THE FOOD TEAM IN TRADE COUNCIL CHINA

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THE FOOD, AGRICULTURE AND FISHERIES' TEAM - YEAR 2014

Year 2014 was a very eventful year for the Food, Agriculture and Fisheries’ team in Trade Council China.

January-February
The year started very early with an AQSIQ inspection visit in Denmark from January 4-11 on the topic of pet food export from Denmark to China. In China the events were kicked off by “Happy Denmark Hello Guangzhou” promoting Danish food and culture in Guangzhou.

In February the Minister for Trade and Development Cooperation Mogens Jensen also made his first visit to China in 2014. On the 26th he met with Party Secretary of Chongqing Sun Zhengcai to discuss Danish commercial activities in Chongqing as well as how to further the support from the Chongqing Government to Danish companies.

On the agricultural agenda were topics including sustainable pig production, food safety and biotech. On the same day he also visited Carlsberg’s local brewery in Chongqing where he had the possibility of discussing Danish business development.

The day after The Rongchang People’s Government and the Royal Danish Embassy signed a Memorandum of Understanding in Chongqing regarding Economic and Technical Cooperation on Pig Production.

Another Chinese delegation visited Denmark in February (17-19), this time on the topic of organic production.
The State Visit

March
In preparation of the state visit negotiations of the agreements to be signed during the state visit were intensified. This included meetings conducted in China by the Danish Veterinary and Food Administration with CNCA and AQSIQ as well as AQSIQ inspection in Denmark.

April
In April the work really took speed. From April 24-28 Her Majesty The Queen and His Royal Highness the Prince Consort paid a State Visit to China accompanied by The Danish Minister for Food, Agriculture and Fisheries, Mr. Dan Jørgensen made the official visit to China.

The Minister for Food, Agriculture and Fisheries also met with minister colleagues from both the Chinese Ministry of Agriculture, AQSIQ and China Food and Drug Administration, where several market access agreements were made e.g. on heat-treated pork, poultry and pet food.

The Royal Couple was accompanied by a large Danish business delegation including many food and agriculture related companies as well as a large delegation from the Danish Agriculture & Food Council lead by CEO, Mr. Søren Gade.

A series of activities where Chinese and Danish authorities, organisations and companies participated together were carried out with the intension of creating increasing focus on the Danish food and agricultural sector in China.

On Friday 25 April 2014, five food and agricultural events took place. In the morning HM The Queen and HRH the Prince Consort witnessed the signing of 12 food and agricultural related agreements with a total value exceeding 270 million DKK.

Following the signing ceremony, the Minister for Food, Agriculture and Fisheries, Mr. Dan Jørgensen, opened the conference on Sustainable Food and Agriculture, which was a sector targeted part of the conference "Sustainable Economic Development: Chinese-Danish Partnership for the Future".

In the afternoon, the Minister also opened a seminar on food safety hosted in cooperation with China Food and Drug Administration. Parallel with this, a seminar on the international trade of fur skin hosted in cooperation with Kopenhagen Fur took place with participants from Chinese customs, MOFCOM, CFNA and the State Forestry Administration.
The day was completed with a networking event hosted in cooperation with Carlsberg. The event was very successful with participants from all business sectors, political level and authorities.

On Saturday 26 April 2014, the Minister for Food, Agriculture and Fisheries together with the Prince Consort visited first Novozymes and then Arla & COFCO, where the Minister opened the China-Denmark Milk Technology and Cooperation Center. The Prince Consort continued to Tsinghua University where he together with the Minister for Trade and Development Cooperation visited Kopenhagen Fur Studio.

On Monday 28 April 2014, the Minister for Food, Agriculture and Fisheries opened a food and agricultural business to business seminar in Shanghai hosted in cooperation with the Danish Agriculture & Food Council.

May
In May (17-21) the Danish AgriFish Agency visited China. The focus of the visit was to deepen the contacts within the agroindustry sector and to attend the annual “Director General Meeting between the Chinese Ministry of Agriculture (MoA) and Danish Ministry for Food, Agriculture and Fishery.

The delegation started in Qingdao where Deputy Director General of the Danish AgriFish Agency gave the opening speech at the opening of the Denmark Day at the China Animal and Husbandry Exhibition. The Denmark Day at the Exhibition had the purpose of serving as an extended arm of the participating companies. The delegation among other things also visited Scandinavian Farms’ breeding pig farm and commercial pig farm.
Another important exhibition taking place in May is the BioFach China. In 2014 the Danish pavilion made its debut May 20 at this exhibition located in Shanghai. Arla, Friland, Thise and Organic Denmark thereby jointly exhibited at BioFach China 2014 and Denmark was given the opportunity to do the opening speech at the seminar of the exhibition.

One of the most popular TV entertainment shows in China is called “Day Day Up”. On May 20 2014 the Ambassador was among others accompanied by the CEO Brian Rønsholdt of Kjedsen Cookies and the Danish Chef Per Thøstesen to present and perform at this show. The show was aired and around 200 million viewers followed the Danish Ambassador preparing cookies as part of an introduction to Denmark and Danish culture.

May ended with the annual Open Denmark Day, where 4,000 visitors visited the Danish Embassy in Beijing. The Danish food sector was strongly represented from the company side with participation from Carlsberg, Kjeldsens, Jacobsen Bakery, Moohko and Castle by Glamazon, which represents products from Frederiksdal Kirsebærvin and De 5 Gårde in the Chinese market.

A demonstration of New Nordic cooking was one of the cultural highlights of the Open Denmark Day. Using artisanal products from De 5 Gårde and Arla Unika, Danish star chef John Kofoed Pedersen from Sortebro Kro prepared samples from a four course menu.

Another Danish stronghold, the well-established organic agricultural sector, was also represented by a booth and drew a lot of attention from Chinese visitors, who showed great interest in learning more about the control system and food safety standards in the Danish sector.
June
As part of Chinese Ministry of Agriculture’s study assignment on EU surveillance and risk analysis for Schmallenberg virus, a four-people official delegation was commissioned by the Chinese MoA to carry out an inspection visit to Denmark from 4-10 June 2014 in order to evaluate the risk of exporting bovine genetic material (bovine semen) from Denmark into China.

Later in June (17-19) a Danish delegation visited Shanghai. With support from Central Denmark Region and Invest in Denmark, Innovation Centre Denmark arranged the visit of the delegation focusing on the topic of food safety.

From 19-23 June three Chinese delegations visited all parts of Denmark:

1. Delegation of the MoA Vice Minister Mr. Chen Xiaohua
2. Delegation of the MoA veterinary working group
3. A Chinese business delegation related to pig production

On June 20th the 5th China-Denmark Pig Production Round Table was held in Copenhagen. The conference was opened by Minister for Food Agriculture and Fisheries, Dan Jørgensen, and Vice Minister for Ministry of Agriculture, Chen Xiaohua who both stressed the importance of the continuous bilateral exchanges in the field of pig production.

The day after the MoA Vice Minister delegation visited Arla’s headquarters in Viby followed by a visit to an organic farm in Nørre Snede. On the last day of the Vice Minister’s visit the Minister for Food, Agriculture and Fisheries, Mr. Dan Jørgensen, hosted a bilateral meeting with him.

The veterinary working group consisted of 6 officials who attended the 1st veterinary meeting at the Danish Veterinary and Food Administration in Denmark. As part of the Chinese veterinary working group’s visit to Denmark, they were introduced to Danish companies in the field and the first thing on the agenda was a visit to a Danish Crown slaughterhouse.

June 24-27 AQSIQ went to Faroe Islands to conduct an inspection on frozen mackerel and fresh salmon.
July-October
July 31 MoA and the Embassy made an on-site visit to Beijing Breeding Swine Center in preparation of the Sino-Danish Model Pig Farm Project.

In August the Minister Counsellor met with a local government delegation from Henan Province discussing export of Danish technology within pig and dairy production, while the Consul General in Guangzhou met with officials from Guangdong Province discussing pig production.

From September 9-12 Prime Minister, Mrs. Helle Thorning-Schmidt, visited China. During her four-day visit to China the strongholds within food and agriculture were showcased on the first evening of the Prime Minister’s visit, where six Danish companies presented their products and competencies with special emphasis on quality at a networking event held at the Danish Embassy in Beijing.

On the third day of the Prime Minister’s visit to China she opened a roundtable discussion together with the Chinese Minister for China Food and Drug Administration on food safety with focus on infant formula.

At the same time as the Prime Minister’s visit, the Danish Chief Veterinary Officer, Mr. Per Henriksen, from the Danish Veterinary and Food Administration also visited China. From September 10-12 he had meetings with AQSIQ Import and Export Food Safety Bureau, Ministry of Agriculture and AQSIQ Animal and Plant Quarantine.

On September 20th the 2nd “Happy Denmark, Hello Guangzhou” event in 2014 was organized by the Royal Danish Consulate General in Guangzhou together with Arla Foods China, Co-Ro Food (China) Ltd. and Kjeldsens Ltd.

October 5-8 COFCC and CGFDC visited Denmark with a focus on organic and sustainable food production methods. Meetings with Danish organic authorities and stakeholders had been arranged.

November
November 3-6 Deputy Director General of the Danish Veterinary and Food Administration, Mrs. Annelise Fenger, visited China. The first day she participated in the first Guangdong – Denmark Roundtable on Pig Production. After several successful roundtable discussions involving pig production companies in Beijing, a pig production roundtable discussion was held in Guangzhou on November 3rd.
The day after the Deputy Director General and the Minister Counsellor visited Hong Kong to meet with high ranking officials from Centre for Food Safety.

On November 5th the Deputy director General participated in a panel discussion at the China International Food Safety & Quality Conference in Shanghai. The second day she participated the China-Denmark Organic Symposium arranged by the China Organic Food Certification Centre and the Danish Embassy in Beijing. The purpose was to strengthen the exchange of experiences and knowledge in the field of organic production.

November 11-15 the Minister for Food, Agriculture and Fisheries, Mr. Dan Jørgensen, visited Shanghai and Beijing. The first point on his agenda was the launch of the CSR publication "My Danish Footprint in China 2014" in Shanghai. In the evening he participated in a Danish Gourmet Event held at NAPA wine bar and kitchen on the Bund focusing on Danish gourmet as well as New Nordic cuisine.

The next day the Minister for Food, Agriculture and Fisheries participated in the opening of Food and Hotel China 2014, where he also visited the Danish pavilion. He then met with Bright Food - one of China's biggest companies within the food sector. November 13th the Minister for Food, Agriculture and Fisheries visited an organic farm producing chickens and eggs together with COFCC. Later the minister met with Ambassador Friis Arne Pedersen and the Danish business delegation following the minister and finally visited Wangfujing Night Market in Beijing to experience Chinese food culture. On November 14th the Minister opened a Sino-Danish Seminar on Nutrition and Ingredients together with Director General Mr. Zhi Su from NHFPC.

In Beijing the minister met with AQSIQ minister Zhi discussing the vital market opening issues. Bilateral meetings where also held with NHFPC and CFDA respectively. This strengthened the political relations to the important food related ministries in China. As the final point on the agenda the Minister opened a roundtable on BSE with AQSIQ to discuss the BSE status in Denmark.

November 18-20 the Chinese Agriculture Giant – New Hope Liu He Group (NHLH) visited Denmark to look for opportunities in the Danish pig farming industry.
From November 22-28 several different events took place in Chongqing. On the 22nd a Fashion and Food event was for the first time organized by the Royal Danish General Consulate of Chongqing. The event combined a Danish gourmet dinner prepared by Danish Chef John Kofoed with Danish ingredients introduced by Glamazon (Frederiksdal Kirsebaervin and De 5 Gårde), with the presentation of furs from Kopenhagen Fur and Liudu Fur and Libratone speakers. Prominent guests from China and Denmark as well as other countries attended the event which was opened by Ambassador to China Mr. Friis Arne Petersen. On the 23rd the Danish chef John Kofoed started his first cooking school in Chongqing teaching Danish cuisine.

November 26-28 a promotion trip of pig production was accomplished successfully by the Royal Danish Consulate General of Chongqing and Royal Danish Embassy in Beijing with 6 Danish companies participating conducting meetings with Chongqing and Rongcheng officials and industry.

December
From December 2-6 Vice Minister Mr. Teng Jiacai of China Food and Drug Administration (CFDA) and a delegation of five officials visited Denmark with the purpose of strengthening knowledge in the field of food safety as well as control and inspection systems.

The final part of the year focused on organics. On December 12 the Minister Counsellor gave a presentation at The 4th China (Chengdu) Organic Agriculture Forum 2014 held in Chengdu, and three days later on December 15 she gave two presentations in Vejle at Organic Export Academy, a seminar on export preparation for China, held by Organic Denmark.
KJELDSENS BUTTER COOKIES RECEIVES SUPERBRANDS AWARD IN CHINA

Tuesday January 13 Kjeldsens was awarded “Superbrands China 2015”.

On Tuesday January 13 Kjeldsens was among the 25 food companies to be awarded “Superbrands China 2015” alongside companies such as Nestlé, Heinz, Quaker and Häagen-Dazs. Brian Rønsholdt, CEO of Kelsen Group, received the award, as 25% had voted Kjeldsens their favorite cookie brand, ahead of other nominees Oreo (20%), Danisa (11%) and Chips Ahoy (9%).

In the 1980’s, Kjeldsens entered China and has since built a strong brand with its “blue tin” product and with its status as Purveyor to the Royal Danish Court. The brand adheres to three basic principles “Based in Denmark, Manufactured in Denmark and Exported from Denmark” and today Kjeldsens boasts an extensive distribution network that brings its Danish cookies to some 50 major mainland cities. Particularly festive seasons like Chinese Spring Festival, where sweet gifts are exchanged, are peak periods for the company.

Superbrands are chosen based on the following criteria:

- Market dominance: Does the brand hold a significant share of the market for its goods or services?
- Longevity: Does the brand possess or display the qualities necessary to make it resilient under negative market influences?
- Goodwill: Is the brand generally perceived favourably and accepted without question or reservation?
- Customer Loyalty: Will the brand customers choose it repeatedly and automatically over competing?
- Overall market acceptance: Is the brand automatically on the consumer’s list of choices for this product or service?

About Superbrands
The Superbrands organization is an independent arbiter on branding, which pays tribute to the World’s leading brands, as selected by experts and consumers in cooperation with global research organization, Ipsos.

Superbrands has launched its programs in many key global markets and currently has publications in more than 86 countries. The Superbrands have been awarded in China since 2012, and is the only international independent brand award program based on Chinese consumer preferences. The awarded brands are based on thousands of consumer votes across 200 cities in China.
FOOD, AGRICULTURE & FISHERIES ACTIVITIES IN CHINA 2015

2015 marks the 65 year anniversary of the diplomatic relations between China and Denmark. Across China we will use the year to maintain high level exchanges between the Chinese and Danish food, agriculture and fisheries authorities, promote further progress of the China-Denmark cooperation envisaged in the string of Memorandum of Understandings signed the last few years and promote increased trade in the area. To do this we have planned a number activities as outlined below.

CONFERENCES AND SEMINARS

Note: The following activities are in the planning process. Therefore the indicated times and topics may be subject to changes.

Organic Seminar, co-hosted with CNCA and Danish Agriculture & Food Council
Place: Beijing
Time: April-May
Topic: Organic farming in Denmark, the Danish control system and EU organic legislation "The functions and roles that organic industry plays in the ecological civilization construction"

Celebration of 65-year anniversary of China-Denmark diplomatic relations: “Sino-Danish Conference on Modern and Efficient Agriculture”, co-hosted by MoA
Place: Beijing
Format to be expanded to Guangzhou, Chongqing, Jiangsu and Sichuan subsequently
Time: Week 20 (May 11-15).
Topic: Modern agriculture, to be expanded to different tracks, e.g. pigs, dairy and mink.

6th China-Denmark Pig Production Roundtable, co-hosted with MoA and EKF
Place: Chongqing or Beijing
Time: Mid-May
Topic: Pig production: animal heath, genetics, feed, stable equipment, waste management, EKF financing

Organic Seminar, co-hosted with BioFach and Organic Denmark
Place: Shanghai
Time: May 28-30
Topic: Chinese-Danish Organic Cooperation
Note: Held on occasion of visit by DVFA and Danish AgriFish Agency, connected to BioFach

Seminar on Mink Production, co-hosted with EKF
Place: China – city TBD
Time: Spring
Topic: Efficient and sustainable mink production incl. EKF financing

Food Safety Conference in Taipei
Place: Taipei
Time: June 26 or 27
Topic: Food safety
### Organic Food Seminar in Taipei
- **Place:** Taipei  
- **Time:** June 26 or 27  
- **Topic:** Organic farming in Denmark, the Danish control system, export promotion

### Organic Seminar, co-hosted with CNCA and Danish Agriculture & Food Council
- **Place:** Copenhagen  
- **Time:** August/September  
- **Topic:** Requirements for control in Denmark and the European Union

### Seminar on Pig Production Technology in Taipei
- **Place:** Taipei  
- **Time:** Autumn  
- **Topic:** Genetic, nutrition, farm equipment, farm waste management, etc.  
  Follow-up event on promotion of Danish pig production technology in 2013 and pig farmer educational workshop in 2014.

### Seminar on Food Safety Legislation, co-hosted with CFDA
- **Place:** TBD  
- **Time:** TBD  
- **Topic:** Legislation issues in infant formula and meat control

### Seminar on Dairy Production, co-hosted with EKF
- **Place:** Beijing  
- **Time:** September  
- **Topic:** Dairy production: genetics, technology and financing

### Conference on Nutrition and Ingredients Policies, co-hosted by NHFPC and CFSA
- **Place:** Beijing  
- **Time:** October  
- **Topic:** Nutrition and ingredient policies

### China Food & Beverage Fair
- **Place:** Chengdu  
- **Time:** March 25-26  
- **Contents:** Conference and B2B meetings and visit to exhibition.  
  2-day visit programme incl. meetings with potential retailers and distributors

### HOFEX
- **Place:** Hong Kong, Shenzhen  
- **Time:** May 6-9: Export promotion at HOFEX, Hong Kong  
  May 10-11: B2B event in Shenzhen

### China Animal Husbandry Exhibition
- **Place:** Chongqing  
- **Time:** May 18-20  
  Organization of Danish pavilion

### BioFach
- **Place:** Shanghai  
- **Time:** May 28-30  
  Organization of Danish pavilion, co-arranged by Danish Agriculture & Food Council

### China Seafood Expo
- **Place:** Qingdao  
- **Time:** November 4-6  
  Organization of Danish pavilion

### Food & Hotel China
- **Place:** Shanghai  
- **Time:** November 11-13  
  Note: Organization of Danish pavilion, co-arranged by Danish Agriculture & Food Council
“Dragons of the Northern Seas – Viking Age Denmark” Exhibition
Place: Suzhou
Time: March 27
Format: Exclusive dinner reception featuring Viking food and beverages
Note: Participation by Mayor of Esbjerg

“Embracing the Future” E-commerce Launch
Place: Beijing
Time: April 22-24
Format: Launch of online retail promotion of Danish food and design products

Tourism Event featuring New Nordic Kitchen
Place: Beijing
Time: April 22-24
Format: New Nordic menu to be prepared with Danish food products

“Open Denmark Day” Event
Place: Beijing
Time: May 9
Format: Embassy opens to 4000 Chinese guests, showcasing Danish culture and companies

“Happy Denmark, Hello Foshan” Event
Place: Foshan
Time: May 16 or 17
Format: Market place event featuring Danish food products and cultural events

H.C. Andersen Event
Place: Chongqing
Time: June
Format: Market place event featuring Danish food products and fairy tale activities. Held on occasion of the 10-year anniversary of the Royal Consulate General in Chongqing

“Food & Fashion” Event
Place: Chongqing, Chengdu
Time: November
Format: Exclusive event featuring fashion show and dinner by high-esteemed chef

“New, Nordic and Tasty” Event
Place: Shanghai
Time: November
Format: Exclusive event featuring Danish food and cooking
DANISH AGRICULTURE AND FOOD EXPORT TO CHINA

The Danish export of food and agricultural products to China reached 11.4 billion DKK in the one year period from November 2013 to October 2014, which is a decrease of 33%. The explanation for this is obviously the significant drop in the value of fur and skin export from 12.4 billion to 6.6 billion (47%).

The total Danish export of goods from November 2013 to October 2014 reached 28.6 billion DKK, which is a decrease of 8.2% compared to the previous year period. The agricultural and food export accounted for 39.8% of the total export from Denmark to China. Increase in export of live animals is by far the leading with an increase in value of 398% compared to the previous year period. Agricultural machinery and Dairy and eggs increased by 79% and 33% respectively.

A closer look at the numbers

By far, the largest export within food and agriculture is fur and skin, which take up 58% of the total export even though the export value has been reduced compared to the previous years.

Live animals (1%) counts for a very insignificant part of the total export, but the area is in an impressive growth as mentioned above.

Export figures
All numbers in million DKK. Total export to China (Source: Statistics Denmark).

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<td>Fur and skin</td>
<td>6,617,093</td>
<td>12,369,286</td>
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<td>Meat products</td>
<td>2,061,029</td>
<td>2,052,815</td>
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<td>814,853</td>
<td>948,363</td>
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<td>Grains and feed</td>
<td>517,753</td>
<td>681,741</td>
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<td>Dairy and eggs</td>
<td>298,749</td>
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<td>Live animals</td>
<td>157,581</td>
<td>31,636</td>
<td>398%</td>
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<td>Agricultural machinery</td>
<td>115,115</td>
<td>64,356</td>
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<tr>
<td>Misc.</td>
<td>784,231</td>
<td>632,988</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>11,366,404</strong></td>
<td><strong>17,006,261</strong></td>
<td><strong>-33%</strong></td>
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</table>
CHINESE FOOD INFLATION

After the big increase in the consumer price index in May 2014 the index has been mostly decreasing. This seems to be changing as of the latest data (December 2014). But the 2.9 % of December 2014 is still far from the peak in October 2013 at 5.9 %

Consumer Price Index (CPI) & Food Price Index development
December 2013 - December 2014 (Source: China National Bureau of Statistics)

Last 3 months average
The increase in eggs over the last three months is still rising and now constitutes 15.6 % on a year to year basis. Fruit decreased from 15.3 % to 13.2 % and milk and dairy decreased from 5.8 % to 3.9 %, other mentionable changes include increase in vegetables from -7.3 % to -1.7 % and decrease in mutton from 1.5 % to 0.4 %.

China food inflation - 3 months average
Averages from September 2014 to November 2014 and October 2014 to December 2014 by category. Values in Y/Y (%). (Source: China National Bureau of Statistics)
Subway has become the latest foreign fast-food brand to be involved in a food safety scandal in China, after the US sandwich chain said it was investigating local media claims that workers at a Beijing franchise altered expiration dates on food ingredients.

Subway, which markets itself in China and overseas as a healthy alternative to traditional fast food, joins McDonald’s and Yum’s KFC in finding their brand reputation called into question in China because of allegations that staff at suppliers or franchises have used food beyond its expiry date.

Chinese media said one Beijing franchise of the Subway chain changed expiry and production dates on meat, drink and vegetable produce to extend their use. Subway said in a statement on its Chinese website: “We have been made aware of these claims and are investigating them.

“This is not representative of the diligent Subway owners and sandwich artists in the Subway system. We will investigate and enforce our strict operational processes.”

The company, which has 489 franchises in China, said it found no violations after launching a surprise inspection of the store after media reports surfaced last Friday. Subway said it was questioning the affected franchisee, and staff and other franchises have been told to inspect their operations.

Foreign food brands have long enjoyed a higher reputation in China than many local brands, which often face sometimes serious food quality issues, such as the 2008 tainted infant milk scandal that killed six babies and made hundreds of thousands ill.

State media reported on Monday that eight government officials in China’s eastern Jiangxi province were sacked after a crackdown on an illegal trade in diseased pigs in an area which is one of China’s largest pig-producing regions.

Police also raided an underground slaughterhouse and detained 12 suspects involved in selling unsafe pork, according to state news agency Xinhua. Chinese state television said some traders had dealt in diseased pork for nearly a decade, including some infected with foot-and-mouth disease that can harm humans.

But recently, foreign brands have also been hit with scandals that have begun to erode their premium reputation with mainlanders. Six officials of a company that supplied meat to KFC, McDonald’s and other restaurant chains were arrested after the company, a subsidiary of the US food group OSI, was accused of selling expired meat.

Nearly two years earlier Yum’s sales in China were hurt by a previous food quality scandal involving allegedly excessive use of antibiotics at a chicken supplier.

Most of China’s half a million food processors are too small or unsophisticated to serve enormous and exacting clients such as the foreign chains. Analysts say suppliers have failed to keep up with expansion in the sector.

Gao Jianfeng, fast-food analyst with Shanghai-based Bogo Consultants, said the Subway allegations affect only one store and are thus likely to have less impact than allegations involving large suppliers such as those that affected KFC and McDonald’s recently.

“But there will inevitably still be some negative impact as some consumers will doubt if western fast-food chains really have no loopholes in their franchise management,” he said.
Food and drug safety in China is “grim” and will get stronger oversight, the food and drug regulator said on Wednesday, after a series of scares last year hit the reputations of global firms such as McDonald’s and Wal-Mart.

The China Food and Drug Administration has struggled to control a string of high-profile scandals over the years, from donkey meat products tainted with fox, heavy metals in baby food and allegations of expired meat sold to fast-food chains.

“We must soberly recognise the current foundations of China’s food and drug safety are still weak, with new and old risks together creating a grim situation,” the regulator said in a statement on its website after a meeting in Beijing this week.

Safety scares have affected the reputations and China sales of global companies from US fast-food chains McDonald’s and Yum Brands to retailers such as Wal-Mart and France’s Carrefour.

China will increase “active” regulation to prevent food and drug safety scares, with more on-site inspections, random tests and unannounced visits, the regulator said. The quality of personnel, legal structures, management methods and technological aspects were all currently insufficient, it said.

Regulators overseeing the country’s food industry are thinly stretched, company executives said, and inspectors often struggle to deal with China’s fragmented food supply chains.

The regulator said China would look to attract more personnel, standardise training methods and promote greater cooperation between regions.

The government has struggled to restore confidence in its US$1 trillion food processing industry since six infants died in 2008 after drinking adulterated milk, creating a space for imported goods often seen as safer and of higher quality.

Food safety laws are incomplete and responsibility to enforce them is unclear, making it difficult for regulators to do their jobs, said Gao Guan, deputy secretary-general of the China Meat Association, last year.
FOOD SAFETY

25 JAILED FOR FOOD, DRUG SAFETY CASES IN N CHINA
Source: Xinhua, 07-01-2015

SHIJIAZHUANG -- Twenty-five people were given sentences terms ranging from six months to 20 years in 11 food and drug safety cases in North China's Hebei province on Tuesday.

Song Hexin was sentenced to 20 years for selling 322 tonnes of toxic industrial gelatin as edible between 2007 and 2012, a district court in Cangzhou said. The court also confiscated all his personal property.

Another two senior managers of the company were sentenced to nine years.

In another case involving the sale of fake diabetes drugs, the two defendants were also sentenced to nine years in prison.

FOOD SAFETY

CHINESE POLICE ARREST 110 FOR SELLING 'CONTAMINATED PORK'
Source: BBC, 12-01-2015

Chinese police have arrested more than 110 people suspected of selling pork and other products from diseased pigs. They were part of a network which had been buying pigs which died from illnesses from farms at low prices since 2008, the Ministry of Public Security said on Sunday. The contaminated meat was sold to markets in 11 provinces.

This is the latest in a series of scandals that have dented public trust in China's food safety standards. In 2013, more than 10,000 dead pigs were found, apparently dumped, floating down a river in Shanghai that supplies tap water to the eastern Chinese city.

'Unclean meats'
The network of 11 groups bribed staff from food supervising authorities to get quarantine certificates, the statement from the ministry said. The pork was then sold to markets or processed into bacon, ham or cooking oil.

The ministry said 75 of the suspects had already been prosecuted. Several food quarantine staff were also being investigated for related crimes.

Police confiscated more than 1,000 tonnes of the contaminated pork, 48 tonnes of cooking oil processed from the pork and other unclean meats, the ministry said.

China has been hit by various food safety scandals, including tainted baby milk-powder, some involving large multinational such as McDonalds.
In a year that marked a nadir for McDonald’s, which led the list of foreign food brands engulfed in Chinese scandals, a Hong Kong-based quality control specialist has revealed that nearly half of all food inspections it conducted in the country failed last year.

Of the 7,000 Chinese food audits, tests and inspections carried out last year by the specialist, AsiaInspection, 48.1 per cent of mainland food processing factories failed to meet acceptable standards. Last year, the company conducted 100,000 inspections and audits in China over all sectors of industry.

The quality control group, hired by suppliers’ customers to probe factory floors, says its inspectors are finding China’s food processing industry lags 15 years behind its non-food counterparts in terms of technology and regulations.

Major reasons for inspection failures in China included the deliberate mislabelling of product ingredients and the falsifying of ingredients’ expiry dates. In lab testing, rogue substances such as pesticides, antibiotics, heavy metals, bacteria and viruses triggered the bad ratings.

The legacy of food scandals includes the tainted infant formula that led to deaths in 2008 and the expired meat that paralysed the operation of fast-food chains just last year.

It has left Chinese consumers struggling to gain confidence in the food they buy.

"The food industry is still immature," compared to firms producing apparel or tech products, said Mathieu Labasse, vice-president of AsiaInspection.

"Factories and processing facilities are much less trained and aware of the food safety standards than their non-food industry [counterparts]."

Labasse said a joint effort was needed, involving manufacturers, government agencies, retailers and consumers to bring food production in China up to modern standards.

Factories and suppliers in the "big four" manufacturers of China, India, Vietnam and Bangladesh did little to improve their average audit ratings across standards in child labour, health and safety and working hours.

China’s performance remained flat over 12 months with an average audit score of just over 6. Bangladesh and Vietnam ended the year with similar ratings, while India fell from 6 to 4.5.

In July last year, Chinese officials shut down food supplier Shanghai Husi Food Company following a television report alleging the plant mixed expired meat with fresh product that was then supplied to McDonald’s restaurants in mainland China, Japan and Hong Kong. The restaurant chain’s sales tumbled as consumers looked elsewhere for safer food.

Major companies’ tolerance for safety failings in their production lines appears to be flagging.

AsiaInspection said 15 per cent of its clients in food and non-food sectors last year had axed suppliers following audits that found consistent shortcomings relating to pay, health and safety standards or child labour issues.

Factories generally must fail two audits before being removed for not meeting basic standards in the workplace.

The figures come as Fast Retailing, the Japanese parent company of fast-fashion chain Uniqlo, has
admitted two of its major Chinese suppliers abused their employees - forcing workers to put in excessive hours in substandard conditions.

A Hong Kong labour rights group published a report documenting poor and unsafe working conditions endured by migrant workers in the factories.

"During the investigation, we were surprised that no department wanted to help confiscate this beef in the county. Neither the health department nor the food and drug regulatory agency thought it was their responsibly," an anonymous investigator said.

Most suppliers and dealers are uneducated, police said. They knew the beef wasn't declared at customs, without knowing the potential risks and the penalties they would face.

China's current leadership made a promise at the third plenary session of the 18th Communist Party of the China Central Committee in November to establish a mechanism to trace the origins of food and safeguard food safety.

But several shocking scandals, including injecting clenbuterol into pork, recycling cooking oil from restaurant kitchen leftovers, and selling pork from sick pigs, have made headline news in China.

In the latest stomach-churning food scandal, police in east China’s Zhejiang Province reported in August that 30,000 tonnes of chicken feet contaminated with hydrogen peroxide had been seized after police busted nine factories in the provinces of Jiangsu, Anhui, Henan and Guangdong.

In retrospect 2014 was an extremely significant year for China’s food industry and witnessed the promulgation and drafting of some extremely important regulations. Unfortunately for policymakers the headway made in improving China’s legislative and regulatory system was marred by the occurrence of several spotlight stealing food scandals.

While regulators are still chipping away at the proverbial tip of China’s food safety iceberg, if we move beneath the surface, away from the glossy veneer presented by China’s new food regulatory system, we can see that the problems of the past still plague China’s food industry. Below is a roundup of the 8 most significant scandals and major events that occurred in China’s food industry in 2014

1. Husi Scandal
In Jul, 2014, Husi Group, a meat supplier to McDonald’s, KFC and other fast food chains were found selling expired and contaminated meat to clients and ultimately Chinese and Japanese consumers. The Husi scandal rocked the nation, reverberating from the scandals epicenter in Shanghai, radiating out as far as Hong Kong and Japan.

Product recalls were instituted and the Chinese public rallied, united in disgust at the graphic pictures of decidedly unsanitary and unethical practices routinely used at Husi’s Shanghai processing plant. The wave of public sentiment spurred legislators to quick action culminating in a witch hunt, public trial and a “heads on pikes” happy ending. The scandal underlined issues regarding supply chain supervision, particularly quality assurance processes and product traceability.

2. GM Food
The safety of GM foods is still a matter of significant debate amongst the scientific community. The
widespread acceptability of these foodstuffs is more a testament to the lobbying power and marketing strategies of corporate giants like Monsanto as opposed to being underlined by any clear scientific consensus on GM food safety.

2014 was a year that raised a large number of concerns on GM foods in China. Public debate in this area mainly centered on the long-term negative effects GM food might have on human bodies, including its carcinogenicity. From a regulatory aspect public and policymakers were concerned about labelling, customs inspection and plantation management practices.

3. Microbiological Contamination
Microbiological contamination was a priority problem for China’s food industry in 2014. According to CFDA’s regular list of customs inspection failures, microbial contamination is a primary reason for inspection failure especially among meat and bottled waters products.

4. Food Additives
Improper use of food additives is also a major source of public concern. The most significant event involving improper use of food additives involved yet another fast food chain giant “Subway”. Following the incident Subway announced a blanket ban on azodicarbonamide in its sandwich bread.

5. China’s Dairy Industry
2014 was a hugely significant year for China’s dairy industry and saw the promulgation of China’s most significant dairy regulations to date. Dairy news is still dominated by China’s infant formula market and 2014 failed to disappoint in terms of significant movement at both regulatory and commercial levels.

Both established and new investors are moving swiftly to consolidate market shares and take up the slack created in the wake of these new regulations. Major players in China’s domestic industry were involved in significant multimillion dollar moves, pointing towards the future success of China’s plans to improve the competitiveness of domestic industry by imposing regulatory selective pressures and forcing M&A within the industry.

6. Tainted Bean Sprouts
Circulation of tainted bean sprouts was reported many times in 2014. 6-BA, 4-CPA and GA contamination was found in numerous bean sprout samples. However since these events were reported our sources have suggested that both 6-BA and GA will be listed in the pending draft list of pesticides exempted from maximum limits.

7. Food Adulteration
Fox meat was found in donkey meat products sold in Walmart and honey products were processed with artificial sweeteners. Almost every week brings some occurrence of food adulteration in China. At this stage the issue is simply a matter of scale and generally speaking only larger scale occurrences tend to pique public interest.

8. Taiwan Gutter Oil
2014 served us up tainted meat, flavored with an array of exotic untested and unregulated ingredients with a tasty side of fox and contaminated bean sprouts. But what meal would be complete without a healthy dose of fatty acids…? The Taiwan gutter oil scandal involved over 1000 Taiwanese businesses involved in the manufacture, distribution, usage of oils processed from corpse oil, gutter oil, leather cleaner, animal feed oil and recycled oil, ultimately consumed by Taiwanese, Hong Kong and Chinese citizens.
WHAT'S HOLDING BACK CHINA'S SOLAR-INTEGRATED AGRICULTURE INDUSTRY?

Source: China Daily, 08-12-2014

Earlier this year, China's National Energy Administration made a big splash by including 'solar-integrated agriculture' in its regulatory language. For the first time, clear incentives were laid out for those who combined solar power generation with agricultural applications. A few provinces went so far as to mandate that all new solar projects incorporate agricultural production.

However, solar PV companies are finding it difficult to create standardized products and business models to serve agricultural needs, which vary wildly based on the crop, climate, topography, and regional regulatory environment. Most farmers, meanwhile, lack the knowhow to install and manage solar panels; even if they can overcome the engineering obstacles, farmers are faced with a gauntlet of certifications and approvals from local government agencies.

In short, the industry has yet to mature. Given the difficulty of navigating an incomplete regulatory environment and the high initial costs associated with solar power generation, successful early projects will be collaborations between established, large-scale solar and agricultural enterprises and most likely funded by private investment institutions. Outside of China, we are already seeing this model develop: an exciting example is Sundrop Farms, an Australian company growing food with solar power and desalinated water that received an investment of $100m from KKR this month.

FIVE TRENDS TO WATCH THIS YEAR IN CHINESE AGRICULTURE

Source: SAA news, 05-01-2015

Happy New Year! With 2015 already upon us, our editorial team spent some time identifying the top five trends to watch this year in China’s agribusiness industry.

5. Sustainable agriculture
Sustainability and eco-agriculture are rumored to make a second appearance in this year’s Number One Document. Related industries — including solar-integrated agriculture, biopesticides, and water saving irrigation technologies are likely to benefit from increased policy support. We’re keeping an eye on the beleaguered soil remediation sector, where regulatory hurdles and government funding issues continue to constrain one of China’s most promising agricultural clean tech markets.

4. Smart agriculture
Innovative new technologies are transforming agriculture around the world, and China is no exception. Driven by food safety concerns, urbanization, and an aging rural population, China is making agricultural innovation a top priority in 2015. Powerful tools like Internet of Things automation, unmanned aerial vehicles, farm management software, and agricultural e-commerce platforms will continue to make headlines across the agritech media. Investor interest in the agritech sector is high, including many former tech investors and entrepreneurs. We’re keeping an eye out for China’s agricultural machinery subsidies to be refocused onto increasingly high-tech farming systems.
3. Big agriculture
In 2011, nearly 9,000 seed companies were registered to operate in China. Three years later, that number hovers just over 5,000. The livestock industry is under similar pressure: standards have been tightened to push out smaller players. Nowhere is this trend more apparent than in the dairy industry, where food safety regulators hope to push towards a group of ten leading companies controlling 80% of market share by 2018. We’re keeping our eye on the rising number of family farms and farmers’ cooperatives as land reform increasingly separates the ownership, contracting, and management of rural land.

2. Market-based agriculture
In 2014, China piloted a new system for subsidizing soybean and cotton production in critical provinces. In place of the previous ‘temporary purchase and storage’ system, whereby the government bought vast quantities of overpriced commodities directly from farmers as a price support, the new ‘target price and subsidy’ approach promises farmers a subsidy payment if the market price slips below a target price. This year’s pilot policy got mixed reviews from farmers, but industry analysts are speculating that this approach will be extended to other commodities — corn, canola, and sugar — perhaps beginning as early as Spring 2015. If new pilots will be announced, we expect to see details before the spring plant begins.

1. Genetically modified (GM) agriculture
After a few years of raucous debate, things are looking up for agricultural biotech in China this year. First off, the National Seed Law is on the docket for amendment, and may be issued as soon as April. The changes are expected to include better seed IP protection and incentives for private research -- all of which suggests more openness to crop science innovation, including GM. Second, in early November, China’s National Development and Reform Commission (NDRC) released an updated draft of its ‘Catalogue Guiding Foreign Investment’.

One subtle change stood out: the NDRC removed 'research on genetically modified organisms' from the list of banned investment categories. In its place on the list is 'the breeding of genetically modified crops, livestock, and aquaculture organisms and the production of genetically modified seeds'. This suggests that foreign businesses will now be able to invest in research on genetic modification, but the actual application and commercialization of that research as it relates to agriculture remains off limits.

The distinction is small but significant; more than anything, it signals the acceleration of China’s reluctant but inevitable swing to catch up with international competitors in GM agriculture. Third, China’s State Administration for Industry and Commerce issued new restrictions on advertisements with claims that non-GM foods are safer or healthier than foods produced with GM ingredients. And finally, after a five year wait and between USD 1-3bn in estimated losses, China has officially approved Syngenta’s MIR 162 GM corn trait for import.

As chemicals for export, we’re hopeful that domestic trends stand to have a significant impact on packaging choices throughout the global agrochemical industry.
Chinese Premier Li Keqiang on Monday said protecting farmland would ensure the country's grain supply.

For a country with such a large population, China has a shortage of farmland and the "red line" must be preserved, said Li.

Protected farmland, also known as controlled environmental agriculture, refers to farming with intensive facilities, such as green houses and aquatic farming. Protected agriculture is necessary and supervision should be stepped up and violations on land uses should be punished, Li said.

Local governments should strictly protect farmland alongside rural land reform and urbanization, Li said.

Although the country has a red line on its cultivated area at 120 million hectares, pressure on arable land is still great, mainly due to rapid urbanization.

China is 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, at a seminar on Tuesday.

It is time for potatoes to become a staple food, given China's rapid urbanization, and they can diversify the dinner table, said Wan Baorui, director of China's state food and nutrition consultant committee.

The potato has been grown for about 400 years in China and now covers 5 million hectares in China, according to the Ministry of Agriculture. Acreage will expand to 10 million hectares in the future to better safeguard the country's grain supply, according to the ministry.

The country will see 50 billion kilograms of new food demand by 2020. China has a shortage of farmland and it is hard to improve the yield efficiency of wheat and rice, but it is easier to improve with potatoes, according to the ministry.

The country has set a "red line" minimum of 120 million hectares of cultivated land, but pressure on arable land is still great, largely due to rapid urbanization.
FARMING

CAN CHINA'S BEIDOU REPLACE GPS AND DRIVE THE TRACTORS OF TOMORROW?

Source: SAA news, 26-01-2015

BeiDou, also known as COMPASS or BDS, is China’s answer to GPS. First launched in 2000, BeiDou is a satellite navigation system that was built with the intention of eliminating dependence on American satellites. With 16 satellites in orbit, BeiDou currently covers China and the majority of the Asia-Pacific region.

By 2020, BeiDou will become a full-fledged global navigation satellite system (GNSS), reaching global coverage with a total of 35 satellites and becoming a true competitor to other GNSS like the American GPS, Russian GLONASS, and European Galileo systems.

This week, UniStrong, one of China’s leading satellite navigation companies, announced that it has no plans to expand abroad. This comes in contrast to other recent reports of Chinese satnav companies looking to bring BeiDou-ready tech to neighboring countries.

UniStrong’s decision to focus on the domestic market is not without reason: a BeiDou spokesperson has said that by the time the system is globally operational in 2020, BeiDou terminals will occupy 70-80% of the domestic market, which will be worth RMB 400 billion (USD 64.2 billion) and have a compound growth rate of 50%.

This year, China’s central government will select 13 of the biggest agricultural provinces and work with 130,000 agricultural machinery cooperatives and organizations to install BeiDou terminals in over 6 million pieces of agricultural machinery.

So far, the most notable cases of pilot programs for BeiDou-installed machinery have been state-run, with operations in Xinjiang and Heilongjiang provinces leading the way. The Xinjiang Construction and Production Corps (XPCC) has released glowing reports from pilot sites.

With reports claiming seeding and tillage accuracy of up to 2.5 centimeters, boosting farm revenues by 20-30%, the 8th Division of the XPCC alone has plans to install 50,000 BeiDou terminals in farm machinery from 2014-2016.
The Finnish meat industry is authorized to export pork to China, the country's Agriculture Ministry confirmed on Friday.

Atria and HKScan, two Finnish companies, have gained permits to export pork to China, according to local media reports.

Finnish Agriculture Minister Petteri Orpo said the meat exports to China may, in the long term, offset the losses caused by import restrictions levied by Russia.

Exports to China will be viable despite the costs of the long transportation chain, local media reported.

Markku Hirvijarvi, a director from Atria, said the decision was "a very positive message", Finnish national broadcaster Yle reported.

Last summer, Chinese officials toured Finland and inspected slaughterhouses and meat processing facilities.

Besides pork, the Finnish food industries are also seeking possibilities of exporting other food products. However, any fast relief to the dairy sector is not expected from the Chinese market, Yle reported.

The Finnish dairy industry has been hard hit by Russian import restrictions, levied as anti-EU counter-measures after the crisis in Ukraine.

The issue of dairy farmers having difficulty in selling their milk in some regions of the country is not necessarily due to imports of dairy products, Shen Danyang, spokesperson for the Ministry of Commerce, said at a news conference in Beijing on Wednesday.

For the whole year of 2014, China's dairy product imports actually registered slower growth compared to the year before, Shen said.

He attributed the milk problem mainly to poor performance of the domestic dairy sector and domestic consumers' lack of confidence in locally made dairy products.

The spokesperson also dismissed excessive concerns about a severe impact of a free trade deal between China and Australia on China's dairy industry.

The two countries signed a declaration of intent on practically concluding bilateral negotiations on a free trade agreement in November 2014.
Traditionally a dairy wasteland, China is fast developing a love for cheese, with the first 10 months of last year showing astonishing growth in imports, interest and consumption.

Between January and October 2014, China imported 56,028 tonnes of cheese—not a huge amount by world standards, but already almost 10,000 tonnes more than the entire previous year’s total. Moreover, this growth is likely to continue as increasingly affluent Chinese consumers look towards western tastes.

Baidu.com, China’s most popular internet search engine, has reported a 60% increase in searches for the word “cheese” over the last three years, while pizza, cheesy baked sweet potatoes and baked broccoli with cheese are becoming ever more popular.

FTAs kicking in
The main beneficiaries of China’s newly-acquired taste for cheese so far have been New Zealand, Australia and the US, with Europe’s cheesemakers trailing far behind, says Guangzhou-based business analyst CCM.

New Zealand, with its established beneficial tariff system, remains China’s preferred source of cheese, with imports from New Zealand between January and October 2014 totalling 24,013 tonnes, a 44% increase over the same period in 2013.

However, Australia is catching up fast. Its total cheese exports to China rose 78% year on year to 15,189 tonnes, and its exports are likely to be boosted further in 2015—again thanks to a recently signed China-Australia free-trade agreement.

Imports from the US also increased, rising 27% year-on-year to 10,084 tonnes; though the US has now fallen decisively behind its Australasian rivals.

New Zealand, one of the world’s dairy giants, now exports more than twice as much cheese to China than the US, and the gap between Australia and the US widened from 593 tonnes in 2013 to 5,105 tonnes in 2014.

<table>
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<tr>
<th>COUNTRY</th>
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<th>VALUE OF CHEESE EXPORTS TO CHINA (US$)</th>
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Source: China Customs; Range: January–October 2014
POURING MILK AND KILLING CATTLE TO GET RID OF SMALL LIVESTOCK HOLDINGS?

Source: Guangzhou Daily Report, 12-01-2015

Europe lagging
Meanwhile, China is steadily developing a taste for European cheeses, having seen imports from France, Italy, Denmark, Germany and the Netherlands each rise by at least one-quarter over the last year, though in absolute terms this is a drop in the ocean.

The total volume of imports from the top five European nations added up to just 4,696 tonnes, less than one-fifth of the amount imported from New Zealand.

Europe’s relatively poor performance could be due to the fact that much of the demand in China is currently for food service and processed cheese, whereas many European cheese makers focus on higher-value products for retail.

China is currently importing cheese from the US, New Zealand and Australia at an average of US$4.71 per kilo, US$5.10 and US$4.69 respectively, compared to US$8.14 from France, US$8.27 from Italy and US$8.51 from Denmark. This suggests that European suppliers are currently focusing on higher-quality retail products.

In addition, US and Australasian suppliers hold strategic advantages over their European competitors. In addition to New Zealand and Australia’s free-trade agreements, the country benefits from superior market access due to lower freight costs from the two countries, along with west coast US suppliers.

The weird breeding circle
2008-2009: After the melamine incidence in 2008, affected by customers’ fear in milk safety, the milk price went all the way down and down to the bottom in July 2009. The profit decreasing in cattle breeding directly dampened dairy farmers’ enthusiasm, which finally caused the serious phenomenon of selling and killing cattle.

2010-2011: Since the latter half of 2009, the price of milk has been rising and the dairy industry embraced a restorative growth because of the recovered demand. The government encouraged a scaled standard breeding and led the dairy companies to strengthen the building of the milk source base, which placed a survival stress on small livestock holdings. In June 2011, some dairy companies refused to buy the hand-milked fresh milk from small livestock holdings with the excuse of a substandard health. Some places, including Changchun and Jilin, even burst the phenomenon of pouring milk and killing cattle.

2012-2014: In 2012, the national cattle stocks dropped sharply and the milk shortage was quite serious. This led to a steep climb in the price for purchasing fresh milk. In the beginning of 2014, the average price of fresh milk in 10 main dairy production areas climbed to the highest point for the past few years.

2014-2015: The domestic market is challenged by low-price imported dairy products. The average price of domestic fresh milk entered a declining period in the spring festival of 2014. Since the beginning of 2015, rising breeding costs and cutting has led dairy companies to stop purchasing, and pouring milk and killing cattle incidents of small livestock holdings have frequently happened in places such as Qinghai and Hebei.
Analyzing the reasons: dropping international milk price and declining market demand
Experts pointed out that fresh milk overproduction and consumer recession was the direct reasons of pouring milk and killing cattle, and the unbalanced relationship between dairy farmers and dairy companies was the underlying cause.

“From the view of the supply-demand relationship, there are two direct reasons of the difficulty in selling milk: one is the continued declining prices of imported milk and the overall surplus of domestic fresh milk; the other one is the declining demand caused by the consumer market recession in the dairy market.” said Mao Changqing, the chief strategist of Citic Securities.

The reporter learned that the declining of international milk prices was the source of these pouring milk incidences. The international price of powdered milk has kept declining. The price has been reduced from 50,000 yuan per ton to 20,000 yuan per ton. Usually, one ton of powdered milk is made from 8 ton fresh milk, which is worth 5,500 yuan per ton. This makes dairy companies tend to purchase powdered milk as an ingredient.

The phenomenon is getting worse in the north
“It is difficult to sell and a waste to pour, so I just have to send the extra fresh milk to the geracomium for free every day.” Said Chen Meiyu, a dairy farmer in Dongyin of Shandong province, who showed a worried face when was asked about the difficulty of selling milk.

Pouring milk was just the beginning. With the continuation of falling prices and the dairy companies stopping to purchase, dairy farmers began to kill cattle and even abandon them. “Some nearby dairy farmers have already begun killing cattle” Pei Shuke, a big dairy producer in Liangshan county Shandong province, told the reporter.

The reporter learned that the phenomenon of pouring milk and killing cattle has spread to many other main production areas, including Hebei, Inner Mongolia, Heilongjiang, and even appears in southern parts of China like the Guangdong province.

As for the current situation, the Ministry of Agriculture points out that because some dairy production companies have stopped purchasing, some domestic areas are facing the phenomenon of difficulty in selling milk leading to pouring of milk and killing cattle. This phenomenon is spreading and developing.

This is not the first time, the phenomenon happens. In the past few years, the phenomenon of pouring milk and killing cattle has showed many times in some main dairy production areas and has become the curse of dairy production that lots of small livestock holdings cannot get rid of.

President of the Chinese dairy magazine, Feng Quyuan thinks that the phenomenon of pouring milk and killing cattle should be paid more attention to by the Chinese government. The life span of dairy cattle is much longer than for other live stocks. It takes 2 years before dairy cows begin to produce milk, and it is therefore hard to recover once the stock base drops. If the upstream chain is broken, the downstream processing enterprises are easy to be controlled by other countries.

Guangdong: the refusal of milk from small livestock holdings forced them to sell cows
With the worsening of pouring milk in the north, Guangdong also breaks out the phenomenon of pouring milk and abandoning cows. In Lanhe town of the Nansha district, the dairy farmer Mr Xu stocked tons of milk, which nobody has wanted to buy since January 1st.
Because the shelf life of fresh milk is only about 3 to 4 days, he has to pour the old milk out and stock the fresh milk in the bottles. “If we stop milking the cows, it would be hard for the cows to carry the extra milk.” a worker in the farm told the reporter. Mr Xu’s farm usually sends milk to a milk collection depot in Huadu district for a price of 5,550 yuan per ton. But a dairy company, which is a buyer of the milk station, announced that this year’s milk collection amount will decline by 50%. The milk station therefore sent a message to Mr Xu that from this year they would no longer purchase raw milk from him. So Mr Xu was forced to sell dozens of cows with a price decline of 8,000 to 5,000 yuan for each one.

In Sanshui, one dairy farmer came across the same situation. He has poured about one ton milk since the New Year, which has caused a loss of 6,000 yuan per day. Without options, the dairy farmer had to make out a diet plan for the cows by cutting meals from 3 times a day to 2 times a day. And the feed is much worse than before.

“**The pouring milk phenomenon in the north has an essential difference compared to what happens in the south**”

“There is an essential difference between the pouring milk phenomenon in the south and what happens in the north. There are many main production areas and a large output of fresh milk in the north, so the enterprises keep a loose relationship with the dairy farmers. The supply probably exceeds the demand. However, Guangdong is always lacking milk, and the local supply only makes out about one-third of the Guangdong dairy companies purchase amount. So it is not likely that Guangdong will break out a large pouring milk phenomenon.” says an expert.

Dairy industry expert Wang Dingmian shows that there are just about a dozen farmers abandoning cows, this even includes those who want to retire from this industry. “Actually, the price discussion between some big farms and some local dairy companies is coming to an end and the price is still higher than the international purchasing price. But it is still possible that nobody wants to buy from some of the small livestock holdings.”

President of Guangdong dairy industry association Chen Sanyou reveals that he received calls asking for assistance from 4 dairy farmers. At present, relevant management departments are doing research all over the province trying to figure out how many dairy farmers that have been ignored. He thinks that lowering the price is a way of negotiating for the companies, and that the dairy farmers need to adjust to the change of the current buyer’s market.

**How to handle the situation?**
The Ministry of Agriculture: spare no efforts to handle the difficulty in selling milk. As for the recent difficulty in selling milk, the ministry of agriculture showed yesterday that they would coordinate with the dairy enterprises by increasing the purchasing amount and motivate the dairy production detection. They would take all means to solve this problem and protect dairy farmer’s interests as well as stabilize the dairy production.

On January 8th, the Ministry of Agriculture had a discussion with the persons responsible of purchasing raw milk from some of the key dairy enterprises like Erie and Mengniu. They will supervise the companies’ work of purchasing raw milk and try to stabilize the raw milk price of small and medium-sized dairy farms as well as of the dairy farmers’ villages.
The Ministry of Agriculture revealed that the supervision work of the milk production will soon be motivated. So far, the national milk production weekly-report system has already started to schedule the raw milk production and marketing in time. The data of the refused raw milk is to be collected from the dairy companies, like also data on the amount of poured milk and the abnormal eliminated cows are to be collected.

The ministry of agriculture claimed that they would try to get support from other departments, including the Ministry of Finance, the credibility, the inspection and BMDMI. They together will try to take measures by helping dairy farmers, making temporary storage of dried milk and expanding the consumption of dairy products.

The negotiation between dairy farmers and dairy production enterprises: almost agreed on the Guangdong market

President of Guangdong dairy industry association Chen Sanyou expressed that the relevant departments would make a discussion with dairy production enterprises about the purchasing price of raw milk. As long as the local annual raw milk production is just about 0.15 million tons, it is possible to accomplish the raw milk purchasing work in Guangdong if the discussion goes well. “Our solution is to keep practicing the old contracts of last year between dairy farms and dairy enterprises. This difficulty asks all of us to make efforts to overcome it, so if the discussion does not go well, the dairy enterprises could also buy the raw milk first.”

Wang Dingmian told the reporter that with many parties’ efforts, the discussion is coming to an end soon, which could probably end by lowering the selling price of raw fresh milk with 3-5%.

Rethinking

“Different from the integration mode combining dairy breeding, processing and marketing together of most dairy production-developed countries, the dairy production is disjointed with the processing in our country. So the purchasing and the pricing of raw milk are controlled by dairy companies, and dairy farmers have no say in pricing. It is an unbalanced relationship reflected between dairy companies and dairy farmers, who scrambles in shortage and rejects in abundance.” says Deng Xingzhao from the Ministry of Agriculture.

The separation of breeding and processing is involved with various changes and high risks. Experts suggested making out emergency policies and supervising dairy enterprises’ performance of purchasing contracts to complete the raw milk purchasing work and implement the dairy farmers’ subsidy policy. In the long run, the modern dairy production and operation system should be built and translated into intensive breeding. In this way, the dairy industry could enhance competitiveness and get rid of the tragedy of pouring milk and killing cattle completely.

“The foreign enterprises normally build the farms first and then make dairy processing later, of which the dairy farmers are the shareholders and they combine as a close community of interests. But in the domestic dairy industry, the dairy production and processing are separated from each other and linked by contracts, which are changeable and risky.” Feng Qiuyan suggested that the Chinese dairy industry should develop the integration mode combining breeding, processing and marketing together and realize the industrial convergence.

The price of local milk may not decline

Does the declining of purchasing price affect the milk price? Wang Dingmian thought that the purchasing price was just a small part in dairy industry and it probably didn’t lead to a big decline in the price of the final products. This year, the price of local products may not see a big change in prices. “Part of the products may continue the price battle, but the local milk is hard to lower the price on.” says one insider.
DAIRY

CHINA CNCA SUSPENDS A SPANISH DAIRY MANUFACTURER’S APPROVAL

Source: Chem Linked, 12-01-2015

On Jan 8th 2015, China Certification and Accreditation Administration (CNCA) (the authority tasked with registration of overseas dairy manufacturers) released a notice announcing the suspension of a Spanish dairy producer named “Corporacion Alimentaria Penasanta S.A.”. The release was issued in response to export of a whole milk product made by this company in July 2014 that after analysis by local CIQs was found to be excessively acidity. A UHT milk made by this manufacturer is still available for purchasing on some e-commerce platforms such as Tmall supermarket, Yihaodian, etc. No regulation specifies control measures for those imported products already placed on the market but later their manufacturer is identified as non-compliance with Chinese requirements. They should have been recalled immediately after any safety problem of the producer occurs.

According to AQSIQ Announcement No. 145-2012, CNCA should continually monitor registered dairy manufacturers and organize experts to conduct re-examination as necessary. Manufacturers found in violation of registration requirements will have their certification temporarily suspended during which they cannot export their dairy products to China. After this investigation, the CNCA concluded that the now blacklisted company is not capable of fully controlling risk during production and needed rectification measures imposed on them.

The Spanish manufacturer becomes the first approved manufacturer to receive such punishment since the registration requirement for dairy manufacturers were implemented last May. The Chinese government attaches paramount importance to dairy source control. The release of this latest news should send a clear signal to international dairy manufacturers that once certification is granted they must maintain high production standards.

DAIRY

AQSIQ INTRODUCES NEW REQUIREMENTS FOR IMPORTED DAIRY PRODUCTS

Source: Chem Linked, 20-01-2015

On Jan 8th 2015, AQSIQ released announcement No.3 which requires modified milk produced via pasteurization process exported to China to comply with additional quarantine procedures and obtain the “Permit of Quarantine For Imported Animals and Plants” from CIQ. The new rule will take effect from Feb 1 2015. Under the current regulation, the following three products also need to get the permit:

1. Raw milk
2. Raw milk products
3. Pasteurized milk

In addition, from 1 May 2015, more testing information especially information relating to heavy metal contamination (lead, arsenic and mercury) will be needed for every batch of dairy exported to China. The recommended testing methods for each item required are also indicated. Regulatory requirements for imported foods are getting more and more stringent. Unqualified formula and labels of imported products are the most problematic compliance issues encountered during CIQ inspection. It is strongly recommended to conduct product testing in CIQ recognized laboratories to ensure compliance with Chinese national standards and conformance with Chinese testing methods as articulated within the accompanying product standards.
DAIRY (FORMULA)

HONG KONG DRAFTS REGULATION PROHIBITING USE OF NUTRITIONAL CLAIMS ON INFANT FORMULA

Source: Chem Linked, 09-01-2015

On the 1st of Jan 2015, Hong Kong Food and Health Bureau (FHB) consulted on a proposed regulatory framework on nutritional and health claims for infant formula, follow-up formula and prepackaged foods for Infants and Young Children (IYC) less than 36 months. Once finalized, it will be the first rule in HK regulating baby formula products claims.

The proposed regulation sets out with the following five principles:

1. Nutrition claims (i.e. nutrient content claims and nutrient comparative claims) should be prohibited in infant formula;
2. Reduction of disease risk claims should be prohibited in formula products and IYC foods;
3. Nutrition claims and nutrient function claims should be permitted in IYC foods;
4. Nutrients or constituents permitted to be the subjects of claims should be of high importance to the health of infants and young children.
5. Nutrition and health claims should meet specific content conditions and health claims should be scientifically substantiated and have undergone credible evaluation process.

In mainland china, claim requirements for infant formula are prescribed in GB 10765, GB 10767, GB 7718 and GB 13432. In the latest version GB 13432-2013, which will come into force on 1 Jul 2015, nutrient content claim, nutrient comparative claim and nutrient function claim regarding essential nutrients on infant formula (0-6 months) will no longer allowed to be made.

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DAIRY (FORMULA)

GUANGDONG PROVINCE Launches Baby Formula Traceability System

Source: Chem Linked, 06-01-2015

- All baby formula products placed on the Guangdong market can be traceable from raw materials to terminal sales channels through the provincial E-traceability system.

- For the sale of imported or other provinces’ made infant formula in Guangdong province, the importer, manufacturer or the distributor shall be responsible for inputting required product traceability information into the system.

Early in January of this year, Guangdong authorities issued a detailed plan to reinforce the safety of infant formula products. The construction of a provincial E-traceability system for infant formula is one of the priorities of this plan. After almost one year’s development, on 19 Dec, Guangdong FDA held a press conference to announce the opening of this system and introduce its main functions. The system primarily allows the public to get search information on baby formula products through their journey in the supply chain from raw materials source to final sales channels. The system has already been used by Guangdong consumers and can be accessed by following the steps below:

1. Install the app named “Guangdong Food Traceability“ (click here to download);
2. Simply scan or input the traceability code or bar code on cans or boxes of an infant formula product;
3. Obtain the information of manufacturer, raw materials, production, testing report, distributors, retailers, etc.
Moreover, the App can also help consumers to find other related shops nearby and create a purchasing record. For problems associated with use of the product, customers can report complaints to the government using a special interface on the APP. All baby formula manufacturers and distributors in Guangdong are required to be accountable for inputting necessary data to the system for public search. For imported products or products made in other provinces but sold within Guangzhou province, the importer, manufacturer or distributor should undertake this responsibility. Obviously, the establishment of such a traceability system guarantees the authenticity of infant formula products and bolsters the efficiency of the recall process. Although Guangdong is blazing a trial with implementation of this scheme, traceability systems are the gold standard in terms of effective post market supervision and as such it is likely an early indicator of what will eventually be scaled out nationally.

HK TO SLAUGHTER 15,000 CHICKENS AFTER BIRD FLU FOUND IN MARKET

Source: Xinhua, 31-12-2014

Hong Kong authorities said on Wednesday that they will cull thousands of chickens to prevent an outbreak of bird flu.

Authorities will slaughter 15,000 chickens at the Cheung Sha Wan market following the latest discovery of the deadly H7N9 virus in poultry imported from south China’s Guangdong province, said the city’s Secretary for Food and Health Ko Wing-man.

A batch of chickens imported from Huizhou city in Guangdong province tested positive for the virus through a "rapid testing" program.

The market will then be closed for 21 days for thorough cleansing and disinfection, Ko said, adding that trading of live poultry will be suspended during the closure period.

He said the government has built up a resilient and stringent system and collaborated closely with the mainland authorities for the surveillance and control of avian influenza.

Meanwhile, Hong Kong announced it was raising its response level in hospitals to "serious" from "alert" with extra precautions implemented from Sunday in response to a new case of the avian influenza virus -- the region’s first since early 2014.

On Dec. 25, a 68-year-old woman was hospitalized in Hong Kong after arriving from the neighboring mainland city of Shenzhen almost two weeks earlier.
HANGZHOU, Dec. 31 (Xinhua) -- Six people from east China's Zhejiang Province have contracted the H7N9 strain of avian flu this winter, local authorities said in a statement on Wednesday.

According to the statement released by the provincial health and family planning commission, six residents from the cities of Jiaxing, Jinhua and Shaoxing were confirmed to be infected with the H7N9 virus as of Tuesday.

In one case, a 57-year-old patient surnamed Lin had visited a live poultry market in his village before he was confirmed to be infected with the virus. He also raised chickens, pigeons and parrots at home, it said.

The statement revealed that one of the patients has died, but did not give details about the patient's identity.

In order to prevent the spread of bird flu, Zhejiang Province has banned live poultry trading in urban areas since July.

Shanghai Municipality, Fujian Province and Guangdong Province have all reported human cases of H7N9 this winter.

Hong Kong's Center for Food Safety (CFS) has banned all egg imports from Taiwan with immediate effect due to avian influenza outbreaks, it said on Monday.

The decision was made in view of the announcement of the Taiwanese authorities of further outbreaks of H5N2 sub-type and H5N8 sub-type avian influenza in Yunlin County and Chiayi County.

A CFS spokesman said Hong Kong does not import any live poultry or poultry meat from Taiwan, but a small quantity of poultry eggs is imported from Taiwan.

According to records, about 6 million poultry eggs were imported into Hong Kong from Taiwan between January and November last year.

The CFS will closely monitor information issued by the Taiwanese authorities and the World Organization for Animal Health on the avian influenza outbreaks in Taiwan, and take appropriate action in response to the development of the situation, it said.
China banned imports of all US poultry and egg products on January 8 after the USDA confirmed reports of H5N8 avian flu in non-commercial poultry in Oregon in December. Infections of the H5N2 strain were also found in California and Washington State.

Many industry experts claim the ban is drastic and heavy-handed; the reported cases were hundreds of miles or more from major poultry production centres, where no disease has been found. Guidelines from the World Organization for Animal Health recommend countries keep import restrictions specific to the regions where avian flu has been detected. Although more than 30 countries have imposed restrictions on US poultry imports since December, most have limited the ban to specific states or counties, according to Jim Sumner, president of the USA Poultry and Egg Export Council.

The US poultry industry exports huge volumes of wing tips and chicken feet to China; these products have few markets elsewhere. If they’re not sold to China, these products are likely be rendered for a fraction of the profit. "This is going to cost our industry many millions of dollars," said Sumner.

China has issued a ban on the importation of poultry products from the USA including live chicken, hatching eggs, and poultry eggs, due to the discovery of wild birds in Oregon, California and Washington carrying H5N8 avian influenza virus last month. This news has been officially confirmed by the United States Department of Agriculture. All poultry products exported from the USA by sea after Jan. 8, 2015 will be returned or destroyed at port. China is just one of a number of countries to issue a blanket ban on poultry products of US origin and joins a list of more than 20 countries. Statistical data shows that the import volume of poultry products from the USA to China from January to November 2014 reached 2.72 billion USD. China had become the sixth largest importer of poultry products from the USA.
HEINZ SETS UP THE WORLD’S LARGEST BABY CEREAL FACTORY IN CHINA

Source: ChemLinked 10-12-2014

Recently, Heinz, one of the world-leading baby cereal and bottled complementary foods manufacturers, completed the establishment of the world’s largest factory for baby cereal in Foshan of Guangdong, China. The new manufacturing base costs 70 million USD to build and covers an area of 800,000 square meters. The facility is equipped with top of the range processing technologies. Bernardo Hees, the CEO of Heinz, stressed that a new world class central lab will also be built in the factory.

China has a huge demand for baby complimentary foods. However infant formula tends to take most of the spotlight despite complementary foods being an inherently less competitive market with great potential for growth (see CL Food News on 16 Oct 2014). ChemLinked was told by a manager from a renowned food company that “we want to speed up the exportation of our baby supplementary food products to China before the market becomes as hot as infant formula and take the lead in securing a sizeable market share”. Heinz’s big move echoes this statement and is indicative of China’s increasing need for complementary baby foods.

JAPANESE RICE TURNS NEW LUXURY FOOD FOR CHINESE

Source: China Daily, 27-01-2015

First it was European formula powder milk, then New Zealand milk. Now Chinese consumers are adding Japanese rice to the list of everyday foods they will bring in from abroad at luxury-good prices because they fear the local alternatives are not safe.

The volume of rice imported from Japan remains small 160 metric tons last year, according to Japan’s National Federation of Agricultural Cooperative Associations.

But that is more than triple the total in 2013, a trend that illustrates Chinese consumers’ dwindling confidence in the safety of the country’s own agricultural produce.

"Chinese rice farmers use pesticides," said a seller identified as Ying Ying, who started offering Japanese rice on the Taobao online marketplace in August. "Japanese rice isn't polluted by heavy metals."

Pollution from industrialization has exacted a heavy toll on China’s soil and water. In May 2013, officials in Guangdong province in southern China said 44 percent of rice samples contained excessive levels of the metal cadmium.

A study by the Ministry of Environmental Protection in April estimated that 16.1 percent of China’s farmland was contaminated. In parts of the country, soil pollution is so bad that some rice farmers refuse to eat what they grow.

After the cadmium revelations, some Chinese consumers began to see rice from Thailand as an affordable and safe substitute.

In contrast, Japanese rice is neither cheap nor easy to find in China. Japanese rice imported by Chinese grain trader COFCO Group sells for 74 yuan ($12) a kilogram on PinStore, an online supermarket run by Japanese trading house Sumitomo Corp. Domestic rice sells there for as little as 7.5 yuan per kg.

As demand grows, Chinese consumers are increas-
China Green Food: China to Amend Green Food
Source: ChemLinked 24-12-2014

Takehome:
- New Green Food regulations have been drafted
- The administrative management for Green Food certification will be tightened.

To better regulate the certification of Green Food, China Green Food Development Center (CGFDC) promulgated the revised version of “Administrative Measures for Green Food Logo Certification” and the “Certification Process of Green Food”, both of which will become effective as of Jan 1 2015.

One Product, One Certificate
Products passing the certification process will be issued with a Green Food certificate. Only holders of Green Food certificates issued by the CFGDC will be allowed to apply the green food product logo on the approved product. The review and issuance of the certificate will be carried out in accordance with the newly released “Certification Process of Green Food”. Each certificate will be issued in both English and Chinese. The certificate will include information such as the product name, trademark name, manufacturer and its code, product code, validity, certifier and date of issuance.

License Validity
Generally a certificate will be valid for three years subject to annual inspections. Extensions will be granted upon CGFDC’s approval. However, the certificate will be revoked under the following circumstances:
- The conditions of the production site do not meet the environmental qualification standards for Green Food
- The product quality do not meet the Green Food product quality standards
- Fail annual inspections
- Noncompliance with the green food contract
- Improper use of the Green Food logo and certificate
- Obtaining a Green Food certificate by improper or corrupt means
- Any other improper behavior

Continued...
On Dec. 17, 2014, CFDA released a draft announcement to optimize the testing and acceptance procedures for health food registration. The period for public consultation is until Dec. 31, 2014.

General testing and acceptance procedures for health food registration after optimization:

1. The applicant should prepare legal registration documents including the business license, trial production qualification documents, product formula, production techniques, enterprise standard, sources of raw materials and additive materials, batch process record, three batches of pilot production verification data as well as any other materials useful for field inspection. The efficacy/iconic composition, testing method of physicochemical indexes, and any other important parameters that may influence the testing results should be identified in the enterprise standard.

2. The samples provided by the applicant should be accompanied by a complete minimum sales package. If a non-standardized package is used, the specific requirements on sample disposal as well as the necessity and rationality for using non-standardized packaging should be provided to the testing agency in writing, which should be submitted together with the registration declaration materials. If field inspection is required, the applicant should also provide the trial production record of the samples with non-standardized packaging. The samples for toxicology testing and animal testing should be the same unless otherwise specified.

3. After receiving the application for sampling inspection, CFDA should conduct a field inspection, sampling inspection and sample sealing inspection (local CFDA will carry out field inspection for the manufacturer’s qualification, dossiers, etc. and take the samples after sealing from the manufacturer, which will be sent to other testing agencies for re-testing). The requirements for these inspections will be based on the information supplied in submitted materials. The inspections will require inspection of samples produced using non-standardized packaging, designating a reexamination agency, and sealing relevant declaration materials. Sampling inspection will not be conducted if the field inspection does not comply with relevant requirements.

4. For imported health foods, the registration acceptance authority of the CFDA should designate the reexamination agency after receiving the application for testing from domestic executive offices or 3rd party agencies entrusted by imported health food applicants.

5. After receiving the notice of testing and the product samples, health food testing agencies should carry out the testing for registration and reexamination in time, and conduct full-item testing strictly according to the enterprise standard and testing method provided by the applicant before finally issuing a testing report. The qualification of the testing agency will be cancelled if it refuses to do a reexamination without a good reason.

6. After receiving the testing report and reexamination report, the applicant should submit them as declaration materials. Relevant statements and documents should be submitted if the product name, enterprise’s name and address are changed prior to registration acceptance.
The 2015 No. 1 Document — China’s de facto Farm Bill — is currently under review and expected to be released publicly any day now. Analysts expect this year’s Document will focus heavily on adoption of information technology in agriculture, with strong support for e-commerce and online information platforms.

One goal, repeatedly highlighted by policymakers during the Rural Work Conference in December, is to build up rural information infrastructure in order to connect farmers with consumers online. But Hu Zhiliang, advisor to China Investment Corporation, says that the biggest beneficiaries will be the agribusinesses that sell supplies to farmers. Already, some of the leading Chinese agriculture companies, including Longping High-Tech, are building online platforms targeting farmers.

Beyond the distribution challenges and rigid consumer preferences that have held back e-commerce for farm products globally, China is experiencing a unique set of challenges. Some staple foods and farm products remain under a region-specific controlled pricing system, making it impossible to sell them on e-commerce platforms across regional lines. In the absence of national standards, regional governments will have to develop their own plans to promote the industry.

Technology firms and other companies on the mainland venturing into agriculture might have to wait years to develop their expertise and turn strong profits, according to analysts. The bottled water producer Nongfu Spring is one of the latest firms to diversify into agriculture, setting up a business to sell oranges online. It follows in the footsteps of companies such as the computer maker Lenovo and the internet firm NetEase who have set up farming subsidiaries. Others who have stepped into the market include the property developers Evergrande and Wanda, and IT firms Qihoo 360 and Alibaba.

Analysts have suggested that companies are tempted to venture into agriculture because of public unease about the quality of much of the food made on the mainland after a series of safety scandals. Newcomers felt they can offer a fresh approach and give consumers greater quality, analysts said. The food scandals included the contaminated milk controversy in 2008 when at least six children died after drinking baby formula containing the industrial chemical melamine. It had been added to watered-down milk to distort tests into showing the produce was high in protein. Wang Hang, the vice-president of the mainland’s leading agricultural company New Hope Group, said companies from other sectors were often not used to the lower potential profit margins generated when planting crops or rearing livestock.

"Corporate firms focus on investment returns, but the agriculture sector is undoubtedly an industry with a slow capital turnover," he said. "A feed seller can enjoy a turnover rate of more than 20 times a year, while that for someone who rears chickens may be just five times a year."
But Zhang Hongyu, the head of the Ministry of Agriculture's economic system and management department, said newcomers into the sector were bringing new ideas and greater efficiency into food production.

"Various types of operating entities, represented by commercial capital, are entering agriculture and they are bringing a revolutionary influence to production patterns," Zhang said.

"The entire world produced 1.8 billion mobile phones in 2013, 1.4 billion of which came from China alone, but where is the competitiveness in our agricultural sector? Joyvio, Lenovo's agricultural arm, has become the mainland's largest producer and distributor of blueberries and kiwi fruit since the business was set up in 2012. But the firm's vice-president Liu Dan said at a business forum in Tianjin last year that the company was not expecting rapid growth.

"Joyvio entered this sector not in pursuit of quick money, but because we want to build up the brand. We're running a long-distance race," Liu said. "I should say we're still in the investment phase. Half of our efforts are spent on operations and the other half is spent on looking for new opportunities."

Dong Min, the chairwoman of Tootoo.cn, a company that sells fresh produce online, said the mainland needed to grasp innovation and new technology such as selling farm produce on the internet to help develop the agricultural sector.

"I think this will take a long time, but it is something that we must do and something that depends on these famous businessmen from other sectors, she said."

The Chinese government has accused e-commerce titan Alibaba Group Holding Ltd of not paying enough attention to illegal business conducted on its platforms and failing to take effective steps to snuff it out.

In unusually strong comments, the State Administration for Industry and Commerce (SAIC) said many products sold on Alibaba's e-commerce websites and through its services infringed upon trademarks, were substandard, illegally imported, had been banned or even endangered public security. Alibaba declined to provide immediate comment about the report released on Wednesday, which summarized a July 16, 2014, meeting between government business regulators and Alibaba.

"Illegal business activities on Alibaba Group's platforms have for a long time failed to elicit sufficient attention, and (the company) for a long time has not adopted effective measures to address the situation," the report said. Alibaba adopted stricter standards on piracy and fake goods ahead of its record U.S. stock listing last year.
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