



# FOOD FISHERIES AGRICULTURE

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



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

## The Food Team Trade Council China



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## THE NEW FIVE-YEAR PLAN 2016-2020



Poul Jacob Erikstrup  
Minister Counsellor  
Beijing

In 2030, 7 pct. of the population will produce foods for 85 pct of the Chinese population. This is a statement from Zou Lixing, a research official with China Development Bank, and is one of many comments on the proposal for the new five-year plan, which will be approved in spring 2016.

To realize this figure, Chinese agricultural production will be facing huge demands for modernization in the coming 15 years. Today, almost half of the population are living in rural areas, and are involved or depending on agricultural or food production.

The upcoming five-year plan is expected to build up farming at industrial level. The large size farming is seen as the most cost efficient way to modernize farming production and at the same time to be able to take care of a lot of the environmental challenges for the production. The use of water resources and waste handling will further be in focus for improved ways of farming.

The government will use a number of tools to reach the target. One of the tools is to allow the use of contracted land as collateral for bank loans. This will provide capital for investments in agriculture. There will be allocated special loans for development of agricultural projects, where small loans (up to 100.000 CNY) will be available at discounted rates for small farmers. Big companies are expected to operate on normal banking terms.

The upcoming reduction in the number of farmers is a challenge for the government to handle. A lot of families are depending on family farmland. Today there is a challenge to keep the young generation interested to continue in farming, which are normal-

ly done by none-educated people. The next generation is better educated and want to utilize that city environment to provide better salaries and living conditions.

A large part of the reduction of farmers is foreseen to come from retirement of a lot of farmers in the 15 year period. It is also foreseen that more than 300 million people will have to urbanize in order to make room for industrial farming, which is a big challenge for the government to move this amount of people from their historical based living places to new environments.

At the same time it is important to attract educated people for the farming in the new concept. Also, there is no real organized education of farmers who are expected to manage farms at industrial level. There is a number of university educations, which educate specialists within agriculture, but only few are educated in implementing practical farming.

The environmental impact of the agricultural production will be in focus, starting with the water resources. Chinese agriculture uses large amounts of water in production and it will be a target to reduce water consumption as well as contamination of waters caused by agricultural productions. Better waste handling methods is expected to be one of the proposed solutions for reducing contamination of water environments.

Another important target for the upcoming five-year plan is to ensure food safety. The new China Food Safety Law was implemented the 1st of October 2015. To succeed with the implementation of the law, all elements in food production has to be involved. The responsibility of the primary farming is placed at the Ministry of Agriculture. China Food and Drug Administration will be responsible for the food safety within processing in China while General

## DANISH CHEF AT HENKES RESTAURANT IN SHANGHAI



Lydia Jiang  
Senior Commercial  
Officer, Shanghai

From the 12th to the 14th of November 2016, the winner of Danish Master Chef and Danish Young Chef Champion, Umut Sakarya cooked an exclusive New Nordic cuisine menu at HENKES restaurant in Shanghai. The young chef has firmly established his name among the star chefs of New Nordic Cuisine since he won the title as Danish Young Chef Champion in 2011. The

25-year-old shooting star has revolutionized traditional Danish dishes at his own restaurant Grisen.

An established gem on the modern Shanghai food map, HENKES serves rustic honest Mediterranean fare in a chic urban dining room. The stylish decor features Mr. Willis' signature open kitchen, wood fired pizza oven and a garden terrace, perfect for alfresco dining.

This time Umut Sakarya came to Shanghai as recently crowned winner of the popular TV-concept, Master Chef where he partnered with famous singer in the 90's band, René Dif from Aqua and set up his pop-up restaurant in HENKES where he took gourmet lovers on culinary journeys to remember.

Administration of Quality Supervision, Inspection and Quarantine will be responsible for imported food products. Traceability is foreseen to be important and a common task for all the organisations. The system is based on knowledge from the food safety systems in USA, EU and Japan, and are intended to follow international standards.

The coming five-year plan will prioritize food security, food safety and development of the rural areas in order to involve fewer people in agricultural production. The intended developments will require know-how, technology and investments and the signal from the ministries are, that part of this can be done through partnerships with countries worldwide. We will be looking for potential interesting projects for Danish companies in the upcoming five year period.



# THE 19TH EDITION OF FOOD AND HOTEL CHINA



Lydia Jiang  
Senior Commercial  
Officer, Shanghai

The 19th edition of Food and Hotel China (FHC China) was held from 11 to 13 November 2016 at Shanghai New International Exhibition Centre. Serving as a platform for exporters and distributors of food and wine to display their products and seek international partnership, the exhibition this year has reached outstanding results with a higher number of participating companies

from more countries and more visitors and customers.

The Danish Minister of Environment and Agriculture, Ms. Eva Kjer Hansen attended the opening ceremony of the exhibition where she delivered a speech. She stressed, that global consumers have higher and stricter demand for food safety and that food not only show our love and respect but also express our wish to bring our beloved ones good health.

Denmark is unquestionably a leading country in providing high-quality food with transparent food safety systems. Danish food producers are constantly striving to develop better and more interesting food for the whole world. She also mentioned the importance of the Chinese market for Denmark and the two countries long and strong relationship as this year marks the 65-year anniversary of the diplomatic relations between China and Denmark.

After the opening ceremony of FHC China, the Minister visited the Danish Pavilion at FHC to network and exchange ideas with 16 Danish exhibitors including:

- 1) Royal Greenland
- 2) Nature DK
- 3) Skovlyst Production
- 4) Amanda Seafoods
- 5) Pork Promotion

- 6) Mille Baby
- 7) Jacobsen Bakery
- 8) Scandic Food
- 9) Tulip
- 10) AquaPri
- 11) Danish Specialty Food – Tylstrup Kager
- 12) 3-Star
- 13) Danpo
- 14) Arla
- 15) Bisca
- 16) Ovodan

Danish exhibitors all appreciated the good reputation of the exhibition and regarded FHC as a great opportunity to meet potential business partners and achieve a deeper understanding of the Chinese and global market.

Casper Møller, export manager from Skovlyst Production A/S of Denmark expressed his satisfaction towards participating in FHC this year. He said, "We have been amazed by the response we had at Beer China at FHC. After the first day alone, we had met hundreds of customers and took many orders. The second day was even better when we doubled our sales and met even more potential customers".



# FOOD SAFETY LAW EXPECTATIONS



Tilde Hellsten  
Growth Counsellor  
Beijing

One of the activities during the Danish Minister of Environment and Food, Ms. Eva Kjer Hansen's visit to Beijing in the middle of November 2015 was a presentation by the China Food and Drug Administration (CFDA) on China's new Food Safety Law. In his informative presentation Deputy Director General of CFDA's legal department Mr. Chen Xu highlighted the following focal points from the new law:

- Establishment of an integrated system that comprises supervision of food production, food distribution and food services. Note that the supervision of products from the primary production is a matter of the Agricultural Ministry
- Establishment of a traceability system for the full production chain, including traceback possibilities
- Establishment of a recall system both aiming at potential recalls from producers and companies



- Establishment of a "potential food safety risk" supervision system where companies are supervised on improving food safety
- Establishment of a hotline or "whistle blower system" where the public can report on companies not following the regulations in the law
- Establishment of supervision on E-commerce food trade
- Establishment of registration (or report-filing) of "health foods". Furthermore the labelling and advertisements must all clearly that the products cannot be a substitute for medicine
- Establishment of more stringent rules for producing infant formula
- Establishment of a penalty system consisting of four overall steps: firstly a warning is given, secondly a fine, thirdly the production is stopped and lastly the permit for producing can be withdrawn



# 11.11-ONLINE SHOPPING CARNIVAL



Amanda Xiang  
Trade Officer  
Beijing

China Singles' Day takes place at November 11th each year. For those who love to shop online, this is the best day of the year due to the seemingly irrational discounts. This tradition is in line with the one which Alibaba, the Chinese E-commerce giant, started up in 2010. It has not only been implemented on Alibaba, as all Chinese E-commerce giants are eager to get a piece of

the pie.

Singles' Day quickly became a retail sensation and it is the largest online shopping day in the world. China Singles' Day "has now become larger than both Cyber Monday and Black Friday combined," which are the two biggest shopping days in the U.S., reported NBC News. "Online shopping had become a comfortable channel for most consumers. China is a big market with close to one billion smart, connected device users. It is good news for both Alibaba and their competitors," said Kitty Fok, China Manager of Market Research from IDC.

Jack Ma is Alibaba's founder and executive chairman. He told journalists in Beijing that the events' annual growth in the past few years has surpassed

50 percent.

"11.11 is like an annual examination for all stakeholders related to E-commerce, including E-business operators, online shop owners, suppliers, logistics companies, etc." said Jack Ma to CCTV journalist. And what is the final result for Alibaba this year? It is 91.217 billion RMB! It is absolutely a big part of the entire network turnover (GMV) that day, which is 122.937 billion RMB.

'International' was one of the key words for 11.11 this year. You can find global shopping channels on most of the E-commerce platform, which bring more options for Chinese consumers. Apples from New Zealand, beef from Latin America, clothes from America, milk powder from Europe...you name it. We also found some good quality and popular Danish products that day, such as butter cookies, clothes, milk powder and pork.



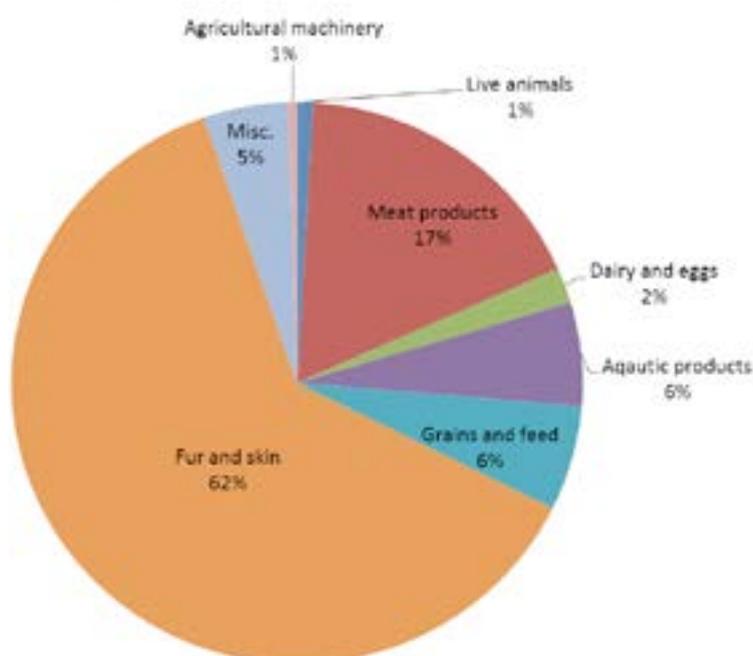
# DANISH AGRICULTURE AND FOOD EXPORT TO CHINA

The Danish export of food and agricultural products to China reached almost 12.85 billion DKK from September 2014 till August 2015, which is an increase of 11 % compared to the same period in 2013-2014. From September 2013 till August 2014 the export of food and agricultural products to China was 11.57 billion DKK.

The total Danish export of goods from September 2014 till August 2015 amounted to 24.80 billion DKK. This is a decrease of 25.52 % compared to the same period in 2013. The food and agricultural export accounted for 51.81 % 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 12.85 billion DKK):



## A closer look at the numbers

Looking at the last year, the meat products has increased 9% according to the last period 1st 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	September 2014 - August 2015	September 2013 - August 2014	Change
Fur and skin	8,008,401	6,815,718	17%
Meat products	2,237,444	2,053,712	9%
Aquatic products	763,553	817,269	-7%
Grains and feed	776,210	515,835	50%
Dairy and eggs	263,403	294,019	-10%
Live animals	117,261	147,832	-21%
Agricultural machinery	62,210	119,412	-48%
Misc.	618,855	809,712	-24%
<b>Total</b>	<b>12,847,337</b>	<b>11,573,509</b>	<b>11%</b>

Source: Statistics Denmark

# CHINESE FOOD INFLATION

Food inflation has lowered from 2.7 % in September 2015 to 1.9 % in October 2015. The consumer price lowered from 1.6 i September to 1.3 i October 2015.

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



## DAIRY

### WORLDWIDE INFANT FORMULA SALES SET TO ROCKET AS CHINA ENDS ONE-CHILD POLICY

Source: Dairy Reporter, 04-11-2015

**The abandonment of the one-child policy in China is expected to grow sales of infant formula by 10-15%, with 1.5-2 million more babies likely to be born each year in the country.**

China announced its move to a two-child policy last week, due to concerns over its ageing population and a need to support its economy.

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.

#### International sales

Raymond Ng, China food regulatory specialist for dairy and infant formula products from REACH24H Consulting, told Dairy Reporter that sales of infant formula can be expected to grow by up to 15%.

The expected jump in baby numbers is set to boost not only China's domestic infant formula industry, but sales on an international level.

"The market share and sales from international infant companies represent a significant number," said Ng.

"International infant formula companies including Mead Johnson, Wyeth, Nestlé, Abbott and International Nutrition Co contribute 34% of the infant formula market share, so it just demonstrates how significant the infant formula import market is in China."

#### Thriving imports

The import market is thriving, Ng added, due to a mistrust in domestic infant formula companies, and

a belief that imported products are of higher quality and safety. Confidence is low in domestic products, since an estimated 300,000 babies were made sick due to the 2008 melamine scandal in the country.

He said: "There has been an increase in enquiries and business for the past two years, especially from SMEs exporting infant formula and baby snacks to China. We have successfully helped numerous infant formula companies comply with Chinese infant formula regulations."

It was reported that shares in Danone increased 3% after the news was announced, showing the market's positive reaction to the change in policy.

#### E-commerce

"In addition, as there are new opportunities in cross-border e-commerce, more international infant formulas are taking advantage of this regulatory lax and booming channel driving sales," Ng said.

Regulations surrounding e-commerce are changing quickly though, he concludes, "so the sustainability of this channel is uncertain".

Euromonitor figures show that sales of baby food in China have grown by over 15% every year since 2010, and this growth is set to continue with China's new child policy change. Last year saw sales of almost \$19bn, this is expected to rise to over \$50bn by 2020, according to the Euromonitor data.



## PORK

### ICCAW PRESIDENT DEFENDS CHINA'S STANCE ON PIG WELFARE

Source: Global Meat News, 19-11-2015

**Growing consideration of animal welfare in China has caused a "mini industrial revolution", the International Cooperation Committee of Animal Welfare (ICCAW) president Xi Chunling has said.**

At the annual Good Pig Production Awards in Westminster, on Wednesday 18 November, the outgoing president made one thing abundantly clear: the West has a deep-rooted misconception about China's attitude to welfare standards of livestock.

"Industry experts, farm owners and even some consumers know more about pig welfare requirements – such as no sow stalls, no teeth-clipping, no tail-docking, and the provision of appropriate bedding [in China]," said Chunling.

She credits the welfare enlightenment to Compassion in World Farming's (CiWF) Good Pig Awards, which have had a "very positive effect" on the Chinese market.

#### 'Remarkable change'



At the event, eight representatives travelled from China to be presented with awards for excellence in pig welfare, with food industry leaders like Sainsbury's and BQP also giving speeches on animal welfare.

China is the largest producer of pigs and rears approximately 726m per year – more than 50% of the world's pig population, and five times more than its closest competitor, the US.

Speaking at the event Dr Tracey Jones, director of food business at CiWF, said: "Our work in China has been intricately linked to our effective partnership with the ICCAW... to date nearly one million pigs are set to benefit each year through welfare improvements in China."

Chunling added she hoped the Good Pig Awards helped tell the story of "remarkable changes that demonstrate significant progress in China".



## PORK

### NDRC LOWERS BREAK-EVEN RATIO FOR CHINESE PIG FARMERS

Source: China Ag, 16-11-2015

Chinese farmers can avoid losing money in raising pigs as long as the live pig price is 5.5 times of maize price, an official said at a news briefing on Thursday [5 November 2015]. The break-even point, or ratio between pig price and maize price, has changed to 5.5:1 from the former 6:1, said Xu Kunlin, head of the Price Department under the National Development and Reform Commission (NDRC). Full Article: Xinhua Finance Nov 2015

#### Key Point

- According to the Director of the NDRC's Price Department, nearly 50% of all pig farms in China produce at least 500 hogs annually

#### ChinaAg Comments

- From 20 March and 17 July 2015, Chinese pork prices reportedly increased more than 20% owing to declining hog populations and rising feed/labor costs
- From January 2010 to July 2015, China's pork prices increased from US\$2,890 per MT to US\$4,550. Prices peaked at an average of US\$4,738 from July to October 2011, and reached a low average of US\$2,460 April to June 2010
- China's CPI (2010 as the base year, 2010=100) increased from 105.4 in 2011 to 111 in 2013. The price of food comprises roughly one-third of China's Consumer Price Index (CPI), while pork accounts for nearly 3% of China's CPI

## BEVERAGE

### CARLSBERG TO CLOSE SOME FACTORIES

Source: China Daily, 14-11-2015

A weaker-than-expected performance in China and Russia is forcing Carlsberg A/S, the world fourth-largest brewer, to axe 2,000 staff worldwide by 2018, around 15 percent of its workforce.

According to Chief Executive Officer Cees't Hart, cost-saving measures will affect its Chinese operations, including the closure of some factories.

As part of its "business right-sizing" efforts, he said it will be restructuring what he called its brewery footprint in the country, and that it was evaluating all possible measures.

More detailed information would be made available once local employment regulations had been confirmed, he said.

A spokesman for Carlsberg China told China Daily that there are already plans afoot to close factories in the east of the country, particularly some of the assets it acquired from Chongqing Beer (Group) Co Ltd, in Anhui and Zhejiang provinces.

A former employee at the company claimed, however, that Carlsberg China had expanded its marketing workforce too quickly in recent years.

According to the company's third-quarter financial results, it recorded a net loss of 4.49 billion Danish Krona (\$650 million) mainly related, it said, to impairment of its Russian brands and eastern assets in China.

Hart said the company has already launched a program he called "Funding the Journey", which will merge some existing initiatives and see it taking significant steps to "right-size" parts of the business. "To successfully execute the strategy, short-term



continued...

measures are being taken to ensure we have an appropriate cost base."

Hart said it would make its sales operation and supply chain more efficient and profitable. But that will also mean a reduction in warehousing facilities and other restructuring of the business, which will include job cuts, he said.

"In total, we will reduce our white-collar headcount by approximately 2,000 employees, of which approximately 1,300 have been notified," he said, without detailing any numbers for China.

Earlier this month, the world's largest brewery Anheuser-Busch InBev NV submitted a formal offer to buy SABMiller Plc for around \$107 billion.

The deal is expected to create a colossus which will produce one-third of the world's beer, and become the market leader in China.

Takeovers are considered "a low priority" for Carlsberg in China, said Hart.

"Our focus is on improving our current business. However, if something of significant interest comes up, we will of course have to evaluate that," said the CEO.

Jason Yu of Kantar Worldpanel China said the global beer industry is heading for a period of consolidation and market domination.

The new enlarged group that is being created, he said, will have greater power over others and potentially this could also lead to the efficient deployment of manufacturing and distribution resources and improved shareholder value.



## CONSUMPTION

### ASIA'S GIANTS THE BACKBONE FOR GLOBAL GROCERY GROWTH

Source: Food Navigator Asia, 05-11-2015

**China and India's grocery markets are set to grow in double digits to US\$2.4tr by 2020, according to the latest forecast by food and grocery researchers IGD.**

IGD predicts that growth in "lower tier" middle-income cities and more mergers and acquisitions in China, the world's biggest grocery market, are expected to be key influences shaping this market over the next five years.

Chinese grocery sales will grow by one-third by 2020, reaching US\$1.5tr, according to IGD's forecasts.

Joanne Denney-Finch, IGD's chief executive, said: "China will maintain its position as the world's biggest grocery market for the foreseeable future. Although the Chinese growth rate is slowing, it's still very impressive, particularly in tier three and four cities.

"These are provincial medium-income cities that are undergoing rapid development. There are many

more opportunities for retailers and western brands. For example, online grocery will enjoy explosive growth in China, though from a modest base, tripling in size between now and 2020."

India, the third-largest global grocery market, has plenty of potential but has so far proved challenging for international retailers due to the strength of traditional trade and legislative restrictions on international investment.

"While traditional stores will continue to take the lion's share of the Indian grocery market, consumer spending per capita in real terms will grow faster in the subcontinent than in any of the top grocery markets," said Denney-Finch.

"Combined with an expanding working-age population, this will support the growth of modern convenience and supermarket retailing. Retailers are also rapidly setting up online grocery services hoping to tap into the potential of India's half a billion smartphone users.

"Despite restrictions on foreign direct investment, international retailers continue to see the potential of investing in India."

In both countries there is also a great opportunity for online retailing in key cities and for international brands. Marks & Spencer, for example, has recently reported impressive growth via Alibaba's Tmall.com digital marketplace in China.

According to IGD's forecast, the top 15 global grocery markets are set to grow by 34% to a value of US\$8tr by 2020, with Asia, the Middle East and Africa, and Latin America accounting for more than 70% of the world's grocery growth over the next



continued...

five years.

"Although growth prospects appear limited in Europe at the moment, this is a time of tremendous opportunity for grocery companies further afield," says Denney-Finch.

"The vast majority of global grocery growth will come from Asia, Africa and the Middle East supported by increasing affluence, urbanisation, and rising population. With many European products and brands highly regarded in these regions, this will be a boom time for companies with export skills."

IGD suggests there are three key opportunities for retailers to make use of this expected growth: expanding private label ranges; demonstrating the resonance of their brands internationally; and making the most of a specialism.

There is also plenty of growth potential for quality brands that are able to demonstrate local relevance, according to IGD.



## CONSUMPTION

### CHINESE CONSUMPTION TO INCREASE BY 17% BY 2025

Source: China Ag, 11-11-2015

Urbanization and a wealthier population will lift Chinese per capita consumption of fresh food by 17 percent in the next 10 years and consumers may benefit from lower food prices under China's Belt and Road initiative, a report said on Wednesday [28 October 2015]. Chinese per capita consumption of vegetables, fruits, meat and dairy products will hit nearly 700 [sic] kilograms a year in 2025, according to a study by Netherlands-based Rabobank and Wageningen University. Full Article: ECNS.cn Oct 2015

#### Key Points

- By 2025, China will reportedly have CNY 2 trillion (US\$315 billion) of online/e-commerce fresh food sales. Approximately 13% (~US\$41 billion) of these online sales will be comprised of imported fresh foods
- A railway link connecting Chongqing (south western China) to Rotterdam, Netherlands, would theoretically shorten transportation time by more than a month versus traditionally sea shipping

#### ChinaAg Comment

- In September 2015, Beijing, Shanghai, Guangzhou, and other cities in East\ China's Yangtze River Delta and South China's Pearl River Delta region will purchase approximately CNY 20 billion (US\$3.13 billion) worth of high-quality fresh food in 2016. The fresh food would have the same quality standards as those found in Hong Kong
- In February 2014, Yili (Chinese dairy company) inaugurated a dairy research and development facility in Wageningen University, Netherlands.

## REGULATIONS

### RESPONSIBILITY FOR CHINA'S FOOD SECURITY TO BE DEVOLVED TO PROVINCES

Source: Food Navigator Asia, 16-11-2015

**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.**

A meeting last week of the State Council, which comprises China's most senior lawmakers, said it was "inevitable" that regional leaders would be at the forefront of the food security system as China witnesses a "tight balance of food demand and supply for a long period of time," according to a statement published by the council.

The governors will be responsible for maintaining a stable expanse of farmland, ensuring its continued fertility and the quality of grain and improving pollution controls, the State Council said.

Provincial chiefs will also be charged with making sure grain reserve data is accurate and looking after the interests of farmers.

Their performance will be assessed by officials from 10 government agencies, including the National Development and Reform Commission, the Ministry of Agriculture and the State Administration of Grain.

They will be held accountable if they "fail to perform their duties and make major errors with serious effects," according to the statement.

China is reviewing its approach to food security—already a pressing issue for a country with a population approaching 1.4bn, though the recent announcement that it would end its one-child policy is expected to make it more urgent.

Even before the policy was relaxed, the Ministry of Agriculture forecast that China would consume 50bn

kg more food in 2020 than it did in 2010.

With 20% of the world's population and just 9% of its farmland, the country has recognised the need to bolster its approach to providing sufficient food for a growing population at a time when it is approaching the maximum production of food that it can obtain from its land.

In August, the State Council released a guideline to make agriculture more intensive and environmentally friendly by lowering China's dependency on resources and mass labour and improving the use of advanced technology and skills of farmers.

"Agriculture faces increasing challenges and risks and it is an urgent need to transform the production model," said Ye Xingqing, head of the agricultural economy department under the State Council, at the time.

China's summer grain output reached a record high of 141m tonnes in 2015 after 11 consecutive years of increases, according to the latest official data.



## REGULATIONS

### INCREASING WESTERN FOOD IMPORTS TO CHINA HAVE BEEN MOSTLY SAFE

Source: Food Navigator Asia, 02-11-2015

A fraction of food imports to China were found to be unsafe between 2010 and 2014, according to China's inspection force.

In a report, the General Administration of Quality Supervision, Inspection and Quarantine revealed that imports worth US\$150m failed to meet national food safety regulations.

In 2014, total food and agricultural shipments to China were worth US\$121.5bn—an increase from US\$11.8 billion in 2001. Since 2010, such imports have seen annualised growth of 17.4% from 213 countries.

This rate of growth for imported food is in line with an increasingly wealthy population that is seeking more exotic products, the report mentioned.

China found substandard food from 112 countries and regions, including 1,692 batches in 2010, 1,857 batches in 2011, 2,499 batches in 2012, 2,164 batches in 2013 and 3,505 batches in 2014.

The items were mainly imported from the United States and Japan, countries in the European Union and Asian states.

The unsafe imported food included cakes and biscuits, beverages, grains, dairy products and alcohol. Lin Wei, director of the Bureau for the Safety of Imported and Exported Food, said Chinese authorities were in the process of ramping up their inspections.

## REGULATIONS

### CHINA NEEDS IMPROVED COLD CHAIN TO SUPPORT SURGE IN DEMAND FOR PRODUCE

Source: Food Navigator Asia, 02-11-2015

**China's appetite for fruit and vegetables, dairy and meat is expected to increase by 17% between 2015 and 2025, Rabobank claims, though the country's cold chain system will struggle to keep up with the demand if it is not sufficiently modernised.**

China's growing requirement for fresh food offers huge opportunities for imports from Europe, the agri-business bank highlights in a report in which it says the Yu'Xin'Ou railway, which connects Chongqing to Rotterdam, is providing an exciting new route to market for European exporters.

The freight route, which opened in 2011 and is part of the "New Silk Road", reduces transport times by over 30 days compared to shipping.

However, to build China's supply chains to accommodate more fresh and perishable foods from abroad, a drastic improvement is needed, the Rabobank report, which was co-authored by Dutch agricultural university, Wageningen UR, stated.

"China's demand for fresh, safe and high-quality



continued...

food is outstripping its capacity to produce and deliver domestically. Europe is able to address this need," said Paul Bosch, a supply chain specialist at Rabobank.

"However, the growth in consumption of perishable food in China will only continue if supply chains deliver on quality and safety. To a large extent this depends on the proper cooling of products during storage handling and transport."

Wiebe Draijer, chairman of the Rabobank executive board said with 20% of the world population, but only 10% of its arable land and 6% of its water, China faces enormous challenges on food security and safety.

"The New Silk Road provides tremendous opportunities for Sino Dutch agricultural trade," Draijer said. Increasing consumption in China is the result of continued economic growth and urbanisation. China's economy is expected to grow by 6-7% annually in the coming years, pushing a further 38m households into the upper-middle-class.

The demand for fresh safe food, bought through convenient modern channels, is pushing the country's investment in cold chain infrastructure. Over the past five years, storage capacity has grown from 12m cubic meters in 2007 to roughly 100m cubic meters in 2015.

But the report warns that the warehousing and logistics sector is still lagging and needs to improve in terms of both quality and capacity.

The associated investments are huge: Rabobank estimates US\$85bn is needed for this over the next 10 years, adding that the cold chain sector will only im-

prove once companies start to adapt their business models into higher-value strategies in response to the higher service needs of their clients.

It estimates that the presence of a high-level cold chain sector would reduce the wastage of perishables by 14%, worth US\$7.5bn

This, it says, could also create a 10% reduction in food prices and hunger while increasing rural incomes as farmers transport their crops in refrigerated trucks.

In turn, improved cold chains could reduce health-care costs by preventing 90m annual cases of food-borne diseases. Meanwhile, modern, energy-efficient technology and new Once mature, the New Silk Road has the capability to stabilise China's food system by enhancing international trade and reducing the vulnerability to regional events, such as crop disease and extreme weather, the report predicts.

In time, it also has the potential to enhance competition, changing the competitive positions of current trading partners like the US, Brazil and Australia, as well as improving the price stability of the food system, Rabobank says.



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