planted area in the country. And potato has become the primary source of food and income for local farmers in these areas.

China is reportedly to be the single largest producer of potatoes in the world with a quarter of the total global acreages under potato, and its total output accounts for one fifth of the global total. Its per-unit output, however, is merely 14.4 tons per hectare, much lower than the global average level. This is owed solely to the shortage of de-virus good seed potato strains. Nowadays, the "de-virus" seed potato strain sown area is only about 20 percent of China's total potato acreage, whereas such fine seed potato planted area in some developed nations could reach 90 percent at least, according to the Vegetable and Flower Research Institute affiliated to the Chinese Academy of Agricultural Sciences.

Nevertheless, it is projected that China's potato starch demand would be as much as 3 million tons by the year 2030, when the country could become a center for potato producing and processing as well as trade in the Asia-Pacific region and world at large.

Pig industry enters mature phase¹¹

After 30 years development, China's pig industry has entered the mature stage, the domestic per capital possession amount of pork has exceeded the world average. The pig industry has basically ended a period of rapid growth, according to a report entitled *China Pig Industry Market Research 2009* published by Research and Markets.

The development of competition of pig industry has in a stage of scale, characteristic cultivation and brand. At this stage, disease control, price risk management and meticulous management are the foundation of competitiveness. Build up a brand is the core of competition of differentiation, the ideal development is to form a fully industry chain with feed, cultivation, breed, slaughter and sale. In terms of the development of pig industry in the past 30 years, in every economic cycle, the pig industry always carry out an industrial upgrading. In the next 10 years,

¹⁰ People's Daily Oct. 23, 2009

¹¹ ThePigSite News Oct. 21, 2009

the pig industry will be into a stage with industrial scale and brand.

Pork price always reflects the level of feed grain prices, labor costs and general inflation, or even more sensitive than consumer price index (CPI) to reflect price level. Since 2000, pork price has been continued rising, the domestic inflation has been rising faster.

During 2000-2003, the price of pork was RMB 10 yuan per kilo with relative stability; 2004-2006 was RMB13 per kilo, an increase of 30 per cent with moderate inflation; 2006-2008 was RMB20 per kilo; since the second half of 2008 until now, although the price of pork call-back quite sharp, but the pig industry is still in loss. However, the overall level of pork price is still high, a long-term trend is still in a downward trend from the peak time.

In terms of regional resource advantages and development status, government chooses some traditional areas such as the coastal areas, north-east areas, central areas and south-west areas in 19 provinces to establish 437 pig breeding bases. By 2015, the total number of slaughter pigs will reach to 400 million in those bases, an average annual increase of 3.4 percent; pork production reach to 32.4 million tons, an average annual increase of 3.5 percent. Among them, the proportion of large-scale breeding to achieve 65 percent or more; pig slaughter rate achieve 150 percent or more; each pig for meat yield annually will reach 120 kg. Creating a healthy stock breeding system, as well as the supply capacity of boar meets the production needs. The sales from these bases to other consumer areas will reach 240 million pigs, accounting for 60 percent of the total slaughter amount; the export of pig products will grow to 80 million tons.

In general, government policy can be divided into two categories: one is called "essential functions" policy including five main policies: the monitoring of basic information and release, disease prevention subsidies, disease pigs slaughtered, subsidy of slaughter link of harmless disease treatment, use of government pig reserves to regulate short-term market fluctuations.

The second category is "strengthen and promotion" policy. These policies include: breeding sow insurance and subsidies, reward for large pigs base for transferred out, subsidies for pig semen, and support standardization of the size of farm infrastructure. These policies are mainly aimed at the development of China's live pig production problems, such as low level of scale and standardization, seed rate is not high, instability of development. These policies are necessary and will remain long-term stability.

Outbreak of PRRS in some area reported¹²

Ministry of Agriculture (MOA) has announced that an epidemic of swine disease that killed more than 80,000 pigs in 2007 has emerged in parts of the country.

An outbreak of pathogenic blue-eared pig disease, also known as porcine reproductive and respiratory syndrome (PRRS), has appeared in five areas of China, MOA said in a statement posted on its website.

But the overall swine disease situation in China was stable, MOA said on Oct. 23, compared with 2007, when blue-eared pig illness killed over 80,000 pigs, led to the culling of 235,000 others and set pork prices rocketing.

"So far this year, the overall swine disease situation in China remains stable, and in particular, the scope of highly pathogenic blue-eared pig disease has significantly shrunk," the statement

¹² ThePigSite News Oct. 26, 2009

said.

Channelnewsasia.com reports that until 20 October, just under 3,300 pigs had died from the disease and 7,724 had been culled.

Hog cholera plagues in Zhejiang Province¹³

Hog cholera has broken out in eastern China's Zhejiang Province. The highly contagious disease, also called swine fever, has impacted 19 of the 37 villages in Yinkeng Township.

Most households in the region raise pigs and many have lost their entire stock to the disease. Sanitation problems are arising from dead pigs littering river ways.

Locals say some infected pigs have been slaughtered and its meat sold in neighboring areas. According to the World Organization for Animal Health, the virus is not killed by the process of smoking or curing.

Chinese swine team increases interest in US DDGS¹⁴

A team of nine large-scale hog producers traveled to the United States from China at the first week of October to gain practical experience and expand their knowledge in order to improve production efficiency and reduce disease challenges through a US Grains Council-sponsored program.

The team was also educated on the inclusion of US distiller's dried grains with solubles (DDGS) in swine rations. Jason Yan, USGC technical program director in China, said: "The program definitely increased the interest and understanding in using DDGS in swine rations."

This was immediately evident, as upon returning to China, the Council reports two companies represented on the team expressed interest in arranging future purchases of DDGS from the United States. One company imported 10,000 metric tons to-date, contributing to China's 250,000 to 300,000 tons projected for import in 2009.

The team attended the Leman Swine Production and Veterinary Conference in St. Paul, Minnesota, followed by a training program at the University of Minnesota. Over the course of their travels, the team also traveled to North Carolina to visit large swine farms and meet with veterinarians, adding to their repertoire of US feed grains and swine management experience to take to their respective operations.

China urges US to reopen poultry market¹⁵

China's Ministry of Commerce started pushing the United States to take more steps to allow funding for regulations regarding poultry imports from China, following the 2010 Agriculture Appropriations Bill passed October 21.

China welcomes the changes in this new bill, the ministry's spokesman, Yao Jian, commented in a government statement. Yao also said China hopes the U.S. can take active steps soon to re-import Chinese poultry products.

¹³ Watt Pig E-News Oct. 13, 2009

¹⁴ ThePigSite News Oct. 2, 2009

¹⁵ Poultry E-News Oct. 26, 2009

The 2010 Agriculture Appropriations Bill still includes some restrictions aimed at Chinese poultry products, and China is evaluating whether it interferes with the non-discrimination principle of the WTO and other relevant rules, according to Yao.

Difficulties of sourcing halal chicken in China¹⁶

Outside of their community, it's difficult for China's Muslims to find halal chicken. The demand exists, but supply is yet to catch up.

China has a limited number of halal-certified producers, and they tend to sell their relatively small output to overseas markets, limiting local supplies. Trade growing at halal restaurants makes sourcing ready-to-cook halal chicken more difficult.

Henan Yongda, for example, produced some 40,000 metric tons of frozen halal chicken meat in 2003, but a quarter of this was sold outside the country.

Deputy Secretary General at the Yinchuan-based Ningxia Islamic Association Yang Xue notes that there are some poultry factories in the Ningxia region, but most local Muslims will not buy poultry meat from them as they do not comply with Islam's food laws. "Muslims would like to buy more chicken if there were some reliable supplies," says Yang, but his association has been unable to grant certification to any local producer.

There are initiatives in place to support the halal sector in China. For example, the Shanghai authorities provide a RMB 5,000 yuan (US\$ 732) subsidy to each halal food store.

There are currently an estimated 22 million Chinese Muslims. The country's halal food industry, thought to be worth US\$ 2.1 billion in 2006, is growing by 10 percent annually.

The industry is concentrated in the Xinjiang Uighur regions, Ningxia Hui Region and the provinces of Qinghai, Henan and Guangdong. But demand would appear to be outstripping supply.

USDA forecasts China continuing contraction of the cattle herd in 2010¹⁷

World Beef Trade Overview released by USDA Foreign Agricultural Service in October says economic recovery in 2010 will help stimulate improved demand for meat and poultry.

Beef production in 2010 is forecast to continue its recent decline, albeit at a slower rate of less than one per cent. Production increases in Brazil (four percent) and India (five percent) will not offset lower production in Argentina (13 percent), China (four percent) and the United States (two percent).

Continuing contraction of the cattle herd in China is forecast to negatively impact beef production, which will fall to just over 5.5 million tons – comparable to the levels of 2003/2004. The herd, estimated at 104.9 million head at the beginning of 2010, will have contracted for two years. Backyard producers, which account for the majority of holdings, have been discouraged by a marketing system disadvantageous to small producers. Despite high cattle prices, production costs have risen at a faster rate, squeezing profit margins. Uncertainty in the sector, which stifles production, has also been fostered by continued outbreaks of foot and mouth disease.

¹⁶ Poultry International Oct. 29, 2009

¹⁷ TheBeefSite News Oct. 15, 2009

Domestic dairy industry index shows strong recovery¹⁸

The economic climate index of the domestic dairy industry co-released by the National Bureau of Statistics and the Economic Daily on Oct. 21 showed that the industry is firmly on the recovery track.

Production and sales of the dairy industry continued to pick up in the third quarter as well. Dairy output climbed eight percent quarter-on-quarter to 5.02 million tons. And sales revenue of the industry moved up 8.1 percent to 41.78 billion yuan (US\$ 6.12 billion).

Profits were also up in the last quarter. The industry realized 2.42 billion yuan (US\$ 353.46 million) in total profits, up 12.3 percent from a quarter earlier. Losses were at 24.2 percent, dipping 0.7 percentage points.

Indexes of accounts receivable, funds occupied by finished goods all rose considerably, and although some indexes witnessed a year-on-year fall, the decline was not sharp.

China's dairy industry is still bouncing back from a scandal last year that involved over 20 companies. Song Kungang, director-general of the China Dairy Industry Association, said the industry benefited from governmental supervision through a series of laws, regulations and policies. The launch of new dairy products and restored confidence in dairy makers also made a difference, he added.

The report said the industry's recovery will quicken in the fourth quarter.

Major dairy companies all reported optimistic results in the first half. Inner Mongolia Yili Industrial Group made 254 million yuan (US\$ 37.20 million) in net profits, up 117.57 percent year-on-year. Mengniu Dairy's sales revenue reached 12.1 billion yuan (US\$ 1.77 billion), up 19 percent compared with the second half of 2008, with net profits climbing to 661.9 million yuan (US\$ 96.95 million).

Gao Hongbin, Vice Minister of Agriculture, said last week, the ministry had clamped down on 6,606 milk stations by the end of September in 2009, with more than 80 percent of milk stations reaching the required standards.

Monsanto enters a collaboration with Huazhong Agricultural University¹⁹

Monsanto Company and Huazhong Agricultural University have entered into a collaboration to further the development of novel traits such as higher yield, drought resistance and nitrogen use efficiency. Monsanto will evaluate and advance certain technologies developed by Professor Qifa Zhang's research team at Huazhong Agricultural University in China.

Steve Padgette, vice president of biotechnology for Monsanto, said: "This collaboration will allow Monsanto to help agriculture meet the challenges of providing food, fuel and fiber for a growing world population."

Professor Zhang said: "Monsanto's proven ability to commercialize and market new technology could enable our research to advance from laboratory concepts to products in the world market at a much accelerated pace. The collaboration will accelerate the step of our commitment to

¹⁸ Global Times Oct. 22, 2009

¹⁹ Reuters Oct. 20, 2009

provide benefits to farmers and society as a whole.”

Herbalife eyes China market²⁰

Herbalife, one of the world's top five direct-selling companies, is investing in China a lot more aggressively than before to increase the size of its business from its current fourth place to become the largest in the Asia-Pacific region within four years.

Michael O. Johnson, chief executive officer of the U.S. personal care and nutritional products maker, made the remark during a three-day China visit to Nanjing, Jiangsu province. He refused to be specific about numbers, only saying the volume would be "larger" than in previous years.

The company's China investment has amounted to US\$ 38 million so far. The majority, US\$ 31.25 million, went to its Suzhou factory, one of its two manufacturing plants worldwide whose products have been mainly sold in China.

Future investment will be injected into three major areas, including expanding the output capacity of the Suzhou factory to cover a floor area of over 7,000 square meters, setting up a research and development unit and establishing a training system.

The Suzhou factory, which will contain not only the manufacturing base but also R&D and training centers, will be the model for all Herbalife's global businesses, said the CEO.

Wahaha settles dispute with Danone²¹

Hangzhou-based Wahaha Group, China's largest soft drink maker, said on Oct. 2 it had reached an amicable settlement with French dairy giant Danone, ending two years of legal disputes.

Danone agreed to sell its 51 percent stake in the joint ventures to its Chinese partner. The agreement has been reached with the support of both the Chinese and French governments, and is still subject to the approval of the Chinese authorities, said the companies in a joint statement.

The execution of this agreement will also put an end to all legal proceedings related to the disputes between the two parties, which began in 2006, when Danone said it had discovered that Zong Qinghou, founder and chairman of Wahaha, had set up an entire production and distribution network in parallel to the joint ventures.

Danone and Hong Kong-based Peregrine Investments Holdings invested US\$ 70 million to form five joint ventures with Wahaha in 1996, acquiring a 51 percent stake.

After Danone's request that Wahaha's trademark be transferred to the joint ventures was denied by the Chinese trademark office, Wahaha promised in a contract not to set up similar businesses that would compete with the joint ventures.

When Peregrine collapsed in 1998, Danone acquired its stake in the joint ventures and became the majority owner. After failing to acquire a 51 percent stake in these new companies at a total price of RMB 4 billion yuan (US\$ 586 million) in April 2007, Danone initiated a series of lawsuits in China, US and Sweden, accusing Wahaha's breach of agreement by selling Wahaha-branded

²⁰ China Daily Oct. 10, 2009

²¹ Global Times Oct. 2, 2009

drinks without its permission.

Wahaha said it didn't know Danone had stakes in Peregrine when they signed the agreement in 1996, and therefore did not expect Danone would become the majority owner. Chairman Zong also accused his French partner of trying to steal a Chinese brand.

Wahaha won most of the lawsuits in China and the US, but the conclusion of arbitration in Stockholm was delayed. During the latest trial in May, Hangzhou Intermediate People's Court of Zhejiang Province ruled that Wahaha owned the trademark.

Insiders believe the peaceful settlement make Wahaha strengthen its family management style after Danone withdraw its stake, however its plans to become more international are now more difficult to implement.

Selling Wahaha's stake has been Danone's biggest setback in China so far. Danone also ended its partnership with Inner Mongolia-based Mengniu Dairy and Shanghai-based Guangming Dairy in late 2007. Currently Danone's businesses in China include Robust, a bottled water and dairy-based drinks producer, and Danone Biscuits China and Dumex, an infants' and children's nutrition company.

CitiBank opens 3rd rural lending company in China²²

CitiBank China on Oct.14 opened its third lending company in China. The company is in Wafangdian in the northeastern port city of Dalian with a population of 1 million. The first two such businesses are in Gong'an and Chibi in central province of Hubei. All the three are county-level rural regions.

Andrew Au, CEO of CitiBank China, said the Dalian Wafangdian Citi Lending Co., Ltd. will offer both secured and unsecured loans to individuals, self-employed and micro-businesses. The company has registered capital of RMB 17 million yuan (US\$ 2.5 million) and 10 employees.

CitiBank now has eight branches and 26 outlets in China.

HSBC to roll out personal loan scheme in rural China²³

HSBC is set to roll out its personal unsecured loan scheme for farmers and the self-employed across rural China, the bank said in a press release issued on Oct. 12.

The project, developed in conjunction with Netherlands-based non-profit organization Women's World Banking, has been undergoing trials for the past three months in Hubei province, it said.

HSBC was the first international bank to enter China's rural market and now operates five branches in the countryside.

Wind power supplies to go over capacity²⁴

An official at the National Development and Reform Commission (NDRC) said that overcapacity in wind power equipment is inevitable without policy control and adjustment.

²² Global Times Oct. 15, 2009

²³ Global Times Oct. 15, 2009

²⁴ Global Times Oct. 16, 2009

Chen Bin, head of the Department of Industry at NDRC, said that while the demand for advanced wind power equipment has been steadily increasing, too much capital flooded into the sector in recent years, resulting in redundant construction.

There are over 80 companies manufacturing wind power generators, with many more preparing to enter the market, Chen said.

In 2010, the country's wind power equipment capacity is expected to exceed 20,000 megawatts, but the annual installed capacity will only be around 10,000 megawatts, he said.

Building wind power equipment projects requires a massive investment, and if the products cannot sell due to oversupply, then it will be a waste of capital and resources, said Ji Xiaokang, board secretary of Shanghai-listed Zhuzhou Times New Materials Tech (ZTNMT), a rotor blade producer in central China's Hunan Province. The mainstream product is a 1.5 megawatts turbine, but many plants set up in previous years can only produce turbines with lower capacities, Ji remarked.

Consolidation in the equipment sector, perhaps leaving only five or six companies, will not only reduce unproductive competition but also is necessary to help the industry upgrade its technology and compete with foreign manufacturers, Ji said.

Although the wind power industry is still immature, the government should foster its development and make it take the place of more coal-fired power generation, said Li Chaolin, an energy analyst with Beijing-based Anbound Consulting.

Vestas adds investment in China²⁵

Vestas, the world's leading wind power equipment manufacturer, would increase its investment in China to more than RMB 3 billion yuan (US\$ 439 million) by the end of this year.

The Danish company officially inaugurated manufacturing facilities for wind turbine control systems and machined parts on Oct. 15 in the Tianjin Economic Development Area.

Manufacturing control systems - the brains of the wind turbine - in China means Vestas has further localized its production and will source control system components from within the country, said Vestas' China President Lars Andersen.

The facilities, together with the nearby production lines for nacelles, blades, generators, control systems and machined parts, are the company's largest and most comprehensive wind energy manufacturing complexes globally with a total investment of RMB 2.5 billion yuan.

China now has the fourth largest wind power capacity in the world. The sector has seen more than 100-percent growth year-on-year over the past three years, according to the National Energy Administration (NEA). The country plans to build seven wind power bases with a minimum capacity of 10 gigawatts each by 2020, in a move to dramatically increase the use of clean energy.

²⁵ Xinhua News Oct. 16, 2009

Statistics

China major meat sales price²⁶

October 2009

Pork (Lean):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
A. 10/11/09-10/20/09	B. 10/01/09-10/10/09	C. 09/11/09-09/20/09	D. 10/11/08-10/20/08	(A-B)/B	(A-C)/C	(A-D)/D
22.76	23.16	23.14	25.24	-1.73%	-1.64%	-9.83%

Egg:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
E. 10/11/09-10/20/09	F. 10/01/09-10/10/09	G. 09/11/09-09/20/09	H. 10/11/08-10/20/08	(E-F)/F	(E-G)/G	(E-H)/H
8.02	8.34	8.36	8.04	-3.84%	-4.07%	-0.25%

September 2009

Chicken:

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
I. 09/21/09-09/30/09	J. 09/11/09-09/20/09	K. 08/21/09-08/31/09	L. 09/21/08-09/30/08	(I-J)/J	(I-K)/K	(I-L)/L
14.56	14.50	14.44	15.02	0.41%	0.83%	-3.06%

Beef (Fresh Boneless):

RMB1.00 yuan/kg

Average Sales Price (Street markets & Supermarkets)				Var. Percent		
M. 09/21/09-09/30/09	N. 09/11/09-09/20/09	O. 08/21/09-08/30/09	P. 09/21/08-09/30/08	(M-N)/N	(M-O)/O	(M-P)/P
33.82	33.84	33.72	33.58	-0.06%	0.30%	0.71%

²⁶ China Animal Agriculture Association