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**Approved By:**

Chanda Beckman

**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 Bans Imports of Swine Products from Five States Due to Human H1N1 Influenza; 2) MOFCOM Alerts the Industry that Oilseeds were Over Imported in Recent Months; 3) A National Lab for GMO Cotton Research to be Established; 4) Promotion of Agriculture Development in China; 5) Zhengzhou to set up a Large Provincial Fruit Wholesale Market; 6) Food Safety is Main Concern for Urban Residents in China; 7) Domestic Milk Powder Price War in China; 8) Chinese Restaurants Lower Prices to Increase Sales; 9) Complaints of Water-Injected Beef; 10) SIAL China Food Show Will Have Strong U.S. Company Presence; 11) Organic Trade Show in Shanghai; 12) Coordinating U.S. Product Offerings at Hangzhou Dairy Expo.

**General Information:**

**Author Defined:**

**China Bans Imports of Swine Products from Five States Due to Human H1N1 Influenza:** On April 26, the General

Administration for Quality, Safety, Inspection, and Quarantine (AQSIQ) and the Ministry of Agriculture jointly announced a ban on imports of all swine products from California, New York, and Kansas due to reports of human cases of H1N1 influenza. The ban was extended to Ohio and Texas as cases were reported in these states. Chinese officials insist the ban is necessary to protect public health pending more information on the source of the strain of H1N1 influenza present in the United States. According to the updated announcement, as new states report human cases of H1N1 influenza, those states will automatically be added to the banned list. (Source: OAA/Beijing and AQSIQ, 04/26/09)

**MOFCOM Alerts the Industry that Oilseeds were Over Imported in Recent Months:** On April 24, according to the Ministry of Commerce's (MOFCOM) bulk agriculture commodity import monitoring system, soybean and rapeseed imports in April are expected to reach 3.8 MMT and 270,000 MT, representing a 60 percent and 180 percent growth, respectively, over the previous year. The accumulated imports for the first four months in 2009 are estimated at 14 MMT (soybeans) and 900,000 MT (rapeseed), up 40 percent and 120 percent over the previous year. Imports in May are expected to remain high. The current stocks for oilseed products at ports are on the rise. As the consumption peak of palm oil approaches and the domestic rapeseed enters market, the supply of oilseed products increases. MOFCOM reminds traders to pay attention to the market situation and adjust their import pace to reduce market risks. (Source: www.gov.cn, 04/24/09)

**A National Lab for GMO Cotton Research to be Established:** The construction of a National Genetically Modified Organism (GMO) Cotton Lab began on April 23, 2008 in Zhengzhou, Henan province. The lab is jointly invested in by the China Academy of Agriculture Science and Zhongmian Seed Industry Company, with a total investment of U.S. \$51 million. The lab will be built in three phases: the first phase includes projects for industrialized production of Bt cotton seeds and cotton GMO laboratory with total investment of U.S. \$16 million; the second phase includes the construction of a national lab for cotton biology; and the third phase includes the Chinese Academy of Agricultural Sciences high-tech incubator project. (Source: China Textile News, 04/28/09)

**Promotion of Agriculture Development in China:** On April 23, premier Wen Jiabao chaired a State Council Meeting discussing measures on promoting agriculture development and farmer's income in the current international financial crisis. Among the measures, the state purchase of bulk agriculture commodities was highlighted. The floor prices for grain will be maintained, the temporary purchase of soybeans will continue until the end of June, and the purchase of rapeseed in leading-producing provinces at a relatively high price compared to the market price will proceed. Measures will also be taken to intensify the development/construction of warehouses and logistic facilities for bulk grains. A special fund from the central government will be appropriated to assist farmers in household grain storage. (Source: Ministry of Agriculture website, 04/23/09)

**Zhengzhou to set up a Large Provincial Fruit Wholesale Market:** Zhengzhou, the capital of Henan Province, is currently completing the first stage of a large wholesale fruit market set to open this August. The total area of the first stage will be over 150,000 square meters with an estimated sale volume of 700 million kg reaching U.S. \$730 million (RMB 5 billion) in sales. The fruit market has already identified over 150 wholesalers and reached agreements with some of the world's largest fruit wholesalers including the Dole Company as well as the fruit agents of Thailand and Vietnam. In the future, the market could trade 600 types of fruits from Europe, United States, Southeast Asia, and Oceania. With the inclusion of foreign wholesalers, the cost of imported fruit is expected to decline, potentially increasing demand. (Source: ATO/Beijing and China Food Industry Web, 04/28/09)

**Food Safety is Main Concern for Urban Residents in China:** A survey jointly conducted by the Horizon Group and Sohu News Centre shows that food safety is a major concern for residents in Beijing, Shanghai, and Guangzhou. The survey showed that people use different aspects to judge the safety of food. The name brand of the product was selected by 40 percent of those surveyed as the most important indicator of food safety. Other responses were food appearance, certification mark, and price. Nearly 90 percent of people regard hypermarkets and supermarkets as the most reliable places to buy safe food. (Source: ATO/Beijing and China Food News, 04/28/09)

**Domestic Milk Powder Price War in China:** There are signs of a domestic milk powder price war caused by increasing imports and the overstock of domestic milk powder. Traditionally, domestic milk powder has dominated the Chinese mass market while imports went to the high-end consumers. However, as international milk powder prices have fallen, more local food enterprises have shifted purchasing behavior in favor of imported milk powder. According

to customs statistics, China imported 41,500 tons of milk powder in the period from January to February 2009, an increase of 101.4 percent over 2008 levels. At the same time, China's export of milk powder was only 6,172 tons in the period of January to February 2009, an increase of 11.9 percent. Some ports reported even steeper losses. For example, dairy products exports in January from Tianjin Port totaled 772 tons, a decrease of 72 percent. There were no dairy exports from January to February from Ningbo Port. The problem began with the melamine scandal in October 2008 and led to milk powder overstocks of 300,000 tons according to the Chinese Dairy Association in November 2008. It is estimated this situation will worsen with the start of the peak milk production season in Northern China. This is likely to fuel the current price war. (Source: ATO/Beijing and China Food Industry Web, 04/28/09)

**Chinese Restaurants Lower Prices to Increase Sales:** Following KFC and McDonald's, major Chinese chain restaurants such as Hong Zhuang Yuan Gruel, Real Kong Fu, Yonghe Soybean King, and He He Gu have launched their special menu promotions or cut prices to increase sales. The reductions in prices generally ranged between 20-50 percent and reasons cited, explained by Feng E'yuan, the Secretary General of the China Cuisine Association, include: the decline of food ingredient prices, central processing and distribution systems adopted by the chain restaurants, and direct purchasing from upstream suppliers. (Source: ATO/Beijing and The Beijing News, 04/28/09)

**Complaints of Water-Injected Beef:** China's national standard for beef says that water content in meat should be less than 77 percent. However, selling beef that has been injected with water to increase its weight is a long standing open secret in some Chinese wholesale markets. Shanghai FDA's food safety department said that the authorities had received recent complaints about beef and have launched a campaign to solve the problem. Stalls in any of the five major wholesale markets selling water-injected beef will be expelled and banned from selling. A monitoring system and blacklist will be set up to keep track of violators. Meanwhile, greater quantities of U.S. beef, still officially illegal, are quietly being distributed in the city. (Source: ATO/Shanghai and local press, 04/28/09)

**SIAL China Food Show Will Have Strong U.S. Company Presence:** Despite the economic weakness in the United States, 43 American companies and cooperators have registered to exhibit in the U.S. pavilion during the May 19-21 show in Shanghai. SIAL is the largest food show in China. For this year's show, ATO/Shanghai has recruited a large number of buyers and distributors from Emerging City Markets (ECM) where potential sales growth is greatest. Events include a reception sponsored by ATO/Shanghai for U.S. companies and ECM visitors. (Source: ATO/Website and local press, 04/28/09)

**Organic Trade Show in Shanghai:** The fourth year of the Organic Trade Show Biofach will be held on May 27-29 in Shanghai. The organic market is developing quickly in East China due to rising incomes and concerns on food safety. For the first time, ATO/Shanghai will share a booth with the Organic Trade Association (OTA). ATO/Shanghai is also organizing a pre-show farm and retail tour for OTA and will hold a reception during the show where an AMS NOP team will present. (Source: ATO/Shanghai and local press, 04/28/09)

**Coordinating U.S. Product Offerings at Hangzhou Dairy Expo:** The World Dairy Expo and Summit China 2009, will be held in Hangzhou from May 30 to June 1. Food safety, quality, and emergency management systems will be addressed jointly by dairy professionals from China and the United States. In addition, a representative from U.S. National Hay Association will be present, helping to continue U.S. alfalfa hay promotion in the China market. ATO/Shanghai will make full use of the opportunity to promote the image of the U.S. dairy industry, which will in turn enhance Chinese consumer confidence in U.S. products and the export benefits of a series of products including processed dairy products, alfalfa hay, and herd raising technologies. (Source: ATO/Shanghai and local press, 04/28/09)