FOOD  FISHERIES  AGRICULTURE

NEWS FROM THE FOOD TEAM IN TRADE COUNCIL CHINA - APRIL 2014

STATE VISIT TO CHINA
The Food Team
Trade Council China

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STATE VISIT TO CHINA BY HM THE QUEEN OF DENMARK AND HRH THE PRINCE CONSORT

On 24-28 April 2014, 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.

With the intention of creating increasing focus on the Danish food and agricultural sector in China, the Food Team in Trade Council China carried out a series of activities where Chinese and Danish authorities, organisations and companies participated together.

The Royal Couple was accompanied by a large Danish business delegation of over 160 participants 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.

Among the participating companies were Arla, Carlsberg, Chr. Hansen, Danish Crown, Danish Showroom, Danpo, De 5 Gaarde, Dueholm, Ess-Food, FOSS, Frederiksdal Kirsebærvin, HKSCAN Denmark, Kelsen Group, Copenhagen Fur, Kverneland Kerteminde, Copenhagen Zoo, Lars & Susanne Holding, Mille Baby, Nature DK, Novozymes, Pork-Ex Breeding, Royal Greenland, S.A. Christensen, Scandinavian Farms, Skiold and Triple Nine.

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 in the impressive Grand Ball Room of the Fanghua Garden.
STATE VISIT TO CHINA

in the State Guest House. On page 6 you will be able read more about the agreements and the substantial added value they together represent.

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". A closer look at the conference can be found on page 11.

In the afternoon, the Minister also opened a seminar on food safety hosted in cooperation with China Food and Drug Administration. Seminar is described in more detail in the article below on page 13.

Parallel with this, a seminar on the international trade of fur skin hosted in cooperation with Copenhagen Fur took place with participants from Chinese customs, MOFCOM, CFNA and the State Forestry Administration. More regarding this on page 14.

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. You can read more about the visits on page 15 and 16.

The Prince Consort continued to Tsinghua University where he together with the Minister for Trade and Development Cooperation visited Copenhagen Fur Studio. The experiences from the visit can be found on page 17. Hereafter the delegation drove straight to the train station where the entire State Visit delegation boarded a high-speed train to Nanjing.

On Monday 28 April 2014, the Minister for Food, Agriculture and Fisheries accompanied the Royal Couple in Shanghai and in the afternoon the Minister opened a food and agricultural business to business seminar hosted in cooperation with the Danish Agriculture & Food Council. The related article can be found below on page 18.

Lastly, an interesting insight on the bilateral meeting during the State Visit between several Danish companies and China key player COFCO can be found on page 19.
DENMARK SIGNS AGREEMENTS ON FOOD WITH CHINA AND MEETS WITH MOA, AQSIQ AND CFDA

During the state visit the minister for food, agriculture and fisheries had the opportunity to meet with minister colleagues from Ministry of Agriculture, AQSIQ and China Food and Drug Administration and agree on several market access agreements.

Following the State Visit to China from April 24 to April 28, the Danish agriculture and food sector will now be able to benefit from the new government agreements, which will open or ease the industry’s exports from Denmark to China.

Heat-treated pork
Raising the greatest public awareness was the agreement on heat-treated pork – an agreement, which has been in negotiation since export of pork meat to China from Denmark was first opened in 2007. With the confirmation from Chinese ministry AQSIQ three Danish producers of heat-treated pork will be able to offer their products, such as sausages, to the Chinese consumers. According to Chinese officials this makes Denmark the first country to be allowed to export heat-treated pork into China.

Poultry protocol
In connection with the official meeting and the Chinese State Banquet in the Great Hall of The People and in the presence of HM The Queen and China’s President, Xi Jinping the minister for food, agriculture and fisheries Mr Dan Jørgensen signed the protocol regarding export of Danish poultry to China. Following a significant number of seminars and
roundtables in the period from 2011 to 2013 as well as a very efficient Chinese inspection in Denmark only few weeks earlier, the protocol was signed on poultry, marking a significant step towards opening of exports of poultry to China.

**AQSIQ meeting and dairy, pet food, and organic**

During the ministers meeting with viceminister of AQSIQ Mr. Wu, the Chinese side made an important confirmation regarding the registration of Danish dairy producers including infant formula. Thus the Danish dairy producers will be in coherence with the recent implementation of stricter legislation from Chinese side in relation to registration and approval of foreign companies exporting dairy to China. This registration is the result of extensive preparatory work carried out since November 2012 where Denmark was formally declared pilot country, followed by workshops, seminars, training of Chinese inspectors, study visits to Denmark and inspection of the establishments.

During the meeting the ministers also discussed the progress on the organic cooperation and agreed to follow the track of cooperation on control and export of organic food products from Denmark to China.

Finally the meeting was finalised with the signing of a protocol on pet food opening of exports to China.

**Meeting with the Minister of Agriculture**

Immediately after arrival the minister met with agriculture minister Han. The ministers discussed the possibilities for co-operation within sustainable agriculture and, in particular, pig production and organic production. The Agriculture Minister was given a clear indication that the Chinese side wishes to continue the existing forms of cooperation and expand them with new activities. Especially emphasised the minister of agriculture Han the importance of the annual round-table meetings on pig production, which this year will be held in Denmark. The meeting also laid a good foundation for further cooperation in the veterinary field, in particular with a focus on the animal diseases.

**Meeting with the China Food and Drug Administration**

The Ministers stressed the importance of the implementation of the MoU, which was signed in November 2013, whereby cooperation in the control of food safety need to be strengthened. This includes, among other things, the subsequent seminar which the Ministers were to open as well as the planned visit in June by the Chinese vice minister to Denmark.
COPENHAGEN ZOO AND CHINA MUTUALLY AGREE ON PANDAS

On 24 April 2014, Copenhagen Zoo made a commitment to take part in the panda research programme in the presence of HM The Queen and China’s President, Xi Jinping.

In the evening of the first day of the State Visit, China’s President Xi Jinping had invited HM The Queen and HRH the Prince Consort, and a exclusive group of the Danish business delegation, to attend a state banquet in the Great Hall of The People. Among the invited was also CEO of Copenhagen zoo, Mr. Steffen Stræde.

To support the historically good bilateral relationship between the countries, China’s President gave a commitment to Copenhagen Zoo that an agreement can be made for its participation in the scientific panda research programme. In the President’s response to The Queen’s request he stressed that the commitment on cooperation on pandas is only granted to China best friends.

The commitment will allow Copenhagen Zoo a unique opportunity to take an active role in the international research on pandas and - most importantly for the zoological garden’s visitors - the agreement allows the zoo to receive preferable a panda couple in the near future.

Only a limited number of zoological gardens outside of China have giant pandas for the visitors to enjoy. Copenhagen Zoo has since 2010 been cooperating with the Chinese Association of Zoological Gardens and visited the Chengdu Research Base of Giant Panda Breeding, which is the leading research centre in China.

Trade Council China’s offices in Beijing and Chongqing, close to the panda breeding center in Chengdu, have been involved in the preparations leading up to the agreement made during the State Visit.

The Chinese Giant Panda is an endangered animal and it only lives in the wild in the forests in Sichuan, Gansu and Shanzi provinces.

It is estimated that only 1,600 giant pandas still live in the wild and 376 pandas in captivity. Only around 20 panda babies are born in captivity every year.

99% of the pandas diet consists of bamboo. It eats 15-20 kilo of bamboo and uses up to 15 hours eating every day.
COMMERCIAL FOOD AGREEMENTS WORTH 270 MIO DKK SIGNED

During the State Visit 28 commercial agreements were signed in the presence of HM The Queen and HRH the Prince Consort. Companies from the agriculture and food sector represented a significant part.

The Danish sector for food, agriculture and fisheries counts a broad and diverse range of companies, which was also represented in the commercial agreements that were signed during the State Visit to China.

Witnessed by HM The Queen and HRH the Prince Consort as well as the four ministers, 28 commercial agreements were signed at the signing ceremony at the opening of the conference Sustainable Economic Development on Friday, April 25. Companies from the agriculture and food sector represented a significant part of these, adding up to 12 agreements with a total value exceeding 270 million DKK.

That the Chinese agricultural and food sector increasingly demand the solutions in which many Danish companies excel, was clearly reflected in the commercial food agreements signed. As such, Skipling Qingdao Machinery took one of the leading roles with three agreements entailing the delivery of fully integrated equipment solutions for new pig farms.

Significant investment agreements were also signed as Triple Nine Fish Protein established a WOFI with the government of Rongcheng in Shandong for the establishment of a new high-technology production facility, while Dueholm, Wuhan Hi-Tech Agri Group and Hubei Marrot Investment Holdings signed a contract for a joint venture promoting the production of organic egg farming in China. Finally, representing the agro industry S.A. Christensen signed investment agreements for the delivery of dairy equipment partly financed through Denmark’s Export Credit Agency, EKF.

Increased strategic collaboration agreements also constituted a significant part of the contracts signed. As such, Kopenhagen Fur agreed to strengthen cooperation with Chinese authority CFNA by increasing information sharing and to jointly promote the healthy development of China’s fur industry. Kopenhagen Fur further signed a Letter of Intent with Shangtex where both parties have agreed to enter strategic and creative collaboration for collections for high-end brand Prolivon.

Kopenhagen Fur CEO, Torben Nielsen, signs agreement with Shangtex Holding Co. Ltd. and Metropol ApS.
Also, Technological University of Denmark and China National Center for Food Safety Risk Assessment agreed to promote the exchange of knowledge in the research field of food safety including risk assessment, risk surveillance, risk communication and diet studies.

Finally, high quality products continue to be increasingly sought-after by Chinese consumers. Two purchasing agreements between Frederiksdal and De 5 Gaarde and Chinese counterpart Tongxiang Glamazon were thus signed, ensuring the two Danish food producers a long-term distribution agreement on both B2B and B2C levels via Glamazon’s extensive distribution network.

At a separate signing ceremony at the Food & Agriculture B2B Event in Shanghai, hosted by Danish Agriculture & Food Council, further three commercial agreements were signed. First, an agreement between Scandinavian Farms on one side and Beijing King Peng Global Husbandry Technology Co., Ltd on the other for the general construction of two pig farms in the Jiangsu province was signed. Secondly, Danish Showroom (Shanghai) expanded their business model providing their customers with new collaborations with Agricultural Bank of China as well as Shanghai Pilot Free Trade Zone and Orient Electronic Payment respectively.

Overview of the food agreements signed

1. MoU on scientific cooperation
   Technical University of Denmark
   China Food Safety Assessment Center

2. Strategic cooperation partnership
   Kopenhagen Fur
   China Fur Association (CFNA)

3. Purchasing agreement
   A/S S.A. Christensen & Co
   Inner Mongolia Shengmu High-Technology Animal Product Co., Ltd.

4. Purchasing agreement
   A/S S.A. Christensen & Co
   Qingdai Shengshi Dairy Co., Ltd.

5. Collaboration agreement
   Dueholm Aps
   Wuhan Hi-Tech Agri Group, Hubei Marrot Investment Holdings

6. Strategic collaboration agreement
   Kopenhagen Fur
   Shangtxe Holding Co. Ltd., Metropol ApS

7. Purchasing agreement
   De 5 Gaarde
   Tonggxixiang Glamazon Co., Ltd

8. Distribution Agreement
   Frederiksdal Kirsebærvin P/S
   Tonggxixiang Glamazon Co., Ltd

9. Sales agreement
   Skiold Qingdao Machinery Co. Ltd
   LianYunGang Scandinavian Pig Industries Ltd.

10. Sales agreement
    Skiold Qingdao Machinery Co. Ltd
    LianYunGang Scandinavian Pig Industries Ltd.

11. Sales agreement
    Skiold Qingdao Machinery Co. Ltd
    Liaooyang Xingwang Animal Husbandry Co. Ltd.

12. Investment agreement
    TripleNine Holding Asia Aps
    Shidao Administration Committee of the People’s Government of Rongcheng City
SUSTAINABLE FOOD AND AGRICULTURE CONFERENCE

On 25 April 2014, HM The Queen opened the conference on Sustainable Economic Development: Chinese Danish Partnership for the Future. A part of the conference was dedicated to food and agriculture presentations and discussions.

At 9.30am sharp the doors to the Grand Ball Room in State Guest House was opened and HM The Queen together with the Price Consort entered the impressive venue in Fanghua Garden where more than 500 participants were eagerly awaiting the presence and opening speech of the Danish head of state.

The Sustainable Economic Development conference was initiated by a joint session for all the participants were also the Vice-Chair of the Standing Committee of the National People's Congress of China, Ms. Yan Junqi, welcomed the many Danish and Chinese participants. The Danish Minister for Foreign Affairs, Mr. Martin Lidegaard, also greeted the guests.

The purpose of the conference was to illustrate how China and Denmark complement each other in terms of economic development priorities and demands in the coming years in effect feeding in to both countries’ reform agendas.

After the opening remarks a signing ceremony took place where no less than 28 commercial agreements were signed. You can read more about these in detail in the article on the two previous pages.

During a short networking break the participants walked to the above conference rooms - or rather named halls due to their impressive apperance.

The food and agriculture parallel session of the conference was titled Danish Agriculture for the Future and focussed on safety, quality, efficiency and innovation. All fields in which the participating Danish companies have many years experience.

The conference was opened by the Danish Minister for Food, Agriculture and Fisheries, Mr. Dan Jørgensen and the remaining part of the session was moderated by CEO of Danish Agriculture & Food Council, Mr. Søren Gade.

The presentations during the parallel session seeked to coin in on recent years’ substantial bilateral political cooperation within each parallel session theme illustrated amongst others in the signing in 2008 of the Comprehensive Strategic Partnership, the Chi-
nese State Visit to Denmark in 2012, as well as the manifold ongoing political cooperation and exchanges on a day-to-day basis.

With a firm focus on innovation and sustainability in the agriculture and food industry Denmark has created a number of global brands that are world-renowned for safety, quality and efficiency.

Agriculture and food products are produced using the most efficient and sustainable production methods in regard to optimizing resource consumption and quality throughout the entire value chain.

Through all presentations the focus was on how Chinese-Danish cooperation can contribute to China’s growth priorities within agriculture and food production. In different ways the speakers presented what they believe are the challenges and what are the benefits – for China and for Denmark.

Denmark would like to contribute to the development of a sustainable, efficient and safe food production in China. This by means of an integrated model: through input to science and technology, to the sustainable production of animal products and to the production of food products.
SEMINAR ON BUILDING UP PUBLIC TRUST IN FOOD SAFETY

On 25 April 2014, a seminar was jointly hosted by China Food and Drug Administration and the Ministry of Food, Agriculture and Fisheries of Denmark.

Arranged by China Food and Drug Administration (CFDA) and Ministry of Food, Agriculture and Fisheries of Denmark, the seminar on Building up Public Trust in Food Safety was held at Fanghua Garden, State Guest House on 25th April during State Visit 2014.

This seminar was considered as the first step implementation of the Memorandum of Understanding on Food Safety Cooperation that was signed by CFDA and the Danish Ministry in November last year.

Vice Minister Mr. Teng Jiacai from CFDA and the Danish Minister for Food Mr. Dan Jørgensen both gave opening remarks at the seminar. Director General level officials from CFDA, the Danish Veterinary and Food Administration, representatives from Carlsberg, Kelsen Group and Mengniu shared knowledge about Chinese policies, company responsibilities and management strategies in regards of building up public trust in food safety in China and Denmark.

In addition, ca. 30 officials and experts from CFDA, representatives from both Chinese and Danish food and agricultural companies attended the seminar.
SEMINAR ON FUTURE OF CHINA- DENMARK BILATERAL FUR TRADE

On the occasion of the State Visit, the Food Team in Trade Council China, together with Kopenhagen Fur organized a seminar on the future of bilateral fur trade between China and Denmark.

Fur is Denmark’s biggest export good to China. About a third of the export of goods from Denmark to China is fur. The growing economy in China gives more people the opportunity to buy a fur as a symbol of wealth and economic strength.

During the State Visit a seminar was arranged in cooperation with Kopenhagen Fur in order to put focus on and discuss the future of fur trade between the two countries.

The seminar was opened by Torben Nielsen, CEO of Kopenhagen Fur. Minister for Trade and Development Cooperation Mogens Jensen made the opening remarks. Denmark has become the world’s leading provider of quality mink skins with a yearly production of more than 17 million mink skins.

The seminar was a roundtable styled event where the Danish side introduced the global fur trade and the Kopenhagen Fur business strategy. Kopenhagen Fur has a unique business model that can serve as a role model for sustainable and healthy fur production.

The Chinese speakers presented Chinese importing policies and their perspective on the fur trade. From the Chinese side representatives from the Ministry of Commerce, the China Customs, the China Leather Industry Association, the China Foodstuff Association and Tsinghua University were participating in the seminar.

Also representatives from the State Forestry Administration, industry organizations and local government officials took part in the seminar. The seminar ended by good roundtable discussion from both Chinese and Danish side.
Novozymes is reckoned as one of the most successful Danish companies that has been developing and expanding steadily after its first establishment in China in the early 1990s.

During the State Visit, HRH Prince Consort, the Danish Minister for Food, Agriculture and Fisheries and part of the business delegation paid a visit at Novozymes on 26 April.

The Prince Consort was welcomed by Novozymes' Regional President for Asia Pacific, Mr. Michael Fredskov Christiansen. Following pictures in front of the waiting press delegation the Prince Consort was accompanied to the Bio Lab entrance.

The visit was initiated with a tour of the Novozymes laboratory where research is conducted and the development of enzymes products take place. Both English and French speaking technical experts were introducing the visitors to the work in the lab. Following this the delegation was invited to the conference room where Novozymes introduced their business in China and their vision for the future.

The visit was completed by a presentation on developing sustainable solutions to reduce CO2 emissions in China.

Grace He
Commercial Officer
Beijing

Zhongguancun Area is a technology hub in Haidian District, Beijing. The area is often referred to as "China’s Silicon Valley".
HRH THE PRINCE CONSORT OPENED ARLA CHINA-DENMARK MILK TECHNOLOGY & COOPERATION CENTER

On Saturday 26 April 2014, the programme of the Danish State Visit to China included a visit to Arla China-Denmark Milk Technology & Cooperation Center.

On Saturday 26 April 2014, HRH the Prince Consort and a part of the business delegation attended official opening of the Arla China-Denmark Milk Technology & Cooperation Center and "The Cheese Lab". Also attending were Danish Minister for Food, Agriculture and Fisheries, Mr. Dan Jørgensen, CEO of Arla Foods, Mr. Peder Tuborgh, CEO of Mengniu Dairy Group, Mrs. Elaine Sun, and COFCO chairman, Mr. Frank Ning.

Behind the China-Denmark Milk Technology and Cooperation Center stand Danish Arla Foods and Chinese companies Mengniu Dairy Group and COFCO, who have pooled their forces in a joint venture with the purpose of strengthening industry standards in the dairy sector. This in terms of milk quality, food safety and quality control in dairy farms, taking point of departure in Arla's Scandinavian quality programme, the Arla Farm.

The new initiative marks a further strengthening of Arla's presence in the Chinese market.

While Arla’s current business model in China is based on exports of high-quality dairy products from Europe, including baby nutrition and milk powder, UHT milk and cheese, the new innovation lab is established with the intention to get even closer to the Chinese consumer. In other words, the Center will undertake research and development activities to ensure that Arla in coming years can launch products developed exclusively for the Chinese consumers, whose tastes and consumption habits differ greatly from Western equivalents.

At the opening ceremony, HRH the Prince Consort had the possibility to enjoy cheeses from Arla’s specialty lines Castello and UNIKA as well as taste both French and Chinese wines.
ROYAL VISIT TO KOPENHAGEN FUR STUDIO AT TSINGHUA UNIVERSITY

On Saturday 26 April 2014, HRH the Prince Consort and his delegation visited Kopenhagen Fur Studio in Beijing and experienced the students’ latest creations.

A large crowd of students where standing ready waving with Chinese and Danish flags as HRH the Prince Consort arrived at Kopenhagen Fur Studio together with Danish Minister for Trade and Development Cooperation, Mr. Mogens Jensen.

In January 2007 Kopenhagen Fur entered a partnership with the leading Chinese university, Tsinghua University. Together they created a fur specialized design centre in Beijing called Tsinghua Kopenhagen Studio. Tsinghua Kopenhagen Studio focuses on innovation and creativity but with a primary focus on the next generation of designers. The studio is located inside the Tsinghua University in the northwest of Beijing.

Especially the Danish mink skins are considered to be of high quality, and as a symbol of this success, HRH the Prince Consort was presented to a bowtie made of Danish mink and designed by Kopenhagen Studio in Copenhagen. The bowtie was placed on top of a bouquet of flowers also made out of fur products.

On their way towards the studio the Prince Consort and the Minister was introduced to a collage in the university hallway depicting designs made by the students.

Following brief speeches by the Minister, CEO of Kopenhagen Fur, Mr. Torben Nielsen, and representatives of Tsinghua University, HRH the Prince Consort experienced first hand fur products designed by the students. The Prince Consort also had the opportunity to talk with the students about their experiences designing and working with fur materials.
AGRICULTURE & FOOD B2B EVENT ON CHINESE-DANISH BUSINESS RELATIONS

The Peninsula Hotel in Shanghai was the impressive venue when the business delegation programme concluded with a seminar on Chinese-Danish relations.

On Monday April 28 the State Visit’s business delegation programme ended with a seminar co-hosted by Danish Agriculture & Food Council at the Peninsula Hotel in Shanghai. The central theme for the seminar was Chinese-Danish business relations, and through a number of activities including company presentations, tailor-made B2B meeting as well as an informal setup for networking participants were enabled to establish or further intensify their commercial relations in the Chinese market.

The multitude of company presentations showcased the diversity of the Danish agricultural and food sector represented in the business delegation. Companies presenting themselves included Arla Foods, Danish Showroom, Dueholm, ESS Food, HK Scan, Moohko, Porc-Ex, Royal Greenland, Scandinavian Farms, SKIOLD, and Triple Nine Fish Protein illustrative of the Danish food industry, which can provide a wide range of high-quality and sustainable solutions and products from farm to fork.

The Danish Minister for Food, Agriculture and Fisheries opened the seminar and gave the floor to the moderator, Mr. Søren Gade, CEO of Danish Agriculture & Food Council. In addition speech contributions included Shanghai Municipal Agricultural Commission, Shanghai Food Enterprise Association as well as Danish Veterinary & Food Administration.

The event was concluded with a ballet show from Copenhagen Fur, which saw four dancers from the Shanghai ballet perform with a musical backdrop including both Chinese and Western classics.
BILATERAL MEETING BETWEEN COFCO AND DANISH FOOD COMPANIES

On 25 April 2014, several Danish food companies, together with the Danish Ministry of Food, Agriculture and Fisheries and Danish Agriculture & Food Council, met with Chinese key player COFCO.

Set up by Invest in Denmark, the morning of Friday, April 25, brought a bilateral meeting between high-level representatives from Chinese COFCO and Danish Ministry of Food, Agriculture and Fisheries, Danish Agriculture & Food Council as well as representatives at CEO level from Danish food producing companies Arla Foods, Danish Crown and Novozymes.

The purpose of the meeting was to increase awareness of the high level of competence in the Danish food industry and to discuss the possibilities for COFCO’s future investments into the sector in Denmark.

Not only did the meeting assist to establish contact between COFCO top management, chairman Frank Ning, CEO Patrick Yu and Mengniu Dairy CEO Elaine Sun, but it also enabled the Danish Minister for Food, Agriculture and Fisheries Dan Jørgensen, CEO of Danish Agriculture & Food Council Søren Gade as well as the companies to present Danish industry strongholds from their different point of views.

Particularly the competencies within the areas of food safety and security and product development were discussed, which are strongholds which the Danish companies can benefit from in order to sustain and increase investment streams between Denmark and China in the future. COFCO has established a strategic partnership with Arla Foods, which amongst others includes sales and distribution agreements and innovation cooperation in form of China-Denmark Milk Technology & Cooperation Center. COFCO also has an agreement with Novozymes on industrial enzymes.

China National Cereals, Oils and Foodstuffs Corporation

COFCO is the largest Chinese supplier of diversified products and services in the agricultural products and food industry in China.

COFCO plays a pivotal role as a bridge in the markets of edible oils and foodstuff between China and the world, and serves as the main importing and exporting channel for bulk agricultural products such as wheat, corn, rice and sugar.

COFCO continuously strives to upgrade its oil and foodstuff chains, which include those of oils and oilseeds, corn, wheat, rice, wine, tomatoes, dairy products, meat, barley, tea, chocolate and various other products.
THE ROYAL DANISH EMBASSY IN BEIJING, HEREBY INVITES YOU TO TAKE PART IN
OPEN DENMARK DAY
31 May 2014

During Open Denmark Day at the Royal Danish Embassy in Beijing you will have the chance to promote your company's products to over 4,500 guests, government officials as well as local and international media.

Event details
Hosted at the Danish Embassy, Beijing
31 May 2014 from 09.00 - 16.00 including:
- Speech by the Ambassador of Denmark to China
- Tour of the Ambassador's residence
- Exhibition Danish design, products and brands
- Experience Danish food and culture

More information
For information on how your company can participate in the Open Denmark Day 2014 please contact:

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TRADE COUNCIL CHINA STRENGTHENED BY CLOSER INCORPORATION OF THE OFFICE IN TAIPEI

The increased level of collaboration between the offices will hopefully create synergies that can benefit Danish exports to the region.

This article is intended to give a small introduction to Taiwan as a place of doing business, and to provide information on the work the Trade Council’s office in Taipei has been doing within the sector of food and agriculture in recent years.

General background information about Taiwan
Taiwan is an island located off the eastern coast of China. It has a total area of 36.193 km² making it slightly smaller than Jutland. Despite the size of the island it boasts a population of approximately 23,3 million people, making it the 6th most densely populated in the world.

Two-thirds of the island’s terrain is covered in mountains, which means that the population is highly concentrated in and around Taiwan’s four largest cities: Taipei (6,6 mio.), Kaohsiung (2,7 mio.), Taichung (2,7 mio.) and Tainan (1,8 mio.).

Taiwan experienced a very rapid industrialization during the latter part of the 20th century followed by an incredible level of economic growth. This development has caused a noticeable social, cultural, demographic and economic development in the society.

Today, the citizens of Taiwan enjoy a relatively high standard of living due to its competitive economy. Foreign companies often praise Taiwan for how easy it is to conduct business on the island. This is, among other things, due to a highly educated workforce, excellent infrastructure, strong legal framework, trade- and labour freedom, commercial ethics and a low level of corruption. The aforementioned factors mean that foreign companies attempting to penetrate the Taiwanese market will often face fewer obstacles than when taking on other markets in the Asian region.

Food Sector
Within the Taiwanese food sector, the Taipei office has much experience with assisting Danish compa-
nies in the search for local distributors to handle sales and distribution on the island.

In 2012 the food retail industry in Taiwan reached a value of $61.4 billion – a number which is expected to increase to $72 billion by 2017. The market is highly polarized, and a substantial amount of consumers willing to pay high prices for high-end foreign products are curious about western food culture.

The size of this consumer group has increased steadily in recent years, in part due to the many food scandals that have plagued the Asian region, where Taiwan has had its own share with olive oil, milk and rice to name a few. The many food scandals have caused much public debate, and have increased consumer awareness of- and focus on food safety.

The Danish food producers are known by the Taiwanese consumers to deliver products that stem from raw materials of the best quality that are produced with the highest regard for food safety. Despite being a smaller market in terms of volume, Taiwan can prove to be an excellent proxy market for Danish food producers to test their products in Asia. Many of the Taiwanese consumer- and eating habits are shared with other consumers in the Asian region. This is especially the case with China where 98% of the Taiwanese population has its roots, and thus share language, traditions and culture with.

Because of these close ties businesses that are successful in Taiwan will often experience a positive outcome in China as well. Several large Taiwanese corporations within the food sector are also highly successful in mainland China. Examples include UniPresident (one of the largest food producers in Asia), Master Kang (world's largest instant noodle producer), and RT-Mart (China's largest hypermarket operator) just to name a few.
In a recent case a Danish company was introduced to its Taiwanese distributor’s partners in Shanghai, after experiencing success in the Taiwanese market being. This shows that strong business ties exist between the two sides, and that the possibility for Danish companies to tap into these networks should be valued.

**Agricultural sector**

Within the agricultural sector the Taipei office has mainly focused its efforts on assisting the Taiwanese pig farming industry. The focus has been on zero waste pig farming through the use of biogas plants, increased efficiency and green technology.

More recently several Danish companies have been assisted in the promotion of their capabilities within the areas of pig genetics, pig nutrition and farm equipment.

Taiwan’s agricultural industry is currently lagging behind in terms of environmentally friendly solutions and in the optimization of production methods and production facilities.

In order to achieve the goal of self-sufficiency within the pig-industry, the sector needs an overhaul both in terms of the production equipment, which is very outdated, and in terms of management, where the farmers experience a shortage of qualified labour willing to enter the pig industry.

Currently it is difficult for Taiwanese farmers to obtain permits for the construction of new farms from the various county governments.

This is due to the limited amount of farm land available, the pollution caused by the farms, and public’s reluctance to living in close proximity of farms.

Instead of investing in new farms, the Taiwanese pig farmers are increasingly turning their attention towards renovating the existing ones in order to make them more efficient and sustainable.

As Taiwan is one of the more developed areas of the Asian region, animal welfare is also of an increasing concern to the general public on the island. The farmers are well aware of this trend and increasingly look for solutions that better the living conditions of the animal welfare when they upgrade their equipment.
**DANISH AGRICULTURE AND FOOD EXPORT TO CHINA**

The Danish export of food and agriculture to China reached 16,46 billion DKK in the one year period from February 2013 to January 2014. In comparison with the same period last year, the total export this year has seen an impressive increase of 18%. All areas have increased but especially two areas have experienced a spectacular increase: export of live animals are up 1.275% compared to the previous year and dairy and eggs are up 84%.

The total Danish export of goods from February 2013 to January 2014 reached 30,99 billion DKK, which is a growth of 8% compared to the previous year period. The agricultural and food export accounted for 53% of the total export from Denmark to China (February 2013 to January 2014).

**A closer look at the numbers**

By far, the largest export within food and agriculture is fur and skin, which take up 71% of the total export. Meat products, which have steadily increased during the last years continue to grow and are up 4% compared to the previous year.

Live animals still count for a very insignificant part of the total export but the area is in an impressive growth together with grains and feed. Grains and feed counts for 4% of the total compared to 3% in the previous year.

As a percentage of the total export; agricultural machinery (less than 1%), dairy and eggs (2%) and aquatic products (5%) remain unchanged compared to the previous year.

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### Export figures

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

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<tr>
<td>Fur and skin</td>
<td>11.629,408</td>
<td>10.086,300</td>
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<tr>
<td>Meat products</td>
<td>2.078,729</td>
<td>1.992,075</td>
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<td>Aquatic products</td>
<td>921,179</td>
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<td>Grains and feed</td>
<td>628,786</td>
<td>447,533</td>
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<tr>
<td>Dairy and eggs</td>
<td>300,151</td>
<td>162,755</td>
<td>84%</td>
</tr>
<tr>
<td>Agricultural machinery</td>
<td>99,584</td>
<td>65,246</td>
<td>53%</td>
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<tr>
<td>Live animals</td>
<td>126,717</td>
<td>9,215</td>
<td>1.275%</td>
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<tr>
<td>Misc.</td>
<td>676,848</td>
<td>368,954</td>
<td>83%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>16.461,402</strong></td>
<td><strong>14.003,764</strong></td>
<td><strong>18%</strong></td>
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</table>
CHINESE FOOD INFLATION

The declining development in the consumer price index, which we have seen since October 2013, has stopped as per March 2014. The consumer price index reached 2.3% in March 2014, which is less than the lowest Y/Y rate from March 2013. The food price index reached 3.5% in March compared to 2.7% in February.

Compared to the previous year the consumer price index is at a relatively lower level: 2.3% in March 2014 compared to 2.1% in March 2013. The food price index has been in a challenging year with high peaks in February 2013 and October 2013.

### Last 3 months average

During the last three months beef, mutton and fruits have increased year on year with respectively 9.7%, 8.8% and 20.9%. Besides grease, pork and eggs, all areas have seen a 3 months average growth in a more moderate pace. Pork decreased in March 2014 with 6.6% whereas the 3 months average ended at a decrease of 6.5%. Vegetables and fruits have during the last three months seen a massive increase. Milk and dairy product increased with 11.6% in March 2014 alone, increasing the 3 months average to 11.7%.

### China food inflation - 3 months average

AsiaCorp, together with The Royal Danish Embassy has entered into a unique agreement in China.

For China, we have put together an export promotion targeting supermarket chains, internet sales and dialogues with potential agents/importers.

Imported foods, together with premium foods, are considered as safe and very high quality. This creates an ideal environment for Danish companies within the premium food sector, because Danish foods and products have an international reputation for high quality.

The overall goal of the initiative is to create direct export opportunities to China for the participating companies, and at the same time to give the participants an opportunity to test consumers’ preferences in the world’s largest market.

This export promotion will give the participating companies a unique chance to get:

1) Their products presented to top procurement officials and general management in order to create direct sales.
2) Explore potential e-commerce sales opportunities in China.
3) Get a screening of potential agents/importers to work with, which also can target wholesale, hotel- & restaurant segments, etc.
4) A comprehensive feedback with suggested next step will be forwarded to each company as well as a field research price list of competing products in the Chinese market.

Participation price: DKK 24.500 (ex. VAT)

Deadline for registration: 30. June 2014

Meetings in China will take place from first week of September to last week of October 2014.

This export event is launched in the following destinations: Beijing, Shanghai, Guangzhou and Chongqing, which are all Tier 1 cities.

Internet sites to be targeted across China:
1. Womai.com
2. No. 1 store (YHD.com)
3. JD.com
4. Taobao Juhuasuan

Supermarket chains to be targeted in all 4 cities: Beijing, Shanghai, Guangzhou and Chongqing:
1. Olé
2. BHG Market Place
3. Walmart
4. Cityshop
5. Carrefour
6. Metro
7. Aeon
8. New Century

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Endorsed by:

Endorsed by and in cooperation with:

Danish Food and Drink Federation
China’s top legislature on Thursday passed an interpretation of the Criminal Law which will put eaters of rare wild animals in jail.

The Standing Committee of the National People’s Congress (NPC), China’s top legislature, adopted the interpretation through a vote at its bimonthly session which closed here on Thursday.

Currently, 420 species of wild animals are considered rare or endangered by the Chinese government. They include giant pandas, golden monkeys, Asian black bears and pangolins.

According to the legal document, anyone who eats the animals in this list or buys them for other purposes will be considered to be breaking the Criminal Law and will face a jail term from below five years to more than 10 years, depending on the degree of offending.

Having one of the world’s richest wildlife resources, China is home to around 6,500 vertebrate species, about 10 percent of the world’s total. More than 470 terrestrial vertebrates are indigenous to China, including giant pandas, golden monkeys, South China tigers and Chinese alligators.

However, the survival of wildlife in the country faces serious challenges from illegal hunting, consumption of wild animal products and a worsening environment. Some traditional wild animals cuisine such as shark fins, and medicines using wild animal products such as bear bile and tiger bone, have roused increasing concerns.

A series of non-profit advertisements, endorsed by celebrities like retired basketball star Yao Ming, have highlighted the issue with a popular slogan "no trading, no killing."

Eating rare wild animals is not only bad social conduct but also a main reason why illegal hunting has not been stopped despite repeated crackdowns, said Lang Sheng, deputy head of the Legislative Affairs Commission of the NPC Standing Committee, when elaborating on the bill to lawmakers on Monday.

The new legal interpretation also clears up ambiguities about buyers of prey of illegal hunting. It regulates that knowingly buying any wild animals that are prey of illegal hunting is considered a form of fencing and will face a maximum three-year imprisonment. Before this document, many buyers have been walking away unpunished. "In fact, buyers are a major motivator of large-scale illegal hunting," Lang said.

Asian countries, including China, are believed to be a major market of wildlife smuggling. The Chinese government has pledged to fight this crime through tougher legislation and crackdowns.

In February, a Chinese-led international operation, code-named Cobra II, cracked over 350 cases involving more than 400 suspects, and captured more than three tonnes of ivory and ivory products, over 1,000 hides and a number of other wildlife products.

This is the 10th interpretation of the Criminal Law by the top legislature since it took effect in 1997. The law has also been through nine amendments.

Three other issues were explained in the legal document, concerning social insurance fraud, company registration fraud and organizations.
SMUGGLING OF FOOD PRODUCTS ON THE RISE
Source: China Daily, 04-04-2014

The smuggling of agricultural products, including rice and frozen meat, into China is soaring because of the nation’s rising cost of food, according to the General Administration of Customs on Thursday.

Between January and March, national customs investigated 114 cases of smuggling of agricultural products worth 1.46 billion yuan ($235 million), according to figures released by the administration. That figure represents a 10 percent increase from the total number of smuggling cases in 2012.

In 2013, there were 218 cases of rice smuggling, up 53 percent compared with 2011. There were also 720 cases of smuggling frozen beef, lamb or chicken that resulted in the confiscation of 94,000 metric tons of frozen meat.

"Huge price differences between China and some foreign countries, such as some African and Southeast Asian countries, and the improved production capacity and the low cost of labor in those countries, have mainly contributed to the sharp rise in smuggling," Wang Hua, spokeswoman for the General Administration of Customs, said at a news conference on Thursday.

She said the smuggling of agricultural products "will greatly affect the healthy development of domestic farming and processing industries".

In March, the administration directed 10 customs bureaus, including those in Liaoning, Shandong and Hunan provinces, to bust a criminal gang operating a cross-border smuggling ring involving peanuts, sesame seeds and peppers.

Customs authorities captured 73 suspects and confiscated more than 200,000 tons of peanuts valued at up to 500 million yuan, according to the administration.

The smugglers purchased the peanuts and sesame seeds from African and Southeast Asian countries and transported them to Vietnam for storage, according to the administration. They then smuggled them into China through the Guangxi Zhuang autonomous region.

"The amount of peanuts seized was as much as the total annual production of a planting county in Chi-
na. The smuggling affected national food security and endangered the interests of farmers," said Zhu Feng, deputy director of the anti-smuggling department at the General Administration of Customs.

Many of the smuggled products that somehow avoided inspections and quarantine checks from customs, posed serious safety risks, said Zhu, who added that about 30 percent of the 94,000 tons of seized frozen meat came from areas that had poor health conditions.

Customs will launch a campaign to target agriculture-related smuggling, including rice, corn and frozen meat, that will run through December, Zhu said.

During the campaign, customs will focus on smuggling activities at sea or land border areas that lack sufficient supervision. Customs will also investigate residents from bordering countries to see if they have multiple-entry passes. Often these residents are paid to repeatedly carry a small number of agricultural products through customs checkpoints.

Authorities will also pay greater attention to combating fraudulent customs declarations.

Li Lin, a lawyer from the Beijing Lawyers Association, said "the key is to enhance capability for obtaining relevant intelligence" to combat rampant smuggling.

Customs and border-frontier police should enhance their supervision on land and sea border areas that are not equipped with checkpoints that provide criminals with a greater chance of smuggling in food products, she said.
Prosecutors must focus their attention on dereliction of duty by officials and malpractice concerning food and drug safety or the environment, a senior prosecutor from the Supreme People’s Procuratorate said.

"These relate to people’s lives and health, and we will punish anyone found guilty," said Cao Jianming, general prosecutor of the SPP.

Cao said cases handled by prosecuting departments have soared sharply.

In 2013, national prosecuting authorities investigated 13,070 people (up 11.8 percent from 2012) on 9,230 cases of malfeasance and dereliction of duty (up 14.2 percent from 2012), the SPP said.

In the same year, prosecutors dealt with 5,184 major cases, an increase of 23.9 percent from 2012.

Of those, 80 percent involved food and drug safety or the environment.

Prosecuting departments supervised the transfer of 3,984 suspects involved in 3,148 crimes from environmental protection departments to public security organs in 2013, the SPP said.

Prosecutors also supervised the arrest of 5,409 suspects charged in 4,290 crimes.

One well-publicized case occurred in June 2013 when six suspects, headed by Zhao Lin, were accused of damaging the environment by the prosecuting department in Hegang, Heilongjiang province.

Eight law enforcement officers from the Hegang forestry department were also charged with dereliction of duty, according to the SPP.

The case followed an earlier investigation into criminal activity.

In early 2013, prosecutors from Hegang prosecuting department uncovered evidence during an investigation into a criminal gang, headed by Zhao, that law enforcement officers in the local forestry department had accepted bribes and used their positions to cover up crimes involving illegal logging.

Premier Li Keqiang stressed that China will improve its food and drug safety supervision and strengthen pollution control, when he delivered the government work report during the recent two sessions.

"We can’t shrink from our responsibility to enhance supervision of food and drug safety, as well as protecting the environment," Cao said.
HEAVY METALS FROM CHINA©S FARMLAND PUT CONSUMERS IN AUSTRALIA AT RISK

Source: Food Navigator Asia, 24-04-2014

The risk of consuming harmful heavy metals by eating produce from China’s heavily polluted farmland is now so great that one Australian industry body has warned a parliamentary inquiry due to look into country-of-origin labelling laws that current requirements put the health of consumers at risk.

Data recently released by the Communist Party of China indicates that almost one-fifth of the country’s agricultural land—or approximately 1m sq-km—is contaminated by toxic metals such as cadmium, nickel and arsenic, which can be carcinogenic and cause kidney damage.

Two decades of explosive industrial growth, the misuse of agricultural chemicals and minimal environmental protection were cited as the major contributing factors to China’s declining soil safety.

"Mortifying" findings
"Considering China is the number two source of vegetable imports to Australia, these findings are mortifying," said Hugh Gurney of AusVeg, which represents Australia’s vegetable and potato growers.

Last year, it was estimated that approximately A$110m (US$93m) worth of vegetables were imported to Australia from China; however, Gurney said the amount of potentially harmful Chinese produce reaching Australian dinner plates is likely to be much higher than official figures suggest.

"Under current trade agreements with China, New Zealand may import processed vegetables from China, repackage them as "Made in New Zealand from local and imported ingredients", and ship the product to Australia for consumption.

"The risk associated with the consumption of Chinese produce is now indisputable. We should not allow inadequate Country of Origin Labelling requirements continue to put the health of Australian consumers at risk."

Federal inquiry
A parliamentary inquiry recently announced by the federal government will investigate country-of-origin labelling and examine whether the current system is satisfactory, where improvements can be made, the current levels of compliance, and whether laws are being sidestepped by importers through third-party countries.

"AusVeg welcomes the inquiry and calls for a thorough investigation of current country-of-origin la-
belling laws, to allow Australian consumers to easily identify foreign produce. It would be shameful to continue to let ineffective country-of-origin-labelling legislation impede Australian consumers from making well-informed choices at the supermarket,” added Gurney.

AusVeg’s stance, however, is at odds with that of the Australian Food and Grocery Council, which believes current labelling policy is largely sufficient.

“The AFGC will be making submissions to the House of Representatives Inquiry supporting the current laws that prohibit false, misleading or deceptive representations about the origin of goods,” an AFGC spokesman told FoodNavigator-Asia by email.

“There are some aspects of the current laws that the AFGC considers can be improved, but the basic structure seems to be working well and is being enforced, with action being taken by both federal and state/territory agencies to stop misleading origin statements.”
China will continue to maintain a high rate of self-sufficiency in major grain output in order to achieve its food security target over the next decade, according to an official government-backed report.

The report, which was prepared by the Chinese Academy of Agricultural Sciences, prepared the report, spelled out the outlook for China’s agricultural development from 2014 to 2023.

Xu Shiwei, director of the Agriculture Information Institute under the academy, said that the output of China’s three main grain crops—rice, wheat and corn—would achieve a high rate of self-sufficiency over the next 10 years.

He added that imports for meat and dairy products would see rising growth, while slower growth will be seen in soybean imports, and cooking oil imports will decline.

However, according to the report, the 3.5% annual growth rate in domestic dairy production will exceed that of other major agricultural products in China in the ten years from 2014.

The report also noted that over the next 10 years, the modern market system, agricultural support policies, and scientific and technological advances will provide new opportunities for the development of agriculture in China. China's large population, which is still increasing albeit slower, has made the task of feeding the people a matter of national security; one that Chinese President Xi Jinping said was of the highest priority in a conference late last year.

"The bowls of the Chinese, in any situation, must rest soundly in our own hands. Our bowls should be filled mainly with Chinese grain. Only when a country is basically self-sufficient in food can it take the initiative in food security and grasp the overall situation for economic and social growth," said the statement from that conference.

To combat the problem of food security, China has set a redline guarantee that arable land shall never shrink to less than 1.8 billion mu (120 million hectares), which the current government has termed "unbreakable."
THREE CHINESE EXECUTIVES AWARDED $600M FOR US PORK DEAL

WH Group chief executive and executive director receive large sum in shares for role in Smithfield Foods acquisition

Two executives at the Chinese company that bought the US firm Smithfield Foods, the world's biggest pork producer, last September have been awarded more than $600m (£360m) of shares for their part in the $4.9bn deal.

WH Group and some of its shareholders launched an initial public offering for up to $5.3bn in Hong Kong last week, the second biggest ever listing by a food and beverage company.

Wan Long, the company's 73-year-old chief executive and chairman, sometimes known as China's "chief butcher", and Yang Zhijun, an executive director in charge of investment, merger and acquisitions and financing, were granted shares with an estimated value of $597m, the filing showed.

David Webb, a Hong Kong-based corporate governance advocate, said: "This is very unusual. Normally you would incentivise management for overall long-term performance and not simply for executing a transaction, which is part of their job. Especially given there's no evidence yet that the transaction is value-accruing. Let's hope they don't continue that kind of remuneration policy after they go public."

In three decades, Wan has turned WH Group, previously known as Shuanghui International Holdings, from a small, loss-making meat processor into the world's largest pork company. Along the way, he has had the backing of Goldman Sachs, the Singaporean state investor Temasek Holdings and Wen Yunsong, or Winston Wen, son of China's former premier Wen Jiabao, among others, Reuters has reported.

More than half of the 107m tons of pork eaten worldwide in 2013 were consumed in China.
Chinese pork producer WH Group, which last year bought US pork giant Smithfield Foods, hopes to raise more than US$5bn in what would be the world’s biggest initial public offering for a year when it lists in Hong Kong later this month.

The Henan-based firm was formerly known as Shuanghui International Holdings, and stands to raise up to US$5.3bn if it sells its shares at the top-end of an indicative price range of HK$8.00-HK$11.25 each.

**Second-biggest food IPO**
The WH Group listing would be the world’s second-biggest ever food and beverage IPO after Kraft Food’s US$8.7bn deal in June 2001.

Having seen a term sheet this week concerning the sale, the Wall Street Journal also reported that the IPO has an upsize option to sell 20% more shares, of which all are from existing shareholders, to boost the deal size to up to US$6.4 billion if the demand is strong.

The valuation of the IPO is lower than the company’s expectations amid disappointing performances of high-profile new listings in recent months. WH Group plans to use most of the proceeds from the offering to repay debt the company took on to buy Smithfield just eight months ago, WSJ reported.

The company also plans to increase its import of fresh pork from Smithfield in the US, where the price of pork has been about half that in China over the past five years, and sell in China to enhance the group’s profitability.

**Big in America**
WH Group is the world’s largest pork company and is involved in the production, slaughter and distribution of the meat, a key ingredient in Chinese cuisine. The company’s products include Smithfield ham, Carando pepperoni and Farmland bacon in the United States.

Last year, WH agreed to buy Smithfield Foods in a deal valuing Smithfield at US$7.1bn, making it the largest ever Chinese acquisition of a US company. The Chinese company’s history dates back to 1958, when it started operating as Luohe Cold Storage to process and store perishables in Luohe, in China’s central Henan province.

Pricing for the IPO is slated for April 22 and the company is scheduled to list on the Hong Kong Stock Exchange on April 30, according to WSJ’s take on the term sheet.
CHINA FACES GROWING BEEF SHORTAGES IN SPITE OF GOVERNMENT EFFORTS

Source: Foodnavigator Asia, 28-04-2014

Faced with a long-term decline in cattle stock and a widening gap in productivity compared to other producing countries, the Chinese beef industry is having a difficult time catching up with demand on home turf.

Despite recent efforts by the Chinese government to provide some support local producers, the country will need to allow a substantial increase in imports to cover the supply gap, according to a new report by Rabobank on beef imports in China.

Indeed, analysts at the Dutch bank expect such imports to grow between 15% and 20% each year for the coming five years.

Continual decline
"China became a huge importer of beef in 2013," explained Rabobank analyst Chenjun Pan.

"According to official statistics, China's beef cattle stock has been in continual decline since 2004, due to a lack of government support, low productivity, and the lack of farmers willing to invest in beef production, deterred by high costs and a shortage of labour".

Rabobank expects rising urban income levels and government support to spur a slow recovery, but this will not be fast enough to catch up with accelerating demand. The structural supply deficit will force an increase in beef imports, including smuggled beef, of nearly 20%—or even double the current import volume by 2018—according to the report.

China's beef cattle supply shortage is a structural issue and the industry itself faces many challenges. It lags behind other major beef-producing countries in all the key aspects, such as genetics, breeding, productivity, farm management, and grassland and feed resources.

According to Rabobank, the Chinese government will need to decide which agricultural products it wishes to maintain or achieve self-sufficiency in, and which it will allow to be more exposed to imports.

Growing government support
Beef is not a strategically important agricultural product in China, although the government needs to maintain a certain level of self-sufficiency to ensure beef supply to the Muslim population.

Support for beef producers in China will increase but will remain lower than support for other livestock sectors, leaving beef producers to face the challenges of limited land, water and feed resources.

Given the challenges facing the industry, Rabobank expects to see only marginal beef production growth in 2014 to 2015, while female cattle stock will be restored to a limited extent through government support.

Production will likely see further increases between 2016 and 2018, assuming that the whole herd size benefits from the recovering female cattle stock over the previous years.

Even with the expected slight recovery of domestic beef supply, China will no doubt continue to increase its reliance on imports. The country's attitude towards opening markets to more countries has become more positive, and a ban on Australian fresh and chilled beef imports has just been lifted.

Moreover, China is likely to open the door to Brazilian beef in the coming months, and by the end of 2014, may open the market to US beef.
Market fundamentals remain very positive for the global beef industry, with the Chinese market leading worldwide demand.

According to Rabobank’s latest quarterly beef report, firm demand and supply that is further tightened due to drought-induced herd retention in the US and some adverse weather conditions in Brazil and Australia—the three main beef exporters—pushed prices up across the globe in the first quarter of this year.

Combined with fluctuating exchange rates, these events have impacted competitive positions in export markets, with Brazil and Australia gaining export share at the expense of the US.

Not as good as last year
On the demand side, beef demand growth will continue to come mainly from China. Although imports in China this year are not expected to reach the growth levels experienced in 2013, they will grow. This, Rabobank predicts, is because Chinese farmers are taking little interest in government-supported production expansion and strong profits and the market opening for Australian chilled fresh beef products. Market opening to Brazilian beef may happen imminently.

Rabobank analyst Albert Vernooij said that prospects for the global beef industry remain positive in the second-quarter, with further possible upside due to continuing pressured beef supply and scarce supply of competing proteins which will continue to impact competitive positions.

“Brazilian cattle prices and exports have surged to record levels, and Australian droughts have encouraged historically high slaughter levels to meet global demand,” Vernooij added.

Globe supporting Oz exports
In Australia, poor climate conditions are keeping slaughter levels historically high, but strong international demand has supported record boxed beef exports in Q1. The latest seasonal outlook predicts a drier-than-normal period for Queensland and northern NSW and a continued high flow of cattle to markets is expected.

New Zealand has positive prospects with strong demand likely from the US and China. However, the relatively high New Zealand dollar continues to put downward pressure on returns, eroding international competitiveness.

Ongoing shortages in the Chinese domestic market will continue to support rising imports of frozen beef, with Australia remaining the biggest supplier, accounting for 53% of total import volume in 2013.
POULTRY

CHINA SEES REBOUND IN POULTRY CONSUMPTION - FEED SECTOR SET TO GAIN

Source: Food Navigator Asia, 22-04-2014

A leading analyst firm in China is predicting a rebound in domestic poultry feed consumption with warmer weather reducing the risk of further outbreaks of avian flu.

Temperatures have been rising fast in China - one to two degrees Celsius higher than normal in the first few weeks of April in many regions - with research firm JCI Shanghai saying this factor has eased market worries about the spread of spring bird flu and has helped boost poultry meat intake.

The agri-consultancy said human H7N9 (avian flu) cases decreased significantly last month - an additional factor behind growing consumer confidence in the poultry market.

Poultry consumption in the Guangdong region of China recovered to about 80 or 90% of the pre-H7N9 level, said the analysts.

There has also been a notable increase in live poultry trading in many regions, they added.

And prices for broiler, egg, chick and eliminated layer also steadily moved upward in the past few weeks, said the agriculture research firm.

All eyes now are on the recovery of poultry inventory levels and the effects of reserve purchasing on that livestock market.

And JCI Shanghai reports that the Chinese Ministry of Agriculture (MOA) recently published a plan to cultivate over 40 new broiler varieties in a bid to bolster growth in the poultry segment.

China’s pork, beef, mutton and poultry meat production totaled 23.47 million MT in the first quarter of 2014, up 2% from a year earlier, shows data from China’s National Bureau of Statistics (NBS).

Amino acid price hikes

With poultry farming recovering, JCI Shanghai notes a slight rebound in the price of the feed additive, methionine, on the Chinese market.
The price for lysine in China will also rebound but not until the latter half of this year, arising out of the decision by leading producer, Global Biochem Technology, to scale down its lysine production this year by 200,000 tons, said Korean firm, Shinhan Investment and Securities.

Other lysine producers, notably Cheil Jedang, will also benefit from the predicted hike in sale prices as a result of the reduced inventory in the second half of the year, said Shinhan.

**Chinese food security**

Meanwhile, China is set to maintain a high rate of self-sufficiency in the production of major grains and thus realize its self-sufficiency target in the coming decade, according to an official report published on Sunday.

The report, China Agricultural Outlook 2014-23, published by the Agricultural Information Institute of the Chinese Academy of Agricultural Sciences, predicts that China's annual output of wheat, rice and corn will hit 578 million metric tons in 2023, helping to ensure food security for China in the next 10 years, reports China Daily.

Corn output will continue to grow by an average annual rate of 1.3%, reaching 247 million tons in 2023, said the report.

"The top priority in the future is to guarantee full self-sufficiency in wheat and rice," said China's Vice Minister of Agriculture, Chen Xiaohua, at the China Agricultural Outlook Conference in Beijing on Sunday.

Chen said government investment in agricultural technology and mechanization will further increase farm output in China.

Dirk Jan Kennes, an analyst with Rabobank, told FeedNavigator.com earlier this month that if China was to meet the additional feed grains tonnage output required to meet livestock consumption demand by 2023 through its own efforts, it would need to increase yields by 6.0 to 6.6 tons per hectare or sew an additional 2.5 million hectares.

The Chinese government, he said, has been trying to ensure 95 per cent self-sufficiency in grain production but indigenous output cannot catch up with increasing meat consumption.

There is a shortage of arable land in the country and a lack of farming infrastructure.

"China, with its shrinking land base, needs to focus on growing high value crops and livestock production. It has to look elsewhere for its corn and soy inputs," said Kennes.

China’s farming industry, said the analyst, is characterized by an unsustainably high level of nitrogen fertilizer (N-fertilizer) usage, and inefficiently low crop uptake of fertilizer nutrients (N-uptake), said Kennes.

So imports of low-value grain from markets with better N-uptake and lower fertilizer input can supplement China's domestic supply, said the analyst.

"Feed grain imports can significantly improve the efficiency of the pork value chain, for example. The input of N-fertilizer per unit of pork production in China is 3.5 times greater than in the US," said the Rabobank specialist.
POULTRY PRODUCT BAN
Source: Global Times, 14-04-2014

Hong Kong’s Center for Food Safety on Monday announced it had banned the import of poultry and poultry products including eggs from Kumamoto Prefecture of Japan with immediate effect.

The move was taken for the protection of Hong Kong’s public and animal health as the center received notification from Japanese authorities about an outbreak of high-pathogenic H5 avian influenza on a broiler farm.

A spokesman said about 8,000 tons of frozen poultry meat and 17 million poultry eggs were imported into Hong Kong from Japan last year.

HK BANS IMPORT OF POULTRY PRODUCTS FROM STANISLAUS COUNTY, CALIFORNIA
Source: Xinhua, 24-04-2014

Hong Kong’s food safety department has banned the import of poultry and poultry products, including eggs, from Stanislaus County in California, it said here on Thursday.

The ban was imposed after the department was notified by the World Organization for Animal Health about an outbreak of low-pathogenic H5 avian influenza on a quail farm in the county.

The department has contacted American authorities and will monitor the situation, it said.

About 150,000 tones of frozen poultry meat, 8 tones of chilled poultry meat and 600 million poultry eggs were imported to Hong Kong from the United States last year.
The Chinese government has imposed new limits on foreign brands of milk powder and infant formula sold in China, according to reports on Monday by the state-run news media.

The restrictions appear to be the latest attempt by the government to reduce the enormous demand for foreign-made dairy products and bolster the sales of domestic brands.

The new restrictions require foreign makers of milk powder to register the products, as well as their manufacturing and storage centers, with the government before the products can be sold in China. On Monday, The Beijing News released a list of the 41 foreign companies and manufacturing sites that have been registered so far. It includes subsidiaries of Nestlé, a Swiss company, in Germany and the Netherlands; Wyeth Nutrition, a company that Nestlé recently bought from Pfizer, in Ireland; Abbott Laboratories, an American company, in the Netherlands; and Nutricia, owned by Danone of France, in New Zealand, Germany and the Netherlands. The list could expand as more companies apply to register their products with China’s General Administration of Quality Supervision, Inspection and Quarantine.

The new rule officially went into effect last Thursday. A month before, the government began requiring foreign makers of milk powder to put Chinese-language labels on products intended for sale in China before the products were shipped to the country.

The Beijing News quoted a dairy industry expert who said that the government was trying to stop “illegal” brands from being sold in China and to allow only large, trusted brands into the market.

The demand in China for foreign-made infant formula and milk powder surged in 2008, when at least six babies died and more than 300,000 children fell ill after drinking milk products tainted with melamine, a toxic chemical used in manufacturing. Government officials prevented Chinese news organizations from reporting the deaths and illnesses until after the end of the Beijing Summer Olympics, leading to accusations of a government cover-up. Later, the government suppressed calls by grieving parents for a thorough investigation.

Last year, Allen Wang, chief executive and co-founder of Babytree.com, the largest online forum for Chinese parents, said surveys by his company showed that about two-thirds of Chinese parents were using infant formula and that foreign brands commanded a 60 percent market share. Many Chinese parents favor infant formula over breast-feeding, in part because of aggressive marketing by formula makers.

The surge in demand for foreign-made products led to a big increase in prices. Both Mr. Wang and the online edition of People’s Daily, the mouthpiece of
the Communist Party, said last year that the prices of foreign-made infant formula sold in China had risen by at least 30 percent since 2008.

But many Chinese say the foreign brands of formula sold in their country could be fake or tainted by retailers or distributors, so they buy large amounts of infant formula while traveling overseas, or they purchase the formula through small online Chinese companies that guarantee that the products were originally bought abroad.

Many Chinese go to Hong Kong to buy foreign-made formula, leading the territory’s government last year to impose a two-can limit on departing travelers. Some big retailers in other countries, like Boots and Sainsbury’s in Britain, have also declared two-can limits on purchases of infant formula by individual customers in their stores.

Last August, the Chinese government announced that it had fined six infant milk powder companies a total of 667.8 million renminbi, or about $107 million, for anticompetitive behavior and price fixing after an investigation.

Five of the companies were foreign. The government said three other companies, two of them foreign, were excluded from the punishment because they had cooperated with the investigation and “took self-rectification measures.”

Some foreign officials said the investigation and fines were an attempt to protect the domestic milk powder industry. When the government announced the investigation and said it would ensure stricter standards, Chinese state-run newspapers ran editorials saying they hoped the new standards would bolster the domestic milk power industry.
China has clamped down on importers of infant formula exploiting the nation’s hunger for foreign brands, as part of an effort to restore the local dairy industry’s share of the national market.

A 2008 scandal in which domestic milk was deliberately adulterated with melamine, a byproduct of coal, in order to fake protein tests is still hurting Chinese dairy producers more than five years on. Foreign infant formula brands now account for half the market, up from about 30 per cent before the revelation that at least six infants had died and 300,000 were made ill after drinking tainted formula.

Since then, Chinese parents have snapped up infant formula with any international connection, allowing foreign brands to charge a hefty premium and spawning a homegrown industry of smugglers hauling boxes of formula into the country. Some Chinese companies have even set up shop in New Zealand repacking bulk formula and selling it into China as a foreign brand.

New rules issued over the weekend require dairy products produced overseas to be registered with the quality watchdog, or be barred from entry at China’s ports. A second regulation requires all formula sold in China to carry Chinese-language labelling affixed at the source.

Together, the regulations appear to be aimed at importers redirecting formula products originally destined for different markets. As such they could limit the large grey market supplying Chinese demand, including the multiple online sellers serving parents outside the main import zones of Guangdong, Shanghai and Beijing.

It is possible that large multinationals like Nestlé could gain further market share, although their flexibility in moving product to China’s large market could be reduced.

The new move coincides with state efforts to support and promote domestic brands. In 2013, China floated a plan to subsidise five domestic producers, including four of the country’s largest dairy producers and the previously unknown Treasure of Plateau, which had begun producing formula from yak’s milk in 2012.

Beijing city has allocated Rmb10m ($1.6m) to local champion Sanyuan to develop a national indigenous brand “fit for the growth of Chinese babies”, the Beijing Youth Daily reported on Monday. Sanyuan products tested free of melamine products in 2008, but it subsequently bought many of the assets of state-owned formula maker Sanlu based in neighbouring Hebei province, which was at the centre of the scandal.

State-led efforts to revive the domestic industry have included regulations that dairy product suppliers invest in their own dairy farms and the acquisition of formerly private market leader Mengniu by state agribusiness giant Cofco. But the efforts have done little to restore public confidence in the industry.

China imported a record 1m tons of milk powder last year, customs data show. In the first quarter of this year, imports rose nearly 24 per cent to 240,000 tons.

One of the biggest beneficiaries has been New Zealand, whose national dairy co-operative Fonterra had partnered Sanlu and blew the whistle on the melamine adulteration. Chinese dairy companies have invested in New Zealand farms to bolster their own reputation and secure milk powder supply, while Fonterra is now investing directly in dairy farms in China.
Arla Foods has ploughed DKK10m ($1.86m, €1.34m) into the development of an innovation lab in Beijing to support the development of "unique" cheese for China.

The facility, established at the existing China-Denmark Milk Technology Cooperation Centre developed by Arla and its Chinese strategic business partner Mengniu, was opened late last week by the Prince Consort of Denmark.

Four people, including cheese makers and innovation specialists from Denmark and China, will initially work in the lab.

The team will work with customers, consumers and Mengniu to launch new cheese products "exclusively developed and produced for Chinese consumers," said Arla.

“We aim to take the lead in the cheese category in China, and building a cheese lab is a key step in creating long-term collaboration with our customers and consumers – a place where we can do-create and innovation in an agile and dynamic manner,” said senior vice president of Arla Foods, Frede Juulsen.

"Unique taste for cheese"
As well as European-manufactured UHT milk and milk powder, Arla currently exports cheese into China.

But with a "unique taste for cheese" developing in China, Arla decided it was time to look for inspiration in the country, said Juulsen, who is responsible for the Arla business in China. “It’s all about developing the next blockbuster product for the Chinese dairy market,” he said.

“Our first focus will be to create the right kind of cheese products that will make more Chinese consumers love cheese in new and different ways.”

“But it must be done in a way that respects and contributes to the food trends developing in China, and therefore we are placing this innovation lab in Beijing," he added.

"Localisation" of concepts
Under its latest five-year growth plan, Strategy 2017, Arla intends to increase its focus on four emerging markets - Russia, the Middle East, Africa and China.

Prior to identifying China has an area of focus, Arla increased its presence in the country through a deal to become an indirect shareholder of Mengniu in June 2012. Through the agreement, Arla gained greater access to sales and distribution channels in the country, and outlined plans for the China-Denmark Milk Technology and Cooperation Centre.

Since then, Arla Foods has also revealed plans for a global innovation centre in Denmark to support the increasingly important "localisation" of its dairy product concepts.
Chinese scientists have developed a “smart tag” they say can indicate - by changing from red to green - when the contents of a milk carton are spoiled.

Researchers from Peking University in Beijing have developed a time-temperature indicator (TTIs) using silver and gold nanorods, that can be “generally employed to track, mimic, and indicate the deterioration processes of numerous perishables.”

The tags contain vitamin C, acetic and lactic acids, and agar, which react with the gold and silver nanorods over time to change the color of the tag. This mimics the length of time it typically takes microbes to grow in food, but also takes into account temperature fluctuations that could spoil a product.

When the product is 100% fresh, the tag is red or reddish orange. As the packaged product ages, it changes to orange, yellow and when it is completely off, green.

The Peking University team detailed their research in the study, Time-Temperature Indicator for Perishable Products Based on Kinetically Programmable Ag Overgrowth on Au Nanorods.

In their report, the researchers presented “proof of principle demonstrations” that the tag can be tailored to “track perishables, dynamically mimic deterioration processes therein, and indicate product quality through sharp-contrast multicolor changes.”

To date, it has so far been tested using E.coli in lysogeny broth, which was used to mimic milk.

Based on the garnered results, the all-Chinese team are confident their TTI concept can be used commercially.

“The basic design is simple,” said the study, published in the journal ACS Nano.

“As a typical class of perishables, dairy products spoil easily owing to bacterial growth, and the growth rate of bacteria is strongly dependent on temperature. “We therefore can envisage the design of a smart tracking tag based on the chemical reaction for dairy products,” it said.

“The tag is attached to the product package to ensure that it undergoes the same temperature history. The tag can then, in principle, serve as an indicator for the product quality because now the magnitude of microbial growth is correlated to and indicated by how much the chemical system has evolved.”

The report added that the “flexible programmability” of the tag means that “general applicability to each single packed item of a plethora of perishable products.”

“We believe that it holds the promise to be further developed into a unified and standardized protocol generally applicable to a vast number of perishable products and has great potential to revolutionize the current food/beverage/pharmaceutical/cosmetics industries,” said the report.

The study was presented at the National Meeting and Exposition of the American Chemical Society (ACS) in Dallas last month.
China has slapped a temporary ban on the import of British cheese after health officials from the country identified several hygiene issues at a single UK dairy.

Chinese auditors implemented the ban after identifying "issues related to maintenance, air sanitation, raw milk transport temperatures and chemical storage" at the plant, according to dairy farmer representative, DairyCo.

"The ban will remain in place until all UK cheese plants exporting to China are audited by the Local Authorities," the DairyCo notice added.

Inspections were carried out by Chinese officials at dairies across the UK last month in advance of the introduction of new food safety laws.

Under these regulations, only dairy products manufactured at facilities approved by the Chinese Certification and Accreditation Administration (CNCA) are permitted to enter the country after May 1 2014. Any cheese produced before the regulations came into force will, however, be allowed entry into China. The Chinese decision to block British cheese exports has come under fire after reports emerged that the plant in question does not export to China.

DairyReporter.com approached several industry organizations regarding the reports, but no reply was forthcoming prior to publication.

Irish "compliant"

The Irish government has mean while welcomed the result of its audit, which found all those processors hoping to export to China - more than 30 - to be compliant with the new regulations.

"...it is an excellent result that Ireland has achieved 100% compliance with the Chinese requirements, and every company that applied for access has been accepted," said Simon Coveney, Irish Minister for Agriculture, Food and the Marine.

Irish dairy exports to China in 2013 topped around €170m (US$235m), according to the Irish Ministry for Agriculture, Food and the Marine - an increased on the €50m (US$69m) recorded in 2011.

Coveney added that the result of its audit, twinned with the approaching European Union (EU) milk quota abolition, should enable the Irish dairy sector to "fully realise its potential" in emerging markets such as China.

"This approval will allow the Irish dairy sector to build on their already formidable reputation in international markets, and in the increasingly important Chinese market, and to further capitalise on Ireland's reputation for green, efficient, high quality dairy production," he said.

"The abolition of dairy quotas this time next year will be an historic moment for the Irish agriculture and will mean that the Irish dairy sector can start to fully realise its potential in key markets such as China."
Some New Zealand infant formula manufacturers and brand-owners could be temporarily blocked from exporting to China if they are unable to meet the requirements of a new register by May 1.

In a statement issued earlier today, Primary Industry Minister Nathan Guy and Food Safety Minister Nikki Haye said that a Chinese audit of 13 New Zealand infant formula manufacturers in March found that "all but one...have some actions they need to undertake before registration will be complete."

The new Chinese regulations, which apply to all countries, will come into effect from May 1 2014. Any infant formula manufacturer or brand-owner in New Zealand hoping to export to China must feature on the aforementioned register by May 1 2014.

Despite the evaluation, Guy expects that “based on advice from Chinese officials” it expects “most if not all of our 13 manufacturers to achieve registration.” “MPI has provided details of those changes to the manufacturers this morning and in some cases changes have already been made. MPI will be working closely with the Chinese to help complete the registration process for manufacturers as quick as possible,” said Guy.

**Brand-manufacturer "association"**

Exports of retail-ready New Zealand infant formula to China are currently worth around NZ$200m (US$172m, €124m), according to the Ministry for Primary Industries (MPI).

Manufacturers, who are working through this registration process, currently control around 90% of these exports.

For the remaining 10%, who contract out the manufacture of the products they export, the changes required will be more complex, Kaye claimed.

"Chinese officials have made it clear that they will require a close association between the brand owner and the manufacturer," she said.

"Yesterday they formally advised that in practice that means the brand owner having clear control over the manufacturing process and the product formulation for their brand," she said.

"This will impact on those brand-owners who are unable to prove that close association."

The MPI plans to work with these brand-owners to bring them in line with the new regulations, Kaye added.

**US register**

In January 2014, the US Dairy Export Council (US-DEC) denied that a similar Food and Drug Administration (FDA) procedure requiring manufacturers to register their interest in exporting to China would be "burdensome or disrupt trade."

The FDA list was devised in response to the issuance of Decree 145, otherwise known as Administrative Measures for Registration of Overseas Manufacturers, by the State General Administration of the People’s Republic of China for Quality Supervision and Inspection and Quarantine (AQSIQ).

The FDA said at the time that establishing the list would help processors comply with new Chinese government regulations.

US dairy processors also have until May 1 2014 to register.
Australian dairy Norco Cooperative has secured a deal with Chinese authorities that allows it to fast-track quarantine clearance for its fresh milk exports - slashing the time it takes to reach consumers in China to just seven days.

New South Wales-based Norco, supply chain representative Dairy Connect NSW, and export consultancy Peloris Global Sourcing (PGS) announced earlier this week that a trial shipment of around 1,000 litres of Norco fresh milk to China last month had been "successfully completed."

The trial run saw Norco fresh milk reach Chinese consumers within seven days of leaving Australian dairy farms.

This was made possible by PGS who, in collaboration with Dairy Connect NSW and Norco, was able to secure an "unprecedented" quarantine clearance agreement with Chinese authorities "to bring the delivery time well within the shelf life of fresh Australian pasteurised milk."

"Opens the door"
Until now, drawn-out testing and quarantine processes, before shipment from Australia and on arrival in China, had resulted in a typically export lead time for fresh milk of between 14 and 21 days.

This “did not fit within the normal shelf life for fresh Australian pasteurised milk,” said the companies.

"This opens the door for Norco to access the burgeoning demand from Chinese consumers for Australian fresh milk products," said Norco chairman, Greg McNamara.

McNamara added that this pipeline has the capacity to deliver more than 20m litres of fresh milk, at according to reports between AU$7 (US$6.50, €4.70) and AU$9 (US$8.30, €6) per litre, to Chinese consumers within the first 12 months of operations.

Norco plans to begin commercial shipments of fresh milk products in the coming weeks.

Quality assurance protocols
The agreed quarantine process was secured after 12 months of collaboration between PGS and Chinese officials to develop "rigorous quality assurance protocols that have now been fully tested and officially sanctioned by the relevant Chinese agencies."

"The cold chain pipeline solution incorporates stringent quality assurance controls that ensure the fresh milk meets or exceeds China’s food health and safety standards, that the product is maintained at the optimal temperature at all times during transit, and incorporates an innovative product security system that identifies and tracks the location of individual units,” said Peter Verry, managing director of PGS.
FOOD

CHINESE BILLIONAIRES SEE FOOD AS NEW FRONTIER


Wealthy Chinese who made money in technology or real estate are turning to food as their new frontier.

They are following in the footsteps of the rich and famous in the West, such as Britain’s Prince Charles, who launched one of the world’s first premium organic food brands, Duchy Originals, 24 years ago, and supermarket chains like Whole Foods Market Inc. WFM -4.08% that cater to people concerned about healthy eating and food safety. In China, the opportunity is even bigger. The potential for modern farming and the pricing power of quality food have attracted entrepreneurs and investors.

Chinese people have become increasingly willing to pay more for higher-quality food after a string of food-safety scandals. Recent incidents include farmers dumping 15,000 dead pigs in a Shanghai river and cases of rat and fox meat being sold as lamb. In response, healthy-food restaurants and organic produce markets have sprung up in China, and it has become fashionable for Chinese people to visit farms on the weekends or grow their own vegetables.

Since trusted brands are lacking, celebrity endorsements can be very valuable. Real-estate tycoon Pan Shiyi, co-founder of Soho China Ltd. 0410.HK -0.61% , has his own Pan-brand apples, which are grown in his hometown in Gansu province. His efforts to promote his apples on social media appear to be working. They sell for $5 per kilogram, six times the average apple price, and do well on online
retail outlets including Taobao. This week, Mr. Pan has been touting his apples as the fruit of the Boao forum, an annual gathering of business and political leaders known as China's Davos.

Many businessmen, including Mr. Pan, say they are seeking more than profits from food. When Ding Lei, founder of Chinese Internet portal NetEase Inc. NTES +0.54% started to raise pigs in 2009, he said his main aims were to raise awareness about food safety and protect farmers' interests. But his pigs also turned out to be a useful marketing tool. Last week, Mr. Ding distributed pork products to four players of NetEase's Internet game "Fantasy Westward Journey," which created a lot of media buzz because it marked the debut of his much-hyped NetEase pork.

Other successful business leaders have helped popularize the safe-food drive. Vivian Wang, a former banker at Credit Suisse Group AG, opened Inno Café, which specializes in natural foods, last year in a Shanghai high-tech zone. She plans to grow parsley and sage on the walls of the restaurant to promote sustainable food production.

China's Lohas movement, which promotes a lifestyle of health and sustainability, is still in its early stages and some wealthy people initially join in because it is a little like a status symbol. But many stick with it. There are lots of rich Chinese who grew up in the countryside, or spent time there during the Cultural Revolution. For them, getting into food is going back to their roots, and sharing that with their children. Nowadays, many Chinese children grow up in concrete jungles with minimum knowledge of farming.

China's safe-food movement is also a big opportunity for investors focused on higher-quality food. Singaporean state-investment company Temasek Holdings Pte. Ltd. is raising pigs in China's Northern province of Jilin. After KKR KKR -3.61% & Co. and China's CDH Investments sold down their stakes in China Modern Dairy Holdings Ltd. 1117.HK -1.66% at a profit a year ago, the three parties said in September they will form a new joint venture to build two large-scale dairy farms in China.

China's changing agricultural industry offers shrewd investors an opportunity to make a difference. China's average value added per worker, a measure of agricultural productivity, is one of the lowest in the world, according to the World Bank, while the country boasts the world's biggest rural population of 651 million people.

Possibly the biggest bet on agriculture by nonfood producers is coming from the company that controls PC maker Lenovo Group Ltd. 0992.HK +1.17% , one of China's most successful tech firms. Lenovo parent Legend Holdings Corp. has poured one billion yuan ($161 million) into fruits such as blueberries and kiwis, and invested three billion yuan in a state-owned tea producer in March.

Legend founder Liu Chuanzhi, who used his name in branding the company's "Liu Kiwi," said recently that he isn't doing this as a charity, but sees it as a powerful engine for the company's future growth. Mr. Liu said China's technology gap with the West is bigger in agriculture than in manufacturing, so as a technology company, Legend has a role to play.
China will soon be able to buy organic British meat following the announcement of a new export partnership. Organic Food Development Centre (OFDC) in partnership with the Britain’s Soil Association Certification (SAC) will boost British organic meat exports.

The Chinese organic market has grown substantially over the past few years and is predicted to be worth an estimated US$7.8bn by 2015, according to Bio-Fach China.

The Chinese meat industry has suffered from several food fraud scandals, which have already been proven to boost sales of organic products in other parts of the world as consumers seek out more reliable, higher-quality produce.

Other European countries are also seeking to take advantage of the Chinese potential; in January GlobalMeatNews reported that Danish organic meat specialist Friland had plans to enter the Chinese market, estimating that it could represent 15% of their total production of organic pork within 5 years.

Xingji Xiao, director of OFDC in Beijing said: "We think the partnership is good and very important for our collaboration and can help us promote our mutual organic programme."

The SAC has set up an export support programme to help British farmers export their meat all over the world by working with international governments, trade associations, export agencies and certification bodies. The formation of this partnership was supported by the Regional City Engagement team at the British Embassy in Beijing, and the Department for the Environment, Food and Rural Affairs (Defra) in the UK.

Emma Yeats, senior certification officer, SAC said: "This new partnership comes at a time where there is positive growth in both the UK and Chinese organic markets and exports of UK organic produce to China can really flourish. Working with OFDC will make the process of certification for our UK licensees wanting to export to China both efficient and cost-effective."
FUR

FUR TRADE BOOMS, FUELLED BY CHINA ± BUT BUBBLE MAY BE ABOUT TO BURST


Space is so short in the immense warehouses where Kopenhagen Fur, the world's largest fur auction house, runs its business, that boxes of mink skins now fill up rooms designed for inspecting furs or sorting them into different grades and colours.

"This is the biggest auction we have ever had ever, so all of the skins normally put into boxes in the basement are piled up here instead," explains press officer Nina Brønden Jakobsen.

The sight of more than 10m mink skins crammed into a facility the size of 14 football pitches is hard to forget. The more recently arrived skins, each dried stiff and just under half a metre long, are layered in metal-grilled trolleys that tower over your head, creating a wall of tiny faces, each with a barcode stapled between the eyes. The smell, intense and musky, lingers long after you leave.

Twenty years after five models, including Naomi Campbell, told the world "I'd rather go naked than wear fur" for a Peta (People for the Ethical Treatment of Animals) campaign, the industry is in the final stages of an unprecedented boom. Last season was a record for the auction house, with 21m skins sold for a total $2.4bn (£1.4bn) by the time the final auction ended in September.

An advert in the Economist's 28 March edition by the International Fur Federation caused protests from anti-fur activists. But its strapline – "the simple fact is: the global fur trade is valued at more than $40bn" – underlined starkly just how little their campaigning has done to curb the industry since Peta's campaign was launched in 1994.

The main reason why it failed is clear to see in Copenhagen. Up the stairs from the inspection rooms,
in the auction house’s dining hall, sit hundreds of Chinese buyers, eating soy-soaked eggs, dim sum, pigs' ears and other oriental favourites. "We've had to divide the cafe into different regions of China, because they don't want to sit with each other," Brønden Jakobsen explains. "We have had to hire Chinese chefs to help us with things. They make thousands of dim sum and pigs' ears and all kinds of different specialities."

Chinese business people now represent more than half of the 600-plus buyers at the auction, some of them low-level operatives in brightly coloured track suits, others multimillionaires clad in pricey designer clothing.

According to Torben Nielsen, Kopenhagen Fur’s chief executive, the Chinese fur bubble has only this season started to burst.

"In a way it was a surprise that we didn't have the big drop last year, because to me it was obvious that the whole fur market was in the middle of a bubble, and that the bubble would either increase or explode," he says.

He ticks off a long list of new shopping centres that have opened in China over the past couple of years, all selling fur, ending with Harbin, a city on the Russian border, which opened three centres this year alone, adding 1,200 shops. "If every shop needs to sell 600 coats a year, and each coat needs 35 mink skins, that's something like 50% of the total Danish production right there," he says.

Mink skins reached a record average price of $102 (£61), or $3,500 for a fur coat in September. Since then, they have plummeted to $54 as it has dawned on the Chinese buyers that they will struggle to sell on their vast storehouses full of stock.

Yang Zhenyuan, a young man whose family factory in north-east China takes in a staggering 200,000 skins a year, argues that many Chinese buyers will soon exit the market. "There are a lot of people who just entered this in the last year, and they bought the skins at quite high prices," he says. "They didn't know that the market price was going to keep going down like this, so they're already leaving the business."

For HW Kim, a buyer from South Korea inspecting a lot of brown velvet mink, this can only be a good thing. "The price is good, but the Korea market isn't so good," he says. "So we buy." He checks each skin by pulling it hard from each end with a snap, running his fingers over the fur, and then shaking it.

For now, though, Chinese buyers are still here, and Kopenhagen Fur, with its 60% global market share, continues to reap the benefits. Emile Connor, a London-based fur trader, thinks this is a shame. Only a few decades ago the fur market was centred on Garlick Hill, next to Mansion House tube station in London, the site of Beaver House, the headquarters of the Hudson's Bay Company. "Right up until
the 1970s, it was the biggest auction in the world," he says. "All of the benefit could have gone to the UK." But you don't have to spend long watching the quick-fire bidding in the auction room to see the important role the British still play.

"Most of the biggest brokers here are British, and most of them still keep their stock in the UK," says Connor, who bought the most expensive lot at the peak of the market in September. At peak the auctioneers were selling £3,000-worth of fur a second, their hammers clacking down to signify a sale almost continuously.

Frank Zilberkweit, a major British buyer who owns the British fur designer Hockley, is keen to stress how little long-term impact the UK and US anti-fur campaign has had internationally. "When the anti-fur campaign was at its peak, production fell to 22 million mink worldwide," he points out. "This year it's 80 million. You can talk to Peta, you can talk to these anti-fur campaigners, but the fact is that many of their models from the 1990s are now modelling fur."

Nielsen, Kopenhagen Fur's chief executive, agrees that Britain's anti-fur farming law and the UK "public morality" which deters most people from wearing fur is "not relevant at all" for the industry. Nonetheless, like every other spokesman for the trade, he launches almost automatically into an attack on the campaigners.

"In Great Britain you're quite uncritical and you swallow everything they come up with," he says. For him, being an anti-fur campaigner is one step from fascism. "If you want to treat animals like people, then you can go the other way and treat people like animals," he argues. "And that's what they did in Nazi Germany. The first animal rights law was passed through the German parliament in 1936."

One way Britain is relevant to the fur market, he concedes, is through its fashion industry. "If it's out of fashion in Europe, it will be out of fashion in China," he says. "The fashion is still created in Europe, and if you look at Europe there's a lot of fur around."

Fashion is one of the fur industry's greatest recent successes. The likes of Dolce & Gabbana, Alexander McQueen, Prada, Louis Vuitton, Fendi and Tom Ford are all including fur in their recent collections. Yang, with his black baseball jacket, designer glasses and silver fleur-de-lis earring, knows what is fashionable in Europe. But he argues that for now fur is a status symbol in China rather than a fashion item.

"Mink is a symbol of who you are, it's a symbol of status, and that's why a lot of middle-class people are buying fur. Everybody wants to look wealthy," he says. As for young, fashionable Chinese like himself, he personally can't see them embracing it. "The young people, they aren't our target group," he says. "The Chinese are more and more well-educated today, so the awareness of animal rights and human rights is getting bigger. The way they kill minks in China is very cruel. That's why a lot of the new generation don't wear fur."

"In Great Britain you're quite uncritical and you
For more information please contact:

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