



FOOD FISHERIES AGRICULTURE

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



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

The Food Team Trade Council China



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A VISIT TO THE HUNAN PROVINCE



Poul Jacob Erikstrup
Minister Counsellor
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"Memorandum of Understanding on Agricultural Cooperation and Exchange" was signed October 28th by Hunan Provincial Committee of Agriculture, Peoples Republic of China and Danish Agriculture and Food Council. The signing was performed by Director of Trade and Market Relation, Jan Laustsen of Director Lao Jiu Chi, both from DAFC. The ceremony was witnessed by Minister Counsellor Poul Jacob Erikstrup, Growth Counsellor Tilde Hellsten and Director Lao Jiu Chi, DAFC.

The Hunan region is the home stead for former Chairman Mao, but also the present Chinese Ambassador to Denmark, Liu Biwei. The ambassador has recommended increased cooperation on agricultural issues between his home region and Denmark.

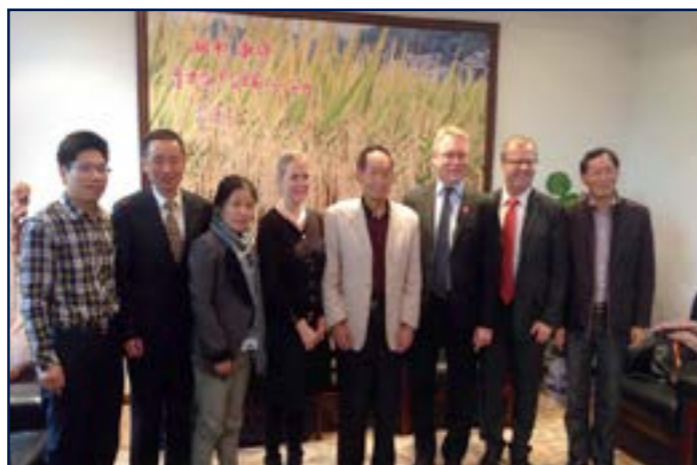
During the meeting with Hunan Provincial Committee of Agriculture, it was clarified that there was three main areas for cooperation. 1. Animal husbandry, especially pork production. 2. Modernisation of the food processing industry and 3. Improving of grasslands for production of beef and goat meat.



During the visit in Hunan, the delegation visited the company Jiange Agricultural Stock Breeding, who has imported 360 breeding pigs from Denmark. The company plans to produce 1 mio. slaughter pigs per year. They hope to be able to reach Danish production standards within few years. The company is very focused on production in a sustainable way and are open to more cooperations with Danish companies.

China National Hybrid Rice R&D Center, headed by the "Father of hybrid rice" Mr. Yuan Longping was also visited. Mr. Longping, who is 85 years old is still active at the rice breeding station. During his work he has increased yield capacity of rice varieties from 8 to 16 tons per ha in experimental conditions. In large scale farming the yield has reached a level of 10 tonnes per ha. The breeding station is using gene mapping as a tool to continue improvement of yield, but also disease resistance in new varieties.

The breeding center works with a lot of foreign countries in order to find the best varieties for each of the cooperation countries. Today more than 50% of China's rice production is based on hybrid rice. The varieties are in use on more than 5.5 mio. ha in different countries, including USA.



ARLA OPEN DAY AT THE EMBASSY



Shan He (Grace)
Senior Trade Officer
Beijing

To promote Arla's infant formula product, Baby&Me, on the occasion of 65th diplomatic anniversary and 25 years of using the organic "ø" sign in Denmark, Arla held an Open Day at the Royal Danish Embassy in Beijing on 24th October 2015. This is the first event for Arla organic infant formula promotion in China.

The topic of this event is '至臻有机为爱加冕' (The ultimate organic to crown your lovely baby). Danish Ambassador to China A. Carsten Damsgaard made a welcome speech to the guests at the event. He stressed the food safety and organic production in Denmark, and wished Arla's organic infant formula products great success here in China.

The Open Day entailed two sessions. The morning session was for families with kids. The Embassy's big conference room was created into a playground to entertain the kids. The afternoon session was for pregnant women. Arla invited doctors and experts to teach how to prepare food for a new born baby.



LAUNCH OF MILK POWDER PRODUCT



Nikolaj Fredsted
Head of Commercial
Department
Beijing

Organic food, sustainability and a green life style were all elements in the launch of the new organic infant formula from Abbott – Eleva Organic – introduced in Shanghai earlier this autumn. Eleva Organic is produced in Denmark, and Commercial Counsellor Nikolaj Fredsted from the Embassy of Denmark in Beijing attended the product launch and had a speech about the sustainable production methods within the agriculture sector used in Denmark.

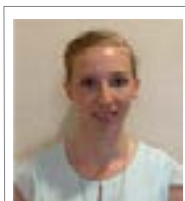
"We are very happy to see more premium products entering China such as Eleva Organic which is manufactured in Denmark. Organic farming is a political priority to the Danish Government for more than 25 years. Denmark was the first country worldwide adopting an organic legislation in 1987 and taking over organic certification." says Nikolaj Fredsted.

Brand Ambassador for Eleva, star mom Sun Li, also took part in the product launch ceremony and emphasized the importance of raising our babies and children in a green and organic manner. During the ceremony and in the presence of Ms Sun Li, Mr Andrew Scorey Vice President Abbott Greater China, Mr Wang Huafei, Director China Organic Food Certification Center and Mr Nikolaj Fredsted, Commercial Counsellor at the Embassy of Denmark a carriage was brought onto the stage containing boxes of the new product that hereby was revealed.

Eleva Organic is fully imported from Denmark and has received organic certifications from authorities in both China and the European Union.



DANISH FASHION AND FOOD SHOW 2015 IN CHONGQING



Maja Hoegh Jensen
Commercial Intern
Chongqing

On October 31st the Royal Danish Consulate General in Chongqing repeated the success of the Danish Fashion and Food Show from 2014 with "Danish Fashion and Food Show 2015". The event invited prominent guests to experience a magnificent night centered on luxurious Danish fashion and gourmet dining.

In 2014 the Royal Danish Consulate General in Chongqing hosted the first Fashion and Food Show in Chongqing. At the event the guests showed a great interest in buying Danish luxury products, and therefore the Consulate decided to host a second Danish Fashion and Food Show in 2015.

The Danish Fashion and Food Show 2015 was located in the recently developed Zhongnan Long Island surrounded by the Jialing River and Chongqing hills. The event began with a press event attended by Consul General, Ms. Anja Villefrance, representatives from the fur brands Copenhagen Fur and PUDU, and representatives from the many partners who joined the Consulate in creating the event. After the press event company representatives lined

up by their stands in the exhibition area to welcome the Danish Ambassador to China Mr. A. Carsten Damsgaard. Throughout the night many guests visited the exhibition area and purchased products from the participating companies.

The ambassador to China Mr. A. Carsten Damsgaard gave the opening speech followed by Mr. Kasper Scott Reinbacher, VP of Marketing and Business Development at Copenhagen Fur, and Mr. Yu Xuhan, General Manager of Zhongan Real Estate Ltd. Just before the show began, the Danish chef Sofie Harder Hovgesen also introduced the evening's menu of exquisite Danish canapés.

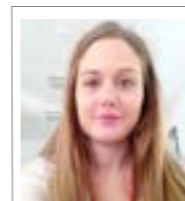
Denmark is the world's largest producer of high-quality mink skin with Copenhagen Fur as the largest fur auction and world-leading fur material provider. China remains the largest market for Danish fur products, and therefore the fashion shows centered on the high-end PUDU and Copenhagen Fur designs in fur and skin. LINDBERG is a world-renowned Danish trendsetter in the design and manufacture of fashion-conscious eyewear, and they also took the opportunity to present their sunglasses collection on the catwalk at the Danish fashion show in Chongqing.

As the models were taking a rest in between the rounds of catwalk, the Chongqing Odille Children's Ballet Group gave a gracious ballet performance inspired by H. C. Andersen's Ugly Duckling fairy tale.

It was a truly joyful evening and several of the guests went home enriched with gifts from the evening's lucky draws. Among the gifts was a trip to Denmark and a beautiful fur coat from PUDU. All in all the second Danish Fashion and Food Show was another great success, and the Consulate General in Chongqing plans to host this event annually.



THE BELT AND ROAD FOOD SAFETY COOPERATION



Ellen Slot Svensson
Commercial Intern
Beijing

The responsible parties for sanitary and phytosanitary (SPS) from Belarus, China, the European Union, Kazakhstan, Mongolia and Russia gathered in Beijing on November 3th in order to discuss The Belt and Road Food Safety Cooperation.

SPS should facilitate international trade, upgrade the food safety, establish long-term cooperation's within food safety and promote the development of food trade among the countries along The Belt and Road.

At the meeting they reach 5 agreements. Overall these refers to elevating the cooperation and partnership in relation to food safety, the respect to international standards to ensure the appropriate level of protection, the consideration of more efficient information exchange, the coordination of food safety supervision measures, that all participating countries should provide all possible measures and a wish to organize another High-level Dialogue on The Belt and Road Food Safety Cooperation in the nearest future.



FULL-FOOD REGISTRATION LAW



Shan He (Grace)
Senior Trade Officer
Beijing

China plans to implement a new policy for the overseas food producers which export food to China. The registration system will be managed by CNCA (Certification and Accreditation Administration of China). Denmark is among the three pilot countries to first trial on this new system. The trial is from 25th September to 25th October 2015. CNCA expects the trial to be finished around Christmas time, which means Denmark does not need to worry about the 25th October deadline.

The system welcomes Danish food producers who have already export to China or has plan to export to China. For meat, fishery and dairy producers, they don't need to apply again in the system because they are already registered at CNCA.

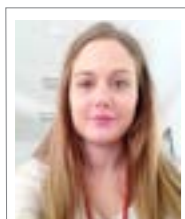
Producers need to register at <http://cifer.cnca.cn>. The user manual can be enquired with Grace He shanhe@um.dk.

On the webpage, you can see "approval number", if the producers are DVFA registered and have a registration number, please fill in the registration number. If not, please fill in the CVR number. Please find the second attachment on an excel sheet which entails all the information required to be registered.

If there is any question or suggestion when using this system, please contact the Embassy. Minister Counsellor Poul Jacob Erikstrup pjerik@um.dk or Grace He shanhe@um.dk



VISIT BY THE MINISTER OF ENVIRONMENT & FOOD



Ellen Slot Svensson
Commercial Intern
Beijing

The Danish Minister of Environment and Food, Ms. Eva Kjer Hansen, traveled to China from 10th to 13th of November to meet with government officials, companies and other relevant counterparts.

The Minister's visit to China started in Shanghai and then continued to Beijing. The Minister was accompanied by a delegation.

In addition to the Minister, the delegation included the Director General from Danish Veterinary and Food Agency, Esben Egede Rasmussen and Deputy Director General, Annelise Fenger as well as Head of Department from the Ministry of Environment and Food, Tejs Binderup.

Along for the trip was also representatives of the Danish business community and the visit worked to contribute to strengthening the political and commercial relations between Denmark and China.

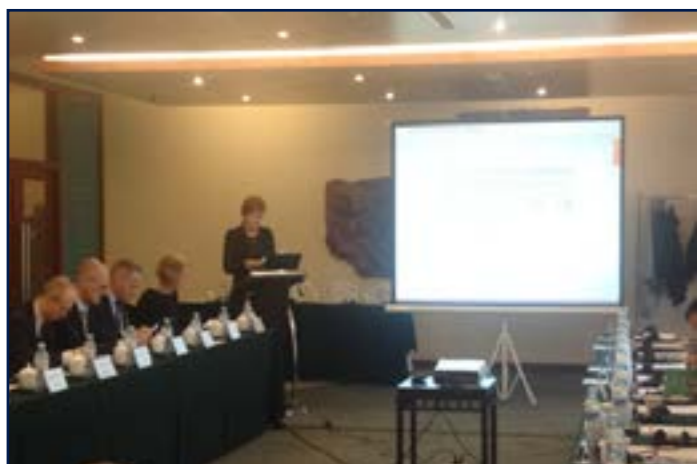
Based on the election of a new government and revised areas of responsibility the Minister is now responsible for two areas covering both environ-

ment and food. During her stay in China she attended activities covering both areas. A selection of the planned activities included a VIP-dinner to meet with Danish companies operating in China, an opening ceremonies and reception for Danish companies, participating in Food & Hotel China in Shanghai, witness at a signing ceremony to support the Danish waterproject in the Jiangsu province, bilateral meetings with government officials and in other government related activities.

The Minister, Ms. Eva Kjer Hansen and her delegation also took part in the opening of the China-Danish Roundtable on Food Safety and Cooperation made by one the new growth advisors in China. The conferences is related to issues and possibilities within food safety in China and was attended by CFDA.

All the scheduled bilateral meetings had a clear agenda and went as planned. The Minister, Ms. Eva Kjer Hansen attended 6 different meetings with authorities to facilitate the Sino-Danish cooperation.

The first bilateral meeting arranged for the Minister was with China Food and Drug Administration (CFDA). It was mainly a courtesy meeting to express the good cooperation with CFDA. The Minister



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separately followed up on the Danish interest in a dialogue on the implementation in order to fulfill the new Chinese Food Safety Law and the opportunities for expansion of the cooperation through the new growth counsellor. It was also expressed how much we are looking forward to the planned training visit in Denmark.

The Minister also attended a meetings with the Ministry of Water Ressources (MWR). This meeting covered the Sino-Danish water cooperation (CEWP) where Denmark is the European leading country and partly the bilateral cooperatio.

During the meeting with the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ) and the Certification and Accreditation Administration of the People's Republic of China (CNCA), the Minister emphasized the continuing Danish desire for a close cooperation as AQSIQ being our main partner among the Chinese authorities. She also expressed the interest in signing the protocol regarding market entry of heat-treated pork and continuing the work regarding market entry of feed, poultry and egg products, beef and organic products.



The Minister, Ms. Eva Kjer Hansen witnessed the signing of a protocol between the General Administration of Quality Supervision, Inspection and Quarantine of the Peoples Republic of China (AQSIQ) and the Ministry of Environment and Food of the Kingdom of Denmark on quarantine and health requirements for horses to be exported from Denmark to China.

The overall purpose of the meeting with the Ministry of Agriculture (MoA) was to confirm the continued interest in the establishment of a Sino-Danish pig farm model in China, to proceed with the Danish application for lifting of the Chinese BSE ban, request feedback on the inspection of Viking Genetics in order to export bovine semen and also to introducing the Danish growth counsellor as facilitator of new projects which have interest to MoA.

The last meeting for the Minister was arranged with the State Forest Administration (SFA) and was primary held to express the Danish interest in the process leading to a signing of the necessary agreements related to get a giant panda family to Copenhagen Zoo as soon as possible.

There was also time for an informal dinner between the Ministry, the Ambassador and the Danish business community at the Embassy Residence, a walk-and-talk with the press at Xinchunxiu Lu Vegetable Market and a visit to the international supermarket, City Shop.



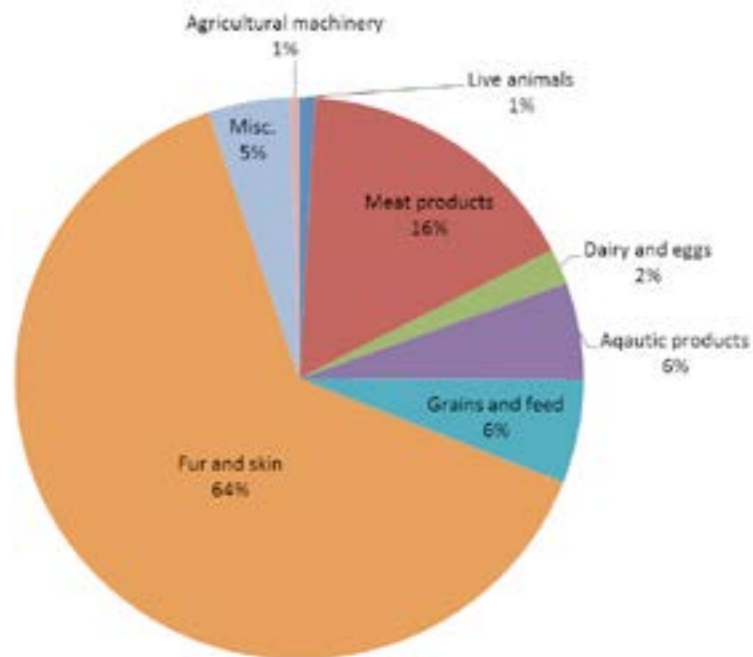
DANISH AGRICULTURE AND FOOD EXPORT TO CHINA

The Danish export of food and agricultural products to China reached almost 12.89 billion DKK from August 2014 till July 2015, which is a decrease of 33.68 % compared to the same period in 2013-2014. From August 2013 till July 2014 the export of food and agricultural products to China was 12.36 billion DKK.

The total Danish export of goods from August 2014 till July 2015 amounted to 24.40 billion DKK. This is a decrease of 20.26 % compared to the same period in 2013. The food and agricultural export accounted for 52.82 % 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 12.89 billion DKK):



A closer look at the numbers

Looking at the last year, the meat products has increased 11% according to the last period last year. The largest constant increase can be found within frozen pork.

There has been a large decrease of 40% within the export of machinery in the last period. The largest increase if found within wheeled tractors, 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	August 2014 - July 2015	August 2013 - July 2014	Change
Fur and skin	8,219,759	7,770,091	6%
Meat products	2,129,663	1,913,094	11%
Aquatic products	718,157	858,529	-16%
Grains and feed	769,685	486,419	58%
Dairy and eggs	264,456	304,702	-13%
Live animals	117,261	159,422	-26%
Agricultural machinery	68,674	115,406	-40%
Misc.	601,921	754,655	-20%
Total	12,889,576	12,362,318	4%

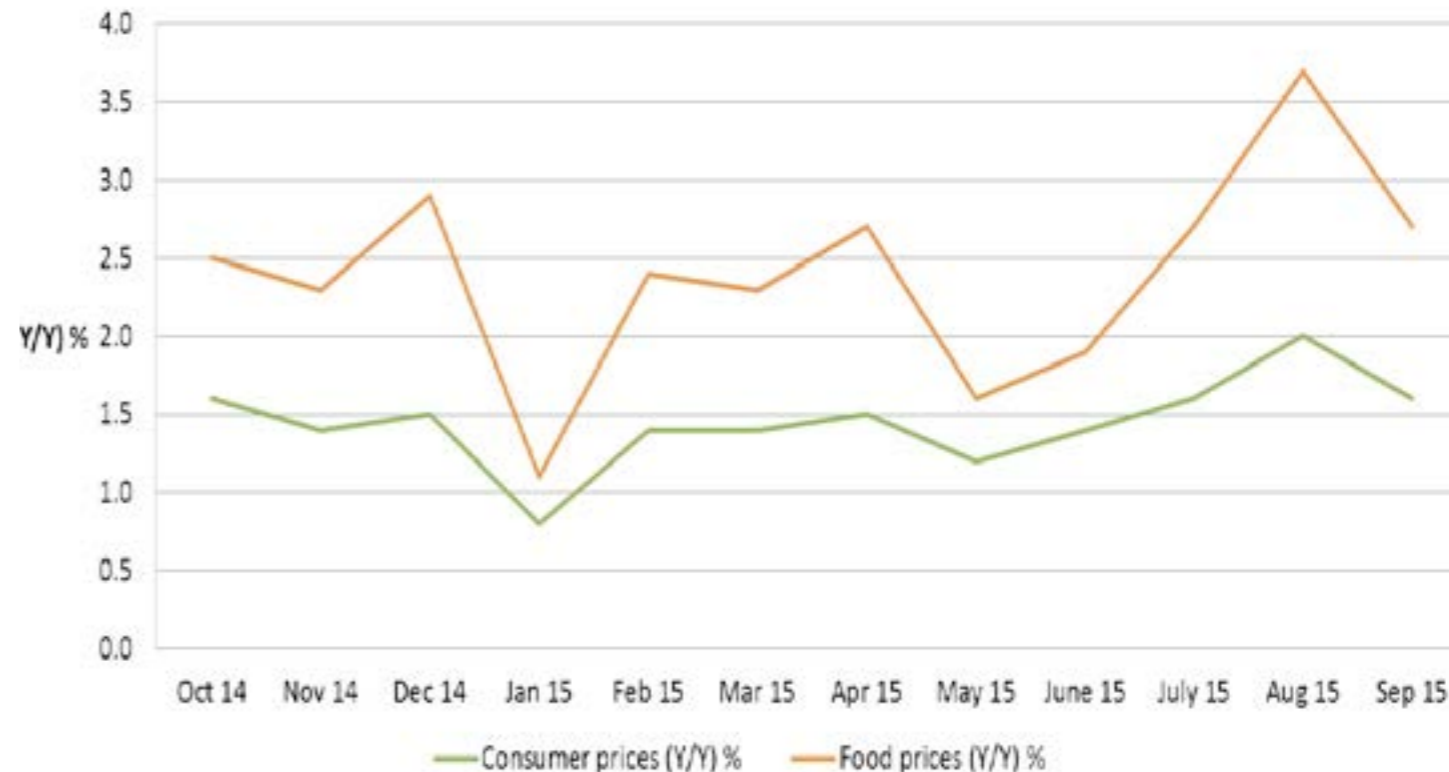
Source: Statistics Denmark

CHINESE FOOD INFLATION

Food inflation saw a decreased from 3.7 % in August 2015 to 2.7 % in September 2015. The consumer prices decreased from 2.0 % i August to 1.6 % i September 2015.

Consumer Price Index (CPI) & Food Price Index development

October 2014 - September 2015 (Souce: China National Bureau of Statistics)



FOOD SAFETY

MARS SELECTS CHINA TO OPEN FIRST FOOD SAFETY RESEARCH CENTRE

Source: Food Navigator Asia, 30-09-2015

Mars has opened a food safety centre in China, its first facility for pre-competitive research and training that aims to "raise global food safety standards through collaboration".

Located north of Beijing in Huairou, the centre will employ around 30 associates, plus a variety of sab-batical positions open to academic and regulatory researchers.

"Unlike an R&D or innovation centre focused on product development and improvement, the Mars Global Food Safety Centre is a state-of-the-art facility dedicated to advancing food safety research through collaboration and the pre-competitive sharing of information," said David Crean, vice-president of corporate R&D.

"We firmly believe that in order to ensure generations of families have access to safe and nutritious food, we must work together to evolve food safety management programs and create robust, sustainable supply chains."

Mars said it had selected China for the centre to



"leverage the intensive scientific focus the region is bringing to food supply and safety issues today", as well as for its burgeoning role in the global market.

The facility will house analytical chemistry and microbiology laboratories, interactive training laboratories and a conference auditorium to enhance knowledge sharing.

"Food safety is a global issue that concerns us all—business, governments, academics and the world's population," said Grant Reid, president and chief executive of Mars.

"Working together across all disciplines is the only way we can truly advance efforts at scale, with the ultimate goal of increasing access to safe nutrition for billions of people around the world."

He said the centre will promote its findings through scientific forums and media platforms and events to help advance others' research efforts.



DAIRY

MILK SCANDAL RAISES QUESTIONS OVER CHINA'S NEW FOOD SAFETY LAW

Source: Food Navigator Asia, 26-10-2015

Another dairy scandal has raged across Chinese media over the last month, overshadowing the introduction of China's much-touted new food safety law and casting further doubts over the government's ability to bring the country's chaotic food supply chain under control.

Food safety officials in Hebei Province, north China initially received widespread acclaim for their quick action in ordering a recall on dairy products from high-profile manufacturer Huishan Dairy on September 18 after a batch of its products had been found to contain illegally high levels of sodium sulfocyanate, a substance that is toxic to humans in high doses.

But what appeared to be a routine food safety scare quickly descended into a farce as it emerged that the Hebei officials had made a series of mistakes in their investigation and their findings were contradicted by separate tests by officials in Liaoning Province and the China National Food Quality and Safety Supervision and Inspection Centre (CFQS). The Hebei Food & Drug Administration (HBFDA) retracted its accusations against Huishan Dairy on September 29 but refused to reveal the results of its original tests, leaving a number of questions unanswered and fuelling further media and public outrage.

"Did HBFDA keep a sample?" posted one commenter on Sina News. "Why not make a re-inspection?" asked another. HBFDA is yet to respond to such calls. The scandal has already done huge damage to a number of parties, not least Huishan Dairy itself, whose Hong Kong-listed shares fell 7% in just twelve days following HBFDA's original statement. Though its stock price has now recovered, the company sold only 56 cans of its flagship infant formula

product, Huishan 5A (Stage 3, 900 g/can), during China's Golden Week holiday (October 1-7), and in a September 30 poll conducted by Sina, 55% of the 2,480 respondents stated that they were put off buying Huishan Dairy's products in the future.

There are also fears inside China's dairy industry that the scandal will trigger a wider backlash against domestic brands in favour of imported products.

"This incident will impact not only the company [Huishan Dairy], but also the industry", said Song Liang, special economic Analyst at Xinhua News. "In consumers' eyes, locally-made dairy products are full of problems. This farce will set a barrier for the development of the industry."

The government has also lost a sizeable amount of public confidence at just the moment when it had hoped things would turn a corner thanks to the food safety law coming into force on October 1.

"Consumers' confidence in the government will also be hit. Whatever results the government departments release, consumers will be dubious", said Wang Dingmian, director of the Guangzhou Dairy Association.

"There are no winners in this issue," an article on Sohu.com concluded.

How the scandal developed

The scandal erupted on September 18 when HBFDA announced that a batch of dairy products produced by Huishan Dairy on July 10 containing the company's hi-Ca milk had shown illegally high levels of sodium sulfocyanate during testing, and ordered Huishan Dairy to stop selling any products containing the milk.



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HBFDA followed this up with a further statement on September 24, which claimed that the "content of sodium sulfocyanate in Huishan Dairy's hi-Ca milk reached 15.20 mg/kg [in their tests]," significantly above the legal limit of 10 mg/kg.

It also added that "the government prohibits artificially adding sodium sulfocyanate into milk." However, it did not publish the details of these tests.

A third announcement was made the next day, informing the public that HBFDA had already forced all products containing Huishan Dairy's hi-Ca milk to be taken off the shelves, and reminding consumers to return any related products to the store from which they had purchased them.

However, the backlash against HBFDA started on September 27, when the Liaoning Food & Drug Administration, from Huishan Dairy's home province, disputed Hebei's findings, stating that it had investigated Huishan Dairy's products at every stage of the production process and had at no point detected high levels of sodium sulfocyanate, and all tests of hi-Ca milk sold in Liaoning Province had shown safe levels of the chemical.

The condemnation of HBFDA intensified the next day after Huishan Dairy held a press conference, during which its representatives offered a withering critique of Hebei's conduct and that gained widespread support from both experts and the media. The reporting of the scandal on Chinese news platforms such as Sina.com, Sohu.com, Netease.com, iFeng.com and QQ.com turned sharply against HBFDA at this point, accusing the officials of endangering the future of China's dairy industry with their actions.

HBFDA finally capitulated on September 29, revoking its warning against Huishan Dairy's products and offering the following explanation:

- "Sodium sulfocyanate naturally exists in milk;
- "The upper limit is 14 mg/kg, according to the Codex Alimentarius Commission;
- "The sodium sulfocyanate content in Huishan Dairy's hi-Ca milk does no harm to human beings".

However, HBFDA did not admit that its initial test results showing sodium sulfocyanate levels of 15.20 mg/kg in Huishan Dairy's hi-Ca milk were inaccurate.

Subsequently, the China Dairy Industry Association also released a statement supporting Huishan Dairy and condemning HBFDA.

The full article can be found at <http://www.foodnavigator-asia.com/Policy/Milk-scandal-raises-questions-over-China-s-new-food-safety-law>



AGRICULTURE

CHINA IMPORTS OF MAIZE FORECAST TO GROW SUBSTANTIALLY TO MEET INDUSTRIAL PIG PRODUCTION DEMAND

Source: Food Navigator Asia, 12-10-2015

As China's meat production industrializes, feed grain demand will jump significantly, and will require the Asian giant to source feedstocks, particularly maize, on the international market, forecasts Price Waterhouse Cooper (PwC) in a new report.

In 1971, the average total intake per person in China was 1,863 calories compared to 3,025 in the UK. By 2011 the Chinese average intake was 3,074 compared to 3,414 in the UK. The biggest change has been meat consumption, or animal calories, which have increased by well over 400% per person, per day since 1971, and more than doubled since 1991, found the publication.

The net increase in meat consumption will, evidently, be in pork, with that segment already accounting for 75% of the animal protein market in China, said Richard Ferguson, agricultural adviser to PwC and author of the report: China's Agricultural Challenges: Roads to be Travelled. Poultry, he said, represents about 20% of meat consumption and beef and fish make up the remainder.

Chinese self-sufficiency 'unrealistic'

While the average pig raised in a Chinese factory farm consumes 350kg feed grains to reach slaughter weight, the pig raised on a family farm consumes only 150kg of those commodities - the rest comes from, in the main, household waste, said Ferguson. So industrial scale pork production, even accounting for FRC gains over time, will require substantially more maize and domestic Chinese supply just won't cut it, he told FeedNavigator.

He said self-sufficiency is fast becoming an unrealistic ideal for the Chinese government in respect of those two crops, given the country's crop production constraints.

"China has been importing soybeans for a few years - averaging 60m tons a year to supplement its own output of 50m tons annually - and it will now have to look to bump up its maize imports to support scaled up pork production," said the agribusiness specialist.



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In his report, Ferguson said that if Chinese meat consumption mirrors other developed Chinese societies over time, it can be assumed that Taiwan's current 74kg consumption is a realistic long-term extrapolation. To satisfy this increased consumption, China will require an additional 94mn tons of corn and soybeans for feedstock.

In turn, this will require an extra 15mn hectare of agricultural land – an area the size of England and Wales – which China simply does not have, he continued.

“What happens when industrialization really takes off? China is not going to supply those additional feedstocks domestically given its challenges such as diminished viable farmland, polluted water supplies, depleted aquifers, and the overuse of fertilizers and taking into account the domestic agricultural market shift towards higher value fruit and vegetables.

Developed markets don't have the capacity to leverage up their long term supply of grain, even with capital intensive technology and genetic initiatives. China could look to Latin America but grain supply



from Argentina can be erratic, choosing to import from Brazil is possible but being overly dependent on one such supply source is a risky venture – one export ban and the game is up.

Buying land in the former Soviet Union such as Ukraine or in places like Zambia in Africa and growing corn for export back to China probably has the most merit - farmland purchases though, up to now, have only been a small component of China's business investments in Africa,” said Ferguson.

Farmland purchasing in such geographies, he said in his report, would still leave China vulnerable to external shocks such as export bans and land expropriation. However, he said such an avenue would allow China to diversify its current account surpluses away from financial assets such as US treasuries into real assets such as farmland, and would also help to promote free trade through interdependency.

Grain trading acquisitions

Ferguson said that as emerging economies industrialize their meat production and hike up animal protein consumption “the recent scramble for international agri-trading assets will likely accelerate.”

February 2014 saw China's largest grain trader, state-owned COFCO, acquired a 51% stake in Dutch grain trader Nidera, which has a strong procurement platform in Brazil, Argentina and Central Europe, noted Ferguson.

And, in April 2014, COFCO acquired a 51% stake in Singapore-based Noble Group's agribusiness unit for US\$1.5bn.

COFCO aims to form a joint venture to link its grain

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processing and distribution business in China with Noble's grain sourcing and trading business.

Noble's agribusiness unit includes sugar mills in Brazil, grain elevators in Argentina, and oilseed crushing plants in China, Ukraine, South Africa, and South America.

China Investment Corporation – China's sovereign wealth fund – already owns a 14.1% in the Noble Group.

With these acquisitions, COFCO will be able to purchase soybeans from Brazil and other producers directly, bypassing the 'ABCD' quartet of grain traders: ADM, Bunge, Cargill and Louis Dreyfus, said Ferguson.

Other similar deals include the previously mentioned WH Group's purchase of US-based Smithfield Foods, China Fishery Group's purchase of Peruvian fish exporter Copeinca ASA, and COFCO's purchase of Australian sugar producer Tully Sugar.

China's US\$3bn loan-for-grains deal with Ukraine was another although China recently sued Ukraine for the breach of this contract and which will be complicated still further by ongoing civil unrest in the country, added Ferguson.

BEVERAGE

CHINA TO BECOME BIGGEST BEER MARKET BY VALUE IN TWO YEARS

Source: Food Navigator Asia, 30-09-2015

Already the world's biggest beer market by volume, China is expected to also become number one in sales value by 2017, according to a report by Research and Markets.

In 2014 the beer market had grown to be worth Rmb486bn—compared to Rmb291bn in 2010. This is due to the fast increasing disposable income coupled with a growing population above drinking age in the country, the analysis company reported. By 2017, China's beer market is projected to grow by 45%, moving ahead of the United States, which is currently the world's largest beer market in terms of value.

At present, five key beer groups form 80% of the market: Carlsberg China, China Resources Snow Breweries, Anheuser-Busch InBev, Tsingtao Brewery, and Beijing Yangjin Beer.

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.



FOOD

MONDELEZ TO BRING BELVITA TO CHINA

Source: Global Meat News, 05-10-2015

Mondelēz International will launch its belVita breakfast biscuits in China in hopes of grabbing a larger piece of the country's biscuit market share.

After ballooning to 54 countries in five years, Mondelēz expects even bigger growth for its belVita product in the Chinese market. Mondelēz touts belVita as one of its "most successful innovation platforms," as it has seen an extremely quick ascent from its 2010 start in France to its huge expansion to \$600m in revenue in 2014.

Bringing healthy snack bars to China

Mondelēz already has great standing in the Chinese biscuit market, as the company has seen success with Oreo, Chips Ahoy! And TUC, claiming it is the No. 1 biscuit maker in China right now. According to Euromonitor, the company held 14% of the country's biscuit market share in 2014, making it the market leader.

However, the company has lost a percentage point in value share from 2012 to 2014 according to Euromonitor's 2015 Biscuits in China report. This is partially due to the poor performance of Oreo, but another reason is the consumer shift to "healthier options" such as savory biscuits and crackers, or even more indulgent chocolate coated biscuits.

BelVita's launch may mean making up lost ground in this market, as it is a new, healthier option in the Chinese market. Currently, China does not have a breakfast biscuit like this, the company claims. Stephen Maher, President of Mondelēz China, said the multinational wants to make sure this product is relevant to consumers who regularly consider health and wellness.

"That's why we're bringing belVita, an entirely new global category, to China," he said "As more Chinese are shifting to modern breakfast options, we believe belVita breakfast biscuits offer a compelling benefit — nutrition, taste and convenience, delivering vitality throughout the morning."

Interest in health leads to belVita opportunity

According to Mark Clouse, Mondelēz executive vice president and chief growth officer, consumers in both mature markets and developing markets like China are looking for more healthy and nutritious foods.

"We're tapping into this trend and are determined to become the global leader in well-being snacks," he said. "Our goal is to have 50% of our portfolio in the well-being space by 2020, up from more than a third of total revenue today." Euromonitor's report said consumers are becoming more health conscious while also buying more biscuits. Retail sales values of biscuits rose by 4% in 2014 across the country.

This growth has been down from the previous year, the report said, due to "consumers becoming less willing to eat biscuits with high calorie and sugar levels". Over the next year, the biscuit market in China is expected to grow 4%, a slower rate than the previous period's 7% yearly growth. Euromonitor said the increasing competition of the biscuits market may be a reason for this; however, belVita may be a deus ex machina in a market clamoring for a greater number of health and wellness products.

REGULATIONS

NEW LAWS PUT PRESSURE ON CHINESE MEAT FIRMS

Source: Global Meat News, 05-10-2015

China's meat companies are feeling the strain of extra regulations, with a triple whammy of new laws increasing the costs of compliance according to industry executives and analysts.

Executives gathered for an annual forum in Qingdao last week, at a time when some of the country's largest firms are coping with high levels of debt and have seen their share prices plummet. But most of the talking in Qingdao was on how to comply with a trio of new government laws put into force this year.

China's new food safety law, entering force this week is the "toughest law ever" imposed on the nation's meat industry, Chen Wei, the secretary general of China Meat Association, —an industry lobby group, told media this week at the closing of the association's annual conference in Qingdao, north-east China. The law will require "huge adjustment" from the meat industry to meet requirements on traceability, said Chen, particularly new requirements on labeling and traceability.

'Large costs'

A new environment law has seen large-scale closures of farms and feed lots in several regions: this has tightened supply of livestock and poultry to meat firms and added costs in terms of costly remediation works on some farms by meat companies, some of which operate feed lots themselves. "There will be large costs in finding new land for farms," explained an editorial in the Farmer's Daily, a government-run daily publication.

A new advertising law, which kicked in from 1 September, is forcing companies to revisit their marketing budgets and strategies. The new law has promised to protect consumers by making food companies liable for false or misleading advertising — including nutritional claims for certain foods.

Marketing campaigns that claim certain meats provide nutritional advances for infants, for instance, will have to provide scientific proof, according to a reading of the law posted on the website of China's agricultural ministry.



E-COMMERCE

BAIDU INVESTS US\$20 MILLION IN WOMAI, COFCO'S E-COMMERCE PLATFORM

Source: China AG, 19-10-2015

Unpopular

Likewise, a leading Chinese meat company, like Grand Farm or pork leader Shuanghui, is no longer able to use the term 'China's largest meat company'. The new law has been very blunt in barring brands from using terms like 'best' or 'biggest' or 'leading', but a requirement for disclosure of feed and antibiotic input in meat labelling is proving very unpopular in the industry as it will be hard to enforce given much of China's meat produce is sold in carcasses, which are then cut to order in supermarkets and wet markets.

Online commerce is another focus of the new advertising law, compelling detailed disclosures of product inputs and origins in descriptions and adverts posted on e-shopping sites which now account for 12% of China's grocery sales. This is significant given the country's meat companies have spent large sums building up e-commerce systems and logistics. Many food companies have blamed investment in e-commerce and cold chain logistics for poor profitability in recent years.

Search engine major Baidu Inc is entering the e-commerce sector for fresh produce by investing \$20 million in a local online food retailer. Baidu has joined the latest \$200 million funding round for Womai, a food website owned by China National Cereals, Oils and Foodstuffs Corp, a leading supplier of agricultural products, which is better known as COFCO Corp, said a report on qq.com, a news portal run by Tencent Holdings Ltd. Full Article: China Daily Oct 2015

Key Points

- In 2017, Womai may launch an initial public offering (i.e. listed on a stock exchange).
- In July 2015, Baidu stated it would invest US\$3.2 billion in its O2O (Online to Offline, or online to physical stores) e-commerce platform Nuomi over the next three years. Nuomi will offer a wide range of services including food delivery.

ChinaAg Comment

- Founded in 1952 and headquartered in Beijing, COFCO is the largest supplier of products/services in the agricultural products and food industry in China. COFCO serves as the main importing and exporting channel for bulk agricultural products such as wheat, corn, rice and sugar. As an investment holding company specialized in trade and processing of oil and foodstuff as well as other businesses.

E-COMMERCE

MORE CHINESE FARMERS USING THE INTERNET TO SELL PRODUCE

Source: Food Navigator Asia, 19-10-2015

Chinese farmers are increasingly taking to the internet to boost their income from their harvests.

Backed by the finance and commerce ministries, which have announced 200 rural areas as demonstration bases for agricultural e-commerce, some counties see up to one-third of their produce sold over the internet.

Last week, the State Council revealed plans to upgrade the internet services in rural areas by allocating more central funds to online infrastructure. It also advocated increased internet spending by local governments and social organisations.

It also plans to invest up to Rmb140bn (US\$22.8bn) by 2020 to provide at least 50,000 villages with Internet access to take 98% of rural areas online. The plan coincides with China's target to help 70m rural residents out of poverty by 2020.

Though farming is going through a boom, with a decade worth of increases in production of summer

grains, inefficient sales channels, a shrinking labour population and lack of access to loans have been squeezing farmers' earnings.

In 2014, the disposable income of rural residents rose 9.2% year on year to Rmb10,489 (US\$1,650), less than half of that of urbanites, according to state news agency Xinhua. By the end of that year, nearly 30% of China's rural population had gone online.

Planners expect e-commerce to enable farmers to sell their produce quickly, and allows them to shop around for materials and obtain small loans more easily.

By the end of June, China had 668m internet users, equating to almost half of the population. Total e-commerce transaction volume in 2014 grew by almost 60% to Rmb16.39tn (US\$2.6tn).

China's cabinet unveiled an "Internet plus" action plan at the beginning of July to target the integration of the internet with traditional sectors to make them smarter and more efficient. Along with manufacturing, agriculture was on the top of the list.



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