



FOOD FISHERIES AGRICULTURE

NEWS FROM THE FOOD TEAM IN TRADE COUNCIL CHINA - DECEMBER 2015



China: News from the Food Team - Export Figures - News Flash

The Food Team Trade Council China



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IS GROWTH RATES AT 6-7% A CATASTROPHE FOR THE CHINESE ECONOMY?



Poul Jacob Erikstrup
Minister Counsellor
Beijing

Today, China has the second largest economy in the world. In previous years we have seen very high growth rates for the Chinese economy and the world has been used to these high growth rates. Since 2010 large parts of the world has faced declines in their growth rates initiated from the financial crisis, which have hit the economy worldwide.

Some countries have and are still facing deflation rates in their economy. Despite this conditions China has managed to keep up impressive growth rates, even when the customers for the exports were suffering from lower growth. The Chinese growth in the economy has until recently been fueled by export of raw materials and a lot of finished products. The decline in the prices of raw materials in the world market has naturally been a challenge for the Chinese economy, which will continue to be influenced by the demand and prices of raw materials. Opposite, China will save money on imports when it comes to fossil fuels.

The latest figures from the Chinese economy indicates that the fall in the growth rates for the Chinese economy are expected to be more permanently. The Chinese politicians has started to talk more about stabilizing the Economy on more stable 6-7 % for the coming period, which will be more seen as an internal modernisation and stabilisation period. The demand for raw materials will start increasing again after a certain period, but will be of less importance for the Chinese economy in the future. For the export of finished production, China will face increased competition from other Asian regions. China will start to experience the changes which in previous periods has hit, American, European Union and Japanese economies. The Chinese economy will to a larger extent be consumer oriented.

The heavy smog alarms in the last part of the year is a heavy reminder to China that some of the previous growth is based on non-sustainable conditions. There is a huge demand for taking action in order to secure the sustainability for the Chinese development. Water, soil and air has been heavily infected from previous development, which have been highly growth oriented without the necessary caution for the environment. Since Xi Jinping took office in 2013 there has been an increased focus on the environment. When we are meeting our colleagues now a days, they quite often raise the environmental questions as potential cooperation ground for the future. In other words - The Chinese are aware that we previous and today have some of the same challenges and that exchange of know-how and technologies might be mutual beneficial.

Just two weeks ago we participated in a planning meeting for a new pig farm project and we discussed the possibilities for getting the site approved for a new pig farm. The Chinese company told us that they expect a two year period for approval of the project and they were still unsecure if pig farming could still be approved in this district. From other projects we are aware that new big pig farms are supposed to be placed in industrial zones where environmental questions can be handled.

This is just a simple picture regarding the changed focus in China, when it comes to environmental protection. But it is also an example regarding new focus in policy, where considerations on a more sustainable growth will increase. We believe this can be a foundation for a more stable growth in China in the years to come and growth rates of 6-7 % will be seen as impressive in an economy with the size reached by China today.

Lets continue to growth with China
Happy New year!

CONTINUED BOOMS IN CHINESE PORK AND PIG MARKET



Amanda Xiang
Trade Officer
Beijing

Porks popularity and importance in China is highlighted by the fact that it comprises around 3 pct. of the basket of goods and services used to calculate the countrys CPI. Despite the fact that we have seen a slightly decrease in the pork prices recently, the insiders are confident that the Chinese pork and pig market will continue to boom as it comes to another peak season of the year which is right before the Chinese New Year.

According to data released by the Chinese Ministry of Agriculture (MOA) in November 2015, the number of breeding sows in stock dropped 12.4 pct, compare to last year and dropped 0.6 pct. compare to October. The number of breeding sows in stock is depending on elimination of breeding sows and number of back up sows four months ago. The pig prices in August, September, October and November increased 14 pct., 13.7 pct., 7.4 pct. and 2.7 pct. respectively compare to figures from last year.

Chinas pork production industry is undergoing consolidation and commercialisation, encouraged by government policy and stricter regulations. Indeed, around 80 pct. of Chinas pigs are now raised on industrial farms, either owned by the state or multinational companies. This trend is set to continue with the Chinese Communist Party's recently released 13th Five Year Plan (2016-20) which explicitly includes measures to encourage consolidation of farms to improve efficiency.

DANISH CHRISTMAS CALENDAR 2015



Nan Yang
Trade Officer
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This is the first year we try to introduce the Danish traditional Christmas Calendar to China. We use the Embassy's social media platforms, WeChat and Weibo, to introduce Danish brands and lucky draw gifts from 1st Dec to 24th Dec provided by those companies.

In the new year we will send out all the gifts to the lucky winners all over China mainland together with a Christmas card and an Embassy letter with our Christmas and New Year greetings.

This year 10 companies participated, including JYSK, PUDU fur, JABRA, Glamazon, Arla, Mexarts household, Trollbeads, Nornir, Kjeldsens and Copenhagen Fur. So far each article has attracted around 10,000 views and 2,000 interactions in average.



ORGANIC PRODUCTS ARE BOOMING IN TAIWAN



Anders Kok Hansen
Commercial Assistant
Taipei

Since 2011, Taiwan has experienced numerous problems with the quality of its food safety. Simultaneously the demand for organic products have increased steady in recent years, a development which Danish export companies can still benefit from.

Taiwan are one of the strongest growth markets for organic food in Asia and about 70% of all organic food in Taiwan are imported. Taiwanese consumers are in particular willing to pay a higher price for quality products with a sustainable and safe production. The main reason is that consumers have low confidence in local producers and control system of the authorities. The numerous misgivings about the safety of packaged food have fuelled the interest in organic products and production. Furthermore, there are only minor indications that the producers and the public institutions will regain the trust of the consumers anytime soon, as measures the remedy the causes of the food scandals still lack.

Organic food production in Taiwan was initiated by small farmers in the 1990s and domestically still

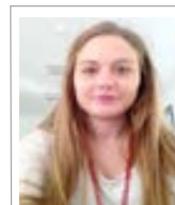
persists as small scale of production. Organic rice and green vegetables are main the locally produced organic products, whilst other organic products are largely imported, meaning that the selection of organic products is limited and the price is typically very high. Especially the supply of organic meat and dairy products is being very illusive compared to the high demand of the Taiwanese market, as these products are not locally produced. The potential to turn a profit on these products is therefore high for foreign producers.

There are over 1000 organic and health stores in Taiwan with smaller specialist retailers as the primary outlets for organic products, nonetheless supermarkets are increasingly selling organic products as the demand increases.

Danish products generally enjoy high recognition in Taiwan and there has been an increasing demand for pork products in recent years. However, there are very few Danish organic products in the Taiwanese market and their visibility is very low meaning that a strong presence on the market can still be established.



DEVELOPMENTS IN 2015 AND EXPECTATIONS FOR 2016



Ellen Slot Svensson
Commercial Intern
Beijing

Looking back at the articles written by official newspaper regarding the Chinese food and agricultural industry in 2015, there are certain trends and developments worth mentioning as a lot of these will have an impact on the expectations for the Chinese market in 2016.

To make an overview of the happenings on the Chinese market in 2105 and the predictions for 2016, I will sum up the knowledge we got from the media through the last 12 months.

Regulations

Of the 7,000 Chinese food audits, tests and inspections carried out in 2014 by the specialist, AsiaInspection, 48.1 pct. of mainland food processing factories failed to meet acceptable standards. The company conducted 100,000 inspections and audits in China over all sectors of the industry. Also, as announced by China's food regulator, more than one in 10 drinks on sale in China did not meet national standards in the first six months of 2015. Some of the problems food safety inspectors found include illegal food additives, chemical residues and bacteria.

The new Chinese Food Safety Law was implemented on October 1, 2015 and was updated to prevent the multiple food safety scandals in China. The 2015 Food Safety Law is stated to be the most stringent food safety regulation in the history of China. Provincial governors have been warned that they will be held accountable for any lapses in China's food security strategy, after the cabinet made them responsible for its enactment. Most of the implementations regarding this will be made in 2016.

Infant formula

Since the infant formula crisis in 2008 where 300,000 infants got ill and six were documented to have died, there has been a large focus on food safety within this area. Chinese Academy of Sciences and the Engineering Research Centre of Food Safety researchers have developed a new test for the detection of melamine in milk. These scientists have created a new method of detecting melamine in milk and infant formula and in this procedure, gold particles are used.

The abandonment of the one-child policy in China is expected to grow sales of infant formula by 10-15 pct. with 1.5-2 million more babies likely to be born each year in the country. The one-child policy will stay in place until March next year, after its original controversial introduction in 1979 to slow the Asian country's population growth.

Consumption

In 2015 there have been several developments in the consumption patterns seen among the Chinese population.



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The overall Chinese grocery market is set to grow in double digits to US\$2.4tr by 2020, according to the latest forecast by food and grocery researchers, IGD. China is set to maintain its position as the world's biggest grocery market in the foreseeable future, in spite of its slowing growth rate. This means many more opportunities for retailers and Western brands. The reason behind this development is the urbanization tendency and a general wealthier population. This will lift Chinese per capita consumption of fresh food by 17 pct. in the next 10 years and consumers may benefit from lower food prices under China's Belt and Road initiative.

The Chinese yogurt market is the fastest growing sector of domestic dairy products, and it is predicted that sales in China's yoghurt sector will reach 60.5 billion RMB in 2019. The ice cream sales have increased 90 pct. between 2008 and 2014 due to rising incomes, an increasingly developed retail infrastructure and cold chain network.

The same positive expectations are seen within the demand for organic products. Demand for organic-certified meat is reaching fever pitch in China, with local firms battling for sales to consumers still worried about food safety, and a high-profile spat between two meat firms engaged in the trade.



Other Tendencies

Other tendencies within the food consumption pattern of Chinese consumers are predicted for 2016. Tea has a long history in China and is still the country's most popular drink, but coffee is catching up slowly but steadily. While hot coffee holds a comparatively small share of the Chinese hot drinks market, at 5.7 pct., it is expected to register the highest growth in volume terms between 2014 and 2019 - at 15.4 pct.

Within the beverage sector, China is predicted to become the biggest beer market by value in the next two years. Research and Markets predicts that the Chinese beer market will see players strengthening their brand positioning, new products launch, and distribution and cost control over the next few years.

China is also boosting potato acreage to transform the crop into the country's fourth staple food after rice, wheat and corn, said Yu Xinrong, vice minister of agriculture. According to him, it is time for potatoes to become a staple food, given China's rapid urbanization, and they can diversify the dinner table. For many Chinese, the potato is still only a culinary accessory, not the main star. It is still unclear how this goal will be achieved.



continued...

Agriculture

The pork sector has also seen development throughout the year. This sector has experienced higher productivity and a higher demand for feed grains. The demand for feed grains will remain under pressure for the remainder of the year but is expected to be higher in early 2016. As China's meat production industrializes, feed grain demand will jump significantly, and will require the Asian giants to source feedstocks, particularly maize, on the international market. For the rest of 2015, it has been forecasted that China will increase pork imports considerably in order to fill in the periodic shortages for the rest of the year.

Unsustainable farming practices, such as the overuse of fertilisers, are drying out farmland in the north, is posing a threat to future food and water resources according to an international study that also claims that "A lot of Chinese farmers are not well educated.. They are unwilling to risk reducing fertiliser; traditional thinking is that using more fertiliser leads to higher yield".

To support a more sustainable and modernized agriculture sector, China's banking regulator urged financial institutions nationwide to increase the number of loans and financial bonds they give to rural regions. Agricultural infrastructure, including water conservation projects and road construction in underdeveloped areas, will be prioritized.

E-commerce

There have also been developments within the areas of sales through e-commerce in China.

With China's urban online shopping market becoming saturated, e-commerce companies are eyeing rural areas. But experts say that poor transporta-

tion infrastructure and a lack of Internet access, despite the companies' aggressive recruiting of village e-commerce ambassadors, means that the market still has a long way to go. According to a report by Ali Research, a research center under China's biggest e-commerce company Alibaba, online sales to rural markets will grow to 460 billion yuan in 2016.

The online platform Tmall Global was launched on 19 Feb 2014, in line with the shift of import supply from B2B towards B2C. Tmall Global has benefited from the high traffic and numerous existing Tmall clients to become China's largest cross border e-commerce platform. Apart from Tmall Global, other domestic e-commerce platforms such as JD, YHD, Jumei have also consolidated significant market share. In 2011, 2012 and 2013 the value of commodities traded via cross-border e-commerce in China was 1.6 trillion, 2.1 trillion and 3.1 trillion respectively with an annual growth rate of over 30 pct. The value of e-commerce trades is expected to rise to 6.5 trillion in 2016.

Another tendency within e-commerce in 2016 is restoring the Chinese consumer confidence. Some expect this to be possible through more track and trace mobile apps. The future of the global food industry is the seamless integration of all links of the food supply chain from manufacturing right through to consumers, utilising exiting mobile infrastructure, new developments in cloud based IT technologies and consumer friendly mobile apps.



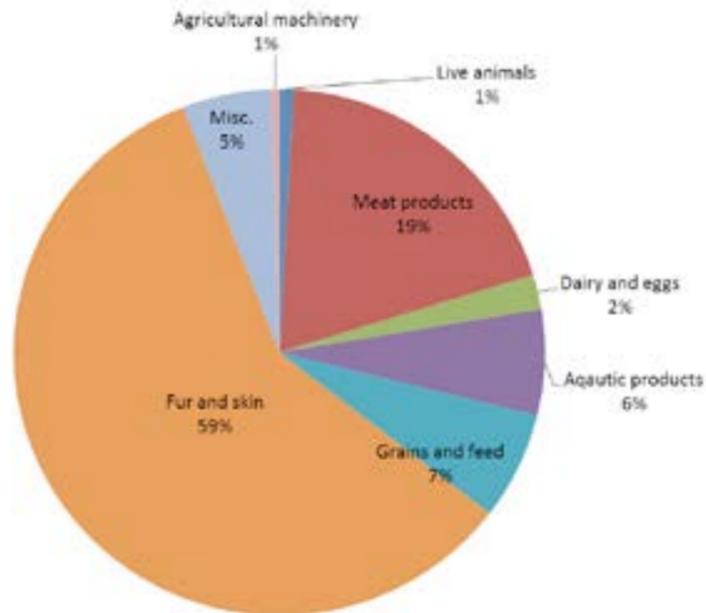
DANISH AGRICULTURE AND FOOD EXPORT TO CHINA

The Danish export of food and agricultural products to China reached 12.15 billion DKK from October 2014 till September 2015, which is an increase of 5 % compared to the same period in 2013-2014. From October 2013 till September 2014 the export of food and agricultural products to China was 11.56 billion DKK.

The total Danish export of goods from October 2014 till September 2015 amounted to 24.64 billion DKK. This is a decrease of 29.64 % compared to the same period in 2013. The food and agricultural export accounted for 49.30 % of the total export of goods from Denmark to China.

As seen in the pie diagram below the major exports are fur and skin and meat products.

Food and agriculture export to China (percentage of total 12.15 billion DKK):



A closer look at the numbers

Looking at the last year, the meat products has increased 15 % according to the last period this year. The largest constant increase can be found within frozen pork.

There has been a large decrease of 48 % within the export of machinery in the last period. The largest increase is found within dairy machines and machinery for cleaning and sorting.

Export figures			
All numbers in 1000 DKK. Total export to China (incl. Hong Kong and Macao)			
Goods	October 2014 - September 2015	October 2013 - September 2014	Change
Fur and skin	7,121,338	6,810,621	5%
Meat products	2,352,443	2,052,653	15%
Aquatic products	788,605	801,462	-2%
Grains and feed	803,710	508,859	58%
Dairy and eggs	257,865	295,083	-13%
Live animals	107,530	157,563	-32%
Agricultural machinery	60,033	116,161	-48%
Misc.	658,923	814,749	-19%
Total	12,150,447	11,557,151	5%

Source: Statistics Denmark

CHINESE FOOD INFLATION

Food inflation has increased from 1.9 % in October 2015 to 2.3 % in November 2015. The consumer price increased from 1.3 % in October to 1.4 % in November 2015.

Consumer Price Index (CPI) & Food Price Index development
December 2014 - November 2015 (Source: China National Bureau of Statistics)



DAIRY

DAIRY MARKET SET FOR ROUGH 2016, SAYS USDEC

Source: Dairy Reporter, 02-12-2015

The US Dairy Export Council expects another challenging year for the dairy market in 2016 as Russia and China continue to reduce their reliance on imports.

Alan Levitt, vice president of communications at the USDEC, said it has been a seller's market almost every other year in dairy, but 2015 and likely 2016 are buyer's markets, with huge production and fleeting demand.

While production continues to grow steadily since 2010, with an extra 2% or 5m metric tons each year, the market has weakened heavily over the last 18 months.

China, Russia have huge effect on market

One big reason for fall in demand has been China's import growth, or lack thereof, over the past two years. The country grew steadily in imports until 2013 after which it sharply decreased imports and increased its own production by about 10%.

Russia also plays a part he said, as it has cut off much of dairy imports from across the world. Russia and China, combined, imported 18m tons of milk equivalent in 2014; today, Levitt said they import 10m tons.

"It's a staggering decline," he said. "That's 8m tons of milk, or 11% of the world's [dairy production]. To make it more problematic, milk production is continuing to grow."

Levitt said the trends is likely to continue in 2016 as suppliers are still pushing quantities that match import levels for 2014, levels he said "just aren't there anymore". While Levitt expects China to increase

its imports in the coming years, he doesn't envision growth like in previous years.

Gains in Ireland, the Netherlands, but inventory sky high

While China and Russia have not helped the market, there have been gains in Europe, particularly Ireland and the Netherlands. Levitt said these two countries are up 10% in production. On the buying side, he said imports from many countries have seen double digit growth, but not enough to fill holes that China has created.

Levitt said there will still be "inventories that hang over the market" that will delay market recovery, including European inventories of skim milk powder, at their highest in five years.

Levitt said there are more than 250,000 metric tons, doubled the desired market level, in inventory and it may get higher before 2015 is finished.

"In the US, we have inventory piling up here as well," Levitt said, adding that commercial powder stocks reached a record high at the end of July.

Inventory will remain a "problem child" well into 2016, he said, and will more than likely delay market recovery even after supply and demand recover.

DAIRY

DANONE SELLS SCANDAL-HIT CHINA FORMULA UNIT TO YASHILI

Source: Food Navigator Asia, 04-12-2015

One of France's biggest dairy companies has unloaded its failing Chinese infant formula unit to Yashili in a deal worth US\$159m.

Danone began a process to sell Dumex to the Chinese manufacturer in July, prompted by an alarming and sustained drop in fortunes for its local flagship infant nutrition business.

In 2012, the infant formula unit was placed second in China's ultra-competitive baby food market with RMB5.7bn (US\$890m) in sales.

This figure fell to RMB1.3bn the following year after Dumex's reputation was badly damaged by turned out to be an unfounded food safety scare and a RMB171.9m fine for price fixing.

Over that period, the company saw a net profit of RMB765m transform into a RMB771m loss.

"By bringing the Dumex and Yashili brands closer together, the operation will build a strong local infant milk formula brand platform," Danone said in

a statement following the completion of the deal, which is now subject to the approval of the relevant authorities and of Yashili shareholders.

State-owned Mengniu owns roughly 50% of Yashili, while Danone holds a 25% stake.

China's infant milk formula market has grown from RMB21.3bn (US\$3.3bn) in 2010 to RMB55.3bn this year, and is forecast to increase its size to 94.9bn by 2018, according to Euromonitor figures.

Last year, Nestlé occupied top position in terms of market share with 8.6%. Now ranked twelfth, Dumex possesses just 2.9% of the market so far this year, with its share continuing to drop in a Country that is seeing a fast growth in demand for foreign-made brands and online sales.



DAIRY

TETRA PAK & DELAVAL TO RAISE THE NUMBER OF DAIRY COWS IN CHINA FROM 45% TO 60% BY 2020

Source: Dairy Reporter, 27-11-2015

Tetra Pak and its sister company DeLaval, part of Tetra Laval Group, have signed a five-year agreement with the Dairy Association of China to train 150 Chinese dairy farm managers over the next five years to run large-scale dairy farms.

The initiative is part of plans by the government to raise the number of dairy cows reared on such farms from 45% to 60%, by 2020 to improve farming efficiency, increase product quality and enhance standards of animal welfare.

Breeding, nutrition, disease prevention

Angela Mou, vice president, communications, Tetra Pak Greater China Cluster, told DairyReporter, the training programme includes dairy farm management, breeding, nutrition and disease prevention.

It will be delivered through lectures at the University of Agriculture, (UAC), Beijing, a two-month internship at a model farm in China, and an opportunity to visit and study at De Laval's Hamra farm and other dairy farms in Sweden.

"This training program is open to dairy farm managers and technicians from all over China, as long as they meet the selection criteria," she said.

"UAC will select the 150 candidates using three criteria; trainees should be general managers or technical managers of dairy farms (with more than 300 milk cows). They should have more than three years of relevant working experience and they should have an educational background in animal husbandry or veterinary medicine."

According to Mou, the dairy farming industry in Chi-

na has traditionally been limited to household farms, with only one or two cows. As demand for liquid milk is now growing on a mass scale, the Chinese government has committed to making the dairy industry more productive by creating larger, more efficient farms.

"However, the pace of growth in medium to large size farms has exceeded the available number of appropriately skilled farmers. Therefore, investment in qualified talent is required," she added.

"Liquid milk is not traditionally consumed in China and South East Asia, but is seen as a healthy addition to the local diet. However, rising incomes, population growth, urbanisation and changes in taste and diet are leading to increasing demand for liquid milk and milk products."

China liquid milk consumption

Professor Li Shengli, professor, UAC and chief scientist of Dairy Farming by the Chinese Ministry of Agriculture said China's liquid milk consumption is still low, at less than 20 litres per capita.

"This is approximately half the average consumption in Asia, and one fifth the average in Europe," he said.

"However, rising disposable income, combined with people's desire to improve their quality of life, means the size and growth potential of the domestic market is huge; China must develop its own dairy farming industry."

Tetra Pak initiated a training program with UAC in 2013, to train managers and technicians for modern farms. After a two year pilot, the training program

continued...

proved effective and was recognized by the dairy industry as well as the government.

Tetra Pak and DeLaval's first collaboration was to upgrade farms that provided raw milk to China's School Feeding Programme; by 2014, all 194 farms involved in the project had reached EU quality standards. The companies' joint efforts also include developing virtual training to farmers through TV programmes and the free distribution of educational DVDs and booklets.

"Chinese and Swedish Ministers signed a Memorandum of Understanding (MoU) in 2012 to strengthen bilateral agriculture co-operation, especially in the dairy sector. As part of the 2012 MoU, each year the two ministries send working groups to meet and discuss areas of co-operation," added Mou.



MEAT

CHINA MEAT SECTOR PUMPS CASH INTO AUTOMATION

Source: Global Meat News, 04-12-2015

With demand for quality and safe meat products consistently increasing within mainland China, a major industry conference in Shanghai has heard how purchases of processing machinery are also on the rise.

The three-day Meat Expo China event, held between 25 and 27 November by conference organiser Messe Frankfurt (Shanghai) Co, heard that as the world's largest pork and second-largest poultry producer, China spent €108 million (US\$114.4m) buying meat processing machines overseas in 2014. This was up 1.3% from 2013, according to the Germany-based engineering association the VDMA (Verband Deutscher Maschinen- und Anlagenbau).

Speaking at the Shanghai New International Expo Centre, Margret Menzel, head of marketing at the VDMA, stressed that Chinese meat companies were prioritising safety and hygiene with their purchases: "Safety and quality go hand in hand. Machines and equipment have to be hygienically designed. If necessary, traceability needs to be achieved using the record and data stored in machines," she explained.

High efficiency levels

High degrees of automation are also being sought by the Chinese meat sector, including manufacturers, retailers and food service suppliers, which are seeking high efficiency levels and lower labour costs, said Masahiro Watanabe, managing director of Watanabe Foodmach, a meat slicer manufacturer, based in Nagoya, Japan.

"In China, 80% of our clients are local Chinese companies, with the rest 20% Japanese companies," Watanabe told GlobalMeatNews at the event. "I see Chinese companies have realised the return from



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spending on high-quality machines." He was there to promote the company's latest frozen meat slicer – the VORTEX WFC-V360, which is said to be able to cut 380 pieces of frozen meat per minute, compared with about 280 pieces on average.

In China, Watabane Foodmach has a manufacturing plant in Zhuozhou, Hebei province and a sales office in Shanghai. Its clients include China's leading meat processor Shuanghui Group (now called the WH Group), China's largest state-owned food company the COFCO Group and the large Taiwan food company Tingyi Holdings. Such customers help Watabane Foodmach generate about CNY50m (US\$7.8m) in sales each year.

"We still see our sales grow at about 10% each year, although China's economy is entering the 'new norm'," Watanabe said, referring to China's slowing economic growth since 2012.

Strong domestic demand

Strong domestic demand for highly efficient machines also benefits Dajiang Machinery Equipment,

a packing machine manufacturer based in Wenzhou, Zhejiang province. "We've got Chinese clients saying to us, 'Just give me something automatic,'" said Zhao Baoyan, Dajiang sales manager. "If there have to be some workers involved, try to put them at fixed positions."

She said the company used to sell packing machines overseas only, but about 15 years ago it saw opportunities in the Chinese market.

"More and more Chinese meat companies and food-service providers have realised the importance of food safety, thanks to the increasingly strict food safety regulations," Zhao said.

Her comment was acknowledged by Wei Yu, commissioner of department of food safety supervision of China's food and drug administration. "Many foreign meat companies are very interested in China," Wei said at the event. "If Chinese meat companies couldn't build a solid food safety system, the Chinese meat market would be dominated by foreign brands, and it this would be dangerous for nurturing our domestic meat industry."



AGRICULTURE

CHINESE UTILIZATION OF CHEMICAL FERTILIZERS AND PESTICIDES STILL ON THE RISE

Source: China Ag, 07-12-2015

China saw utilization rate of chemical fertilizer in grain crops including rice, corn and wheat this year stand at 35.2 percent, up 2.2 percentage points from that in 2013, while that of the pesticide in the grain crops was 36.6 percent, up 1.6 percentage points from that in 2013, according to Zeng Yande, a senior official of the Ministry of Agriculture (MOA) on Wednesday [2 December 2015]. Full Article: Xinhua Finance Dec 2015.

Key Point

- According to a Ministry of Agriculture representative, China will attempt to lower its fertilizer and pesticide utilization annual growth rate by less than 1% in the near future. Afterwards, China hopes to lower this rate to 0.2% to 0.3%, dropping it to 0% by 2020

ChinaAg Comments

- In August 2015, China's Ministry of Finance, Central Administration of Customs and State Administration of Taxation announced it would resume imposing value-added taxes on fertilizer sales and imports (halted in 1994)
- In July 2015, China announced fertilizer and pesticide usage would be "capped" by 2020. Its Ministry of Agriculture stated that less than 33% of fertilizers and pesticides are absorbed by crops
- In June 2015, China announced it would construct 80 "eco-friendly" vegetable plots in Beijing, Tianjin and Hebei in accordance with the quality control standards of

Beijing. These standards primarily focus on limiting the use of pesticides

- In December 2014, a Chief Researcher at the Botany Institute of the Chinese Academy of Sciences stated that China utilizes 400 kg of chemical fertilizers per hectare, well above the internationally recognized safe average of 225 kg per ha
- In late 2013, China announced it would halt agricultural production on ~3.33 million hectares of land owing to soil pollution (e.g. heavy metals, pesticides, and additives)
- In 2012, China consumed 58.3 million metric tons of chemical fertilizers, of which 48% (~23.9 million MTs) was nitrogenous fertilizer, 34% (~19.8 million MTs) was compound fertilizer (e.g. NPK, etc.), 14% (~8.2 million MTs) was potash, and 11% (~6.1 million MTs) was phosphate. Henan, Hubei, and Sichuan were the largest consumers
- In 1994, China exempted fertilizer sales and imports from VAT in order to maintain a stable fertilizer supply and prices



AGRICULTURE

CHINA TO CUT CORN CULTIVATION IN 2016

Source: China Ag, 25-11-2015

China plans to cut its corn acreage by close to 670,000 hectares in 2016, an official with the Ministry of Agriculture said on Thursday [19 November 2015], as the country comes under mounting pressure to reduce its corn stocks. Pan Weibo, deputy director with the Department of Crop Production under the ministry, said the country will promote the growing of silage corn, beans, other coarse grains and forage grass in parts of 13 provincial areas to replace the corn acreage. Full Article: ECNS.cn Nov 2015

Key Points

- According the Deputy Director of China's Crop Production Department (under the auspices of the Ministry of Agriculture), the major corn producing regions of Liaoning, Jilin and Heilongjiang will see the largest declines in production area, while Shanxi, Shaanxi, Gansu, Guizhou and Yunnan will also be affected somewhat
- In November 2015, China announced plans to cut its corn production by 3.3 million hectares across 13 provinces/regions by the end of 2020. This decline in area will cut production by approximately 25 million MTs
- In 2014, China cultivated corn on 37 million ha. This figure was expected to increase by 1.9% in 2015

ChinaAg Comments

- As of 2015, China's northeast (e.g. Heilongjiang, Liaoning, Jilin and Inner Mongolia) had approximately 160 million MTs of corn in storage, or roughly 78% of China's

total corn reserves

- In September 2015, China decreased its corn purchasing price for state reserves by 10.7%, marking it the first decline since price support measures would introduced in 2008
- From 2012 to 2013, Chinese corn production increased from 205 million MTs to 218 MTs. In 2013, Heilongjiang produced 32 million MTs of corn, accounting for 15% of China's total output. Jilin produced 27 million MTs or roughly 13% of the country's corn output



REGULATIONS

SUGARY BEVERAGES RISE IN LOW AND MIDDLE INCOME COUNTRIES, FALL IN HIGH-INCOME REGIONS

Source: Food Navigator Asia, 03-12-2015

While sugar-sweetened beverages have seen a decrease in popularity in regions such as North America and Western Europe, they are on the rise in most low- and middle-income countries. But will the backlash against sugar eventually shape the market in these regions too?

In the absence of intervention, low- and middle-income countries will see pervasiveness of added sugars in both beverages and packaged foods, according to the study titled Sweetening of the Global Diet, Particularly Beverages: Patterns, Trends, and Policy Responses.

Meanwhile, high-income countries such as the US have seen a decrease in sugar-sweetened beverages and will continue to see a decrease.

The rise of sugar across the world

Will the rest of the world have as much trouble with sugar as the US has had in recent decades? Dr. Barry Popkin, professor of nutrition at the University of North Carolina's School of Public Health and one of the authors of this study, believes this will be the case.

Sugary beverages are increasing in both calories and volume sold per person per day, he told BeverageDaily.

Popkin noted that many products in Latin America are simply US products without any changes, even down to the label. In China, companies are copying practices of the US, including the heavy use of sugar.

As an example, he said 33% of calories in China

came from packaged foods and beverages in 2011, while he estimated this would rise to more than 50%. This is because retail growth in China is at around 50% annually.

"And that's just one country that started late," he said. "All of Asia is moving this way, and there's not a single village in Africa where you can't find a convenience store. This is a pretty universal change going on."

There will be countries that attack sugar's prevalence via laws and regulations, he said, as the World Health Organization and many countries have noted the association between caloric sweetener and cardiometabolic risks. The study said there is already evidence from Mexico which shows taxation can be effective at reducing sugar intake.

"There's a consensus that we have to cut our sugar intake globally," Popkin said. "There are going to be a few countries that attack sugar. That will have an effect ... Once that happens, that might have an effect in those countries, slowly."

Water's dominance in the US

Popkin said that the prevalence of water products in the US beverage industry has meant fewer purchases of sugar-laden drinks. In particular, bottled water sales are way up and both diet and regular soda sales are way down.

Popkin said middle- and high-income, highly educated and white people in the US are the main drivers of this reduction in sugary drinks. However, he said sugar reduction is still largely being ignored in packaged foods, with most taxes and formulation changes mainly taking place in the beverage cat-



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REGULATIONS

HK ONLINE FOOD RETAILERS TO GET NEW SAFETY GUIDELINES

Source: Food Navigator Asia, 07-12-2015

egory.

In the US, the number of calories consumed per day on average via caloric soft drinks was at nearly 110 calories per day in 2009, according to the study. By 2014, that number had dropped to approximately 95 calories.

Disguised added sugar

Popkin said one thing that stands out on the beverage side is the number of fruit juices that use sweeteners in the ingredients.

"We go into not only ingredients: we go into the ingredients of the ingredients," he said. "Added sugar can be in an ingredient, but [the label] doesn't tell you."

Popkin said companies will buy such ingredients, so they do not have to use sugar as an ingredient on the label. However, he said this practice will have to change quickly if the US Food and Drug Administration makes "added sugar" labeling mandatory.

"Then they're going to have a lot of figuring out to do," he said. "Once we looked at the natural ingredients, then looked at how much sugar they list, we found a lot of added sugar."

The study found that 74% of US foods and beverages include both caloric and low-calorie sweeteners, with just 5% made with low-calorie sweeteners only. This is a practice that will likely change if the "added sugar" labeling practice is put into place stateside.

Hong Kong's food authorities have reacted to various food scandals this year by issuing new guidelines for online sales.

Once the rules come into force in the first-quarter of 2016, online food businesses will be required to display business details on their websites and commit to ensuring proper storage temperatures during delivery.

The measures, tabled by the Food and Environmental Hygiene Department, will apply to all operators selling food without physical premises. They display their food licence or permit numbers, as well as a business address on all websites and publicity materials, when the new guidelines come into force.

All companies, including those with premises, will also be required to maintain proper storage temperatures during the delivery of online purchases. Online food sales have been under the spotlight this year, especially after more than 80 people fell ill after eating Taiwanese Horng Ryen Jen sandwiches, some of which were ordered online.

Some quarters of the online food industry have reacted strongly against the guidelines. Speaking to South China Morning Post, Suki Cheung, who runs 88 Food Express, an online food trader, said it was "impractical" to deliver all food in refrigerated vans. "How many refrigerated vans are there in Hong Kong? The cost is three times higher than ordinary trucks," she said, adding that her company would normally use dry ice packs in unrefrigerated vans.

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**WE WISH YOU ALL A MERRY CHRISTMAS
AND A HAPPY NEW YEAR!**



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