

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

Voluntary - Public

**Clearance Office:** All - FAS

**Date:** 4/24/2009

**GAIN Report Number:** 9037

## China - Peoples Republic of

**Post:** Beijing

### Agricultural Situation Weekly Hongbao

**Report Categories:**

Agriculture in the News

**Approved By:**

William Westman

**Prepared By:**

Darren Chandlee

**Report Highlights:**

This report provides a news synopsis of trade policy and agriculture/commodities in China. The news includes: 1) China Begins Early Rice Futures Trading; 2) AQSIQ Announces a Ban on Kentucky Poultry; 3) High-End Hotels Start Group Purchasing; and 4) Number of Multimillionaires May Reach 320,000.

**General Information:**

**Author Defined:**

**China Begins Early Rice Futures Trading:** On April 20, China initiated early rice futures trading to help to improve domestic grain pricing and provide grain traders with more risk control measures. Early season rice, a major grain product in China which is harvested in July, is estimated at 32 million metric tons in 2008, accounting for 17 percent of China's total rice output. Due to a longer growing season in southern China, farmers can harvest rice twice a year compared with a single harvest in northeastern provinces. China is the world's largest rice producer and consumer, with a rice output estimated at 185 million metric tons. Rice exports account for one percent of total production in an

average year and the remainder of the output is consumed domestically. (Source: Xinhua and other media, 04/20/09)

**AQSIQ Announces a Ban on Kentucky Poultry:** On April 23, due to an outbreak of low-path avian influenza H7N9, the General Administration for Quality Supervision, Inspection, and Quality (AQSIQ) announced a ban on poultry from the State of Kentucky. According to the ban, poultry products produced on and after March 31, 2009 in Kentucky are not allowed to enter China. (Source: AQSIQ Website, 4/23/2009)

**High-End Hotels Start Group Purchasing:** In response to the financial crisis, which has substantially reduced the businesses of the high-end hotels in Shandong Province, 22 hotels have joined together to purchase food materials as a group. All these hotels are at or above the four-star rating and include most of the upscale properties in the province. It is estimated that their joint food purchasing value could reach U.S. \$146 million (RMB 1 billion). Previously, these hotels procured food through their own agents or suppliers. Now forced to reduce costs further to combat losses during the economic downturn, hotels are eliminating the middlemen and have organized a panel to negotiate prices or source directly from producers. According to the Shunhe Hotel in Jinan, the previous cost to purchase 2,000 Kg of sea cucumber per year amounted to U.S. \$1 million (RMB 7 million). Buying directly from a sea cucumber producer in Dalian has helped save U.S. \$146,000 (RMB 1 million) on those purchases. (Source, ATO/Beijing and China Food News, 04/24/09)

FAS/Beijing Comment: This move by the hotel sector follows a similar shift in procurement methods by large supermarket chains in China which are beginning to directly source from farmers thus reducing the number of middlemen. These shifts could be part of a larger trend of the consolidation and increases in efficiencies in the supply chain.

**Number of Multimillionaires May Reach 320,000:** The number of China's wealthiest is expected rise to an estimated 320,000 people by the end of 2009. With a combined total of U.S. \$1.2 trillion (RMB 8.8 trillion) in equity, China's wealthiest owned 29 percent of the country's U.S. \$4.4 trillion (RMB 30 trillion) GDP in 2008. Guangdong Province has the nation's largest number of wealthy people, with 46,000, or 15 percent as of 2008, with Shanghai and Beijing following in second and third place. (Source, ATO/Beijing and a government website, 04/24/09)