FOOD
FISHERIES
AGRICULTURE

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

DANISH MINISTER FOR TRADE AND DEVELOPMENT COOPERATION MEETS PARTY SECRETARY IN CHONGQING SUN ZHENGCAI

China: News from the Food Team - Export Figures - Upcoming Events - News Flash
The Food Team
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DANISH MINISTER FOR TRADE AND DEVELOPMENT COOPERATION MEETS WITH PARTY SECRETARY OF CHONGQING

The Danish Trade and Development Cooperation, Mr. Mogens Jensen, met with Party Secretary Sun Zhengcai of Chongqing to discuss Danish companies’ presence in Chongqing, sustainable pig production and food safety.

On February 26th the Minister of Trade and Development Cooperation Mogens Jensen met with Party Secretary of Chongqing Sun Zhengcai to discuss Danish Commercial activities in Chongqing as well as further the support from the Chongqing Government to Danish companies. On the agricultural agenda were topics including sustainable pig production, food safety and biotech.

The relations between Denmark and China in the areas of trade, investment and development cooperation are long-standing and ever developing. The purpose of the Ministers 3 day trip to China was to promote this development and explore opportunities to further these relations.

The meeting was a mutual platform for discussion and furthering the close cooperation with Chongqing to promote the Danish knowledge and technology regarding sustainable and efficient pig production and food safety which has been high on the Chinese agenda for last couple of years.

The cooperation between Denmark and Chongqing would be beneficial for both parties. Chongqing can learn a lot from the Danish experiences as one of the leading countries within both food safety and pig production where priorities are put on maintaining a safe, efficient and environmental friendly production, consumer confidence and control systems.

It was an ideal opportunity for the Danish minister to talk about the issues concerning sustainable pig production, food safety and biotech due to the Party Secretary experience from his previous job as Minister of Agriculture (2006-2009). “Party Secre-
"He was very interested in how the Danes extract energy from biomass. In an area like Chongqing, where they have the biggest pig production in all of China the exploitation of waste products from the agriculture would be obvious.

Mandatory Sun Zhengcai has been dealing a lot with both energy and agriculture and he was quite occupied by smart Danish energy solutions. He was very interested in how the Danes extract energy from biomass. In an area like Chongqing, where they have the biggest pig production in all of China the exploitation of waste products from the agriculture would be obvious" Mogens Jensen told Børsen.

The total trade value between Denmark and China is over 110 billion RMB, corresponding to 98,80 billion DKK including goods and services, which makes China Denmark’s 6th largest trading partner in the world and the second largest trading partner outside of the EU. In the past 5 years, bilateral trade doubled its value and the annual growth rate of exporting from Denmark to China was ranging within 11% and 17% from 2009-2013. Today around 500 Danish Companies are present in China.

Sun Zhengcai

2012 - now Party Secretary of Chongqing
2009 - 2012 Party secretary, Jilin Province
2006 - 2009 Minister, Ministry of Agriculture
2002 - 2006 Municipal Committees, Secretary General, Beijing
1997 - 2002 County secretary, Shunyi District, Beijing
1987 - 1997 Deputy Director, Beijing Academy of Agriculture and Forestry
1984 - 1987 Beijing Agricultural University, Master Degree
DANISH MINISTER FOR TRADE AND DEVELOPMENT COOPERATION VISITS CARLSBERG BREWERY IN CHONGQING

On 26 February 2014 the Danish Minister for Trade and Development Cooperation Mr. Mogens Jensen visited Carlsberg’s brewery in Chongqing.

During his first major foreign visit as newly appointed Danish Minister for Trade and Development Cooperation, Mr. Mogens Jensen, brought focus to the great business opportunities that exists for Danish companies in Western China.

The Minister visited Carlsberg’s local brewery in Chongqing where he had the possibility of discussing the further Danish business development. He was given a tour of the modern brewery and tasted the local beer brands, such as Shancheng, that Carlsberg continues to produce with success. Currently Carlsberg holds a local market share of impressive 85% in Chongqing, which is one of China’s most important industrial cities and has an estimated metropolitan population of 35 million people.

The relations between Denmark and China in the areas of trade, investment and development cooperation are long-standing and ever developing. Particularly, as minister for trade, Mogens Jensen used his visit to create attention on the good business opportunities in Western China and stated: “Thanks to striking local growth and the country’s “Go West” strategy, there exist good and relatively untapped opportunities for Danish companies.”

China’s “Go West” policy
During the last decade China has implemented its plan to develop the western part of the country. The western region contains 71% of mainland China’s area, but only 29% of its population. For that reason the focus for many years has been on the urbanised and very populated areas in Eastern China.

As a consequence, the “Go West” policy was designed to increase the economic situation of the western provinces through capital investment and development of natural resources. Up until 2006 alone a total of 1.000 billion yuan (879 billion DKK) was allocated for building infrastructure in Western China.

Today, many major international companies have factories or branches in the region, including many large Danish companies, such as Carlsberg, COWI, Grundfos, Danfoss and Novozymes. The Minister emphasized during his visit that he encourages more Danish companies to seek the opportunities in China and especially in the Western region.

The Chinese beer market
China is the world’s largest beer market in the world with more than 500 breweries. In 2013 the value of the Chinese beer market was estimated to be worth more than 451 billion yuan (405 billion DKK), which is almost double the value of the beer market in the USA.

Though, the Chinese market is not an easy market to operate in as all major international brands are now present. The market is dominated by inexpensive local brands, which make up 85% of total sales. In Beijing for example a 33cl Tsingtao beer can be purchased for as little as 2 yuan (1,80 DKK).
While all Carlsberg’s core brands are premium beers, this is indeed a challenge in the present market, but things are about to change. The current market share for premium beers is expected to increase dramatically from 5% today to more than 25% of the total sales within the next five to ten years. This is mainly due to the increasing living standards in China, the rapid urbanization and the focus on quality food and beverages.

**Carlsberg expansion in Western China**

Consequently since 2000, the Danish brewery group Carlsberg has accelerated its acquisition of shareholdings in Chinese breweries, concentrating on Western China. This was strategically aligned with the Chinese Government’s “Go West” policy.

For Carlsberg, the strategy is not taking over the market or brand replacement. Rather, through the acquisitions Carlsberg is trying to raise Chinese beer brewing standards in order to provide better beer for more people, and carry out its commitment of growing together with local community, partners, suppliers, and employees.

While keeping the local brands in the West, Carlsberg is assisting the acquired breweries to reconstruct and upgrade their facilities, as well as introducing advanced technology, brewing methods, and management approaches. As the result of these efforts, Carlsberg has become the leading brewery group in West China.

In 2007, a minority share of the brewery that the Minister visited was obtained by Carlsberg as part of its acquisition of Scottish & Newcastle. Steadily Carlsberg has increased its ownership in Chongqing Brewery Co. Ltd. and recently in December 2013, Carlsberg became the majority shareholder with 60% through a stock purchase worth 2.9 billion yuan (2.6 billion DKK).

Chongqing Brewery Co. Ltd has 23 breweries and together with other local acquisitions Carlsberg now employs more than 6,600 people in China.

The Trade Council China is working closely together with Carlsberg in China. Danish companies, which are interested in expanding in Western China, are welcome to contact the Food Team and learn more about the opportunities in detail.
MOU SIGNED ON ECONOMIC AND TECHNICAL COOPERATION ON PIG PRODUCTION

On 27 February 2014 a Memorandum of Understanding was signed on Economic and Technical Cooperation on Pig Production between Rongchang People’s Government and the Royal Danish Embassy.

The Rongchang People’s Government and the Royal Danish Embassy signed a Memorandum of Understanding in Chongqing the 27th of February regarding Economic and Technical Cooperation on Pig Production. The MoU was signed at the Royal Danish Consulate General in Chongqing.

The intention of the MoU is to enhance cooperation between Rongchang and Denmark within areas such as pig breeding, farm management, slurry management, meat processing, education and training, animal welfare and food safety.

The signing shows the Danish support of China’s “Go-West“-policy. With the signing of the MoU both sides hope to be able to increase the Sino-Danish cooperation within pig production. Pig production is an area where Danish companies have been leading for many years. It is the hope that Danish companies can introduce their knowhow and expertise to their Chinese partners in Rongchang.

Rongchang brands itself as the Animal Husbandry Science and Technology City of China. The Rongchang Pig species is one of the world’s major eight pig breeds and one of China’s three biggest pig species. Rongchang is quickly becoming one of China’s largest cultivation and export bases of piglets. The area annually produces 135,000 sow herds, 908,600 slaughtered pigs and 2 million piglets.
CHINESE ORGANIC DELEGATION'S VISIT TO DENMARK IN FEBRUARY

From 17 to 19 February, a Chinese delegation made up of organic professionals paid a three-day visit to Denmark, meeting with the Danish Ministry of Food, Agriculture and Fisheries and getting a close contact with nine Danish companies in the organic production field.

The Trade Council China had coordinated the program, which started with presentations on inspection and policy of the organic sector in Denmark by Danish officials. After this short introductions were made by several Danish quality organic companies including Skærtoft Mølle, Lovemade and Thise Dairy at the premise of the Danish Ministry of Food, Agriculture and Fisheries.

In addition, the Chinese delegation was invited to six on-site visits to organic companies and food service providers including Meyers Deli, Arla, Friland, Knuthenlund, Nørrebro Bryghus, and Grøn Fokus (Green Focus). The delegation was first guided to Arla’s headquarter and then transported to Arla’s dairy farm in Kirke Hyllinge.

It was impressive for the Chinese delegation to see Arla practicing all the way its concept of "Closer to Nature" with a full range of organic dairy products such as milk and cream, yoghurt, cheese, butter and spreads, cooking, nutritions, and other beverages.

The next day, the delegation went to three more places, focusing on organic products in different aspects including organic meat, dairy, and beer. Friland, the biggest wholesaler in Europe of organic meat, has already been approved to sell organic pork to China since January 2014, expanding its
export market once more from European countries, Australia, and Japan to China.

At Knuthenlund Estate, the delegation experienced the concept “from soil-to-table” vividly, smelling the wild herbs, patting the animals and being part of the process from field to stable via milking to the hand-made and price-winning organic cheeses.

Before dining at Nørrebro Bryghus restaurant in Copenhagen, the Chinese organic delegation visited its organic brewery. Nørrebro Bryghus is a known brand among Danish speciality beer producing both bottled beer and drought beer covering lager, ale, bocks, wheat beer both dark and light etc.

On the last day before departure, the delegation lost no time in visiting Grøn Fokus (Green Focus), a wholesale company providing locally produced organic and biodynamic food products of high quality to public kitchens and canteens. Additionally the company is also able to provide a consultant who can help the kitchen or canteen in their efforts to convert to organic food preparation.

The feedback and response the Trade Council received from the Chinese delegation has been very positive. The Chinese organic delegation views the three-day visit to Denmark as highly inspiring. In the future, such exchange visits between Denmark and China are surely to continue, developing opportunities for both sides.
Danske eksportvirksomheder med et globalt vækstpotentiale kan med Vitus-programmet blive hjulpet ud på nye eksportmarkeder.

Programmet er opkaldt efter den store danske opdagelsesrejsende Vitus Bering – og har lige så store ambitioner om at kortlægge og erobre nye markeder.

Kernen i Vitus er solid forberedelse og benhård eksekvering i et intensivt parløb mellem virksomheden og en af Eksportrådets erfane rådgivere. Målet er en ny eksportsucces på de 12 mdr. som programmet varer!

Eksportrådet uddyber Vitus-programmet til danske eksportvirksomheder, som ønsker at sætte kurs mod nye markeder eller ønsker at opnå et endnu bedre fodfæste på det eksisterende marked. Det er en forudsætning, at din virksomhed har et produkt med et klart afsætningspotentiale på eksportmarkedene, samt at din virksomhed har vilje, finansiering og kompetencer til at kunne ekspandere globalt.

Vitus kort fortalt
I 2014 gennemføres Vitus i to hold à 10 særligt udvalgte virksomheder. Hvert forløb er opdelt i to moduler: hhv. 3-4 mdr. strategiudvikling og 8-9 mdr. eksekvering.

Under første modul indstationeres rådgiveren hos virksomheden, for at opnå et indgående kendskab til produkter og organisation. Virksomhed og rådgiver deltager i to workshops for at udarbejde en Go-To-Market plan. I mellem de to workshops gennemfører virksomheden en fact finding tur, og får dermed vigtig viden om markedet. De to workshops ledes af internationalt anerkendte undervisere i salgs- og strategiudvikling samt specialister inden for kulturforståelse mv. Endelig får virksomheden mulighed for at teste Go-To-Market planen på et ekspertpanel bestående af erfane virksomhedsledere.

Under andet modul eksekveres Go-To-Market planen i tæt samarbejde med rådgiveren. Fokus er på konkrete salgsaktiviteter som led i jagten på den første eksportordre. I alt tilbydes 265 rådgivningstimer under programmet.

Udbytte af Vitus-programmet
• Opnåelse af eksportordre inden for 12 mdr.
• En eksportstrategi for et marked valgt af jeres virksomhed
• Værdifuld sparring med erfarne rådgivere
• Kompetenceløft i virksomheden

Hvad koster det at deltage?

Hvem kan søge?
For at blive godkendt til Vitus skal virksomheden have
• mellem 5 - 100 ansatte
• under 150 mio. kr. i årlig omsætning

Udvælgelse til at deltage i Vitus
Blandt de virksomheder, der søger om at deltage i Vitusprogrammet, vil op til 15 virksomheder få mulighed for at præsentere deres business case for et uvildigt panel. På baggrund af præsentationen og virksomhedens potentielle på eksportmarkedet vil panelet udvælge ti virksomheder, der vil deltage i programmet.

Hvordan søger man?
Find ansøgningsskema på vitus.um.dk eller kontakt Eksportrådet på tlf.: 33 92 05 00 eller på mail til vitus@um.dk
Danske små og mellemstore virksomheder med internationalt potentiale kan få tilskud til rådgivning og assistance på eksportmarkederne fra Eksportrådets repræsentationer i udlandet.

Eksportrådet er den del af Udenrigsministeriet, som løser opgaver for private virksomheder inden for eksport, internationalisering og investeringsfremme.

Eksportrådet er til stede på ca. 60 markeder i verden.

Eksportstartprogrammet

Med eksportstartprogrammet kan danske små og mellemstore virksomheder få tilskud til rådgivning fra Eksportrådets rådgivere på eksportmarkederne.

Rådgivningen er fleksibel og skræddersyd efter den enkelte virksomhed’s behov.

Eksportstartprogrammet kan eksempelvis omfatte:

• Markeds- og konkurrentanalyser
• Distributor- og partnersøgning
• Rådgivning om virksomhedsetablering og markedsbearbejdning
• Information om lokale markedssforhold og lovgivning
• Markedsføring og myndighedskontakt

Kriterier for at opnå støtte

For at blive godkendt til Eksportstart skalvirksomheden have:

• under 100 ansatte
• under 150 mio. kr. i årlig omsetning.

Ansøgning

Ansøgningsskemaet til Eksportstartprogrammet finder du på Virk.dk. Skemaet underskrives med NemID medarbejdersignatur.

Kontakt Eksportrådet

Har du spørgsmål til Eksportstart, kan du kontakte Eksportrådet på 33 92 05 00 eller på mail til eksportraadet@um.dk

Opgaven løses af Eksportrådets repræsentationer på markedet.

Eksportstart

En opgave med Eksportstartsstøtte er på 50 til 100 timer, som virksomheden aftaler med eksportrådgiveren på markedet. Opgavens indhold bekræftes med et skriftligt tilbud, som virksomheden underskriver. Der ydes 35 pct. tilskud til den ordinære timepris på de aftalte timer på alle markeder (Timepris i 2014 er DKK 935). En opgave løst med Eksportstartsstøtte vil koste virksomheden fra DKK 30.387,50 - 60.775 afhængig af aftalens timeantal.

En virksomhed kan blive godkendt til én opgave med Eksportstartsstøtte pr. marked og på max. tre markeder.
DANISH AGRICULTURE AND
FOOD EXPORT TO CHINA

The Danish export of food and agriculture to China reached 17.16 billion DKK in the one year period from December 2012 to November 2013. In comparison with the same period last year, the total export this year has seen an impressive increase of 28%. All areas have increased but especially two areas have experienced a spectacular increase: grains and feed are up 82% compared to the previous year and live animals with more than 400%.

The total Danish export of goods from December 2012 to November 2013 reached 31.74 billion DKK, which is a growth of 13.3% compared to the previous year. The agricultural and food export accounted for 54.06% of the total export from Denmark to China and (December 2012 to November 2013).

A closer look at the numbers

By far, the largest export within food and agriculture is fur and skin, which take up 72% (73% in the previous year) of the total export. Meat products, which have steadily increased during the last years continue to grow and are up 8% compared to the previous year. Its impact on the total export decreased slightly to 12% from previous 14%.

Live animals still counts 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.

Agricultural machinery (1%), dairy and eggs (1%) and aquatic products (6%) remain unchanged compared to the previous year.

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<tr>
<td>Fur and skin</td>
<td>12.414,720</td>
<td>9.750,226</td>
<td>27%</td>
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<tr>
<td>Meat products</td>
<td>2.074,244</td>
<td>1.921,332</td>
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<td>Aquatic products</td>
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<td>Grains and feed</td>
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<td>Dairy and eggs</td>
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<td>Agricultural machinery</td>
<td>91,958</td>
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<tr>
<td>Live animals</td>
<td>39,926</td>
<td>7,956</td>
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<tr>
<td>Misc.</td>
<td>634,191</td>
<td>328,977</td>
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<td><strong>17.160,946</strong></td>
<td><strong>13.413,628</strong></td>
<td><strong>28%</strong></td>
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</tbody>
</table>
CHINESE FOOD INFLATION

The declining development in the consumer price index, which we have seen since October 2013, is slowly stabilising while the food price index is still decreasing though not as rapidly as previous months. The consumer price index reached 2,5% in January 2014, which is equal to the value of December 2013. The food price index reached 3,7% in January compared to 4,1% in December.

Compared to the previous year the consumer price index is at the relatively same level: 2,5% in January 2014 compared to 2% in January 2013. The food price index has been in a challenging year with high peaks in February 2013 and October 2013.

Consumer Price Index (CPI) & Food Price Index development

Last 3 months average
During the last three months beef, mutton and fruits have increased year on year with respectively 14,2%, 11,3% and 16,4%. Besides grease and eggs, all areas have seen a 3 months average growth in a more moderate pace. Pork decreased in January 2014 with 4,3% whereas the 3 months average ended at a slight increase of 0,8%. Vegetables and fruits have during the last three months seen a massive increase. Milk and dairy product increased with 11,9% in January 2014 alone, increasing the 3 months average to 10,4%.

China food inflation - 3 months average
From November 2013 to January 2014 by category. Values in Y/Y (%). (Source: China National Bureau of Statistics)
DENMARK DAY AND PAVILION AT CAHE IN QINGDAO 18-20 MAY

On 18 May China’s largest exhibition for livestock production will open. On the opening day, the Danish pavilion begins with a Denmark Day with focus on Danish knowledge and technology for environmental solutions, stable facilities, feed and breeding stock.

Half of the world’s pig are slaughtered – and consumed – in China. The demand is increasing rapidly but the production lags behind. Productivity is low and the explosive development in animal production requires a focused environmental actions. This Danish technology and know-how can help solve.

The Chinese growth results in more people eating pork meat – a demand, which is hard to accommodate solely by domestic production. Thus there exists a strong need for new technology in all areas of pig production. At the same time the Chinese Government has a strong desire to intensify the overall livestock production.

The Trade Council in China has special focus on promoting awareness of Danish manufactures of environmental solutions, stable facilities, feed and breeding stock. From 18-20 May several Danish companies are gathered at a Danish pavilion at the annual China Animal Husbandry Expo.

At the opening day a designated area named Denmark Day will focus on Danish knowledge and technology for sustainable, efficient pig production and Danish food safety. Danish companies will have the opportunity to demonstrate their knowledge and products in the field. In addition information on the Danish animal health, disease control and handling of animal welfare will be available to guests.

China Animal Husbandry Expo, Qingdao
18-20 May 2014

CAHE has been organised by China Animal Agriculture Association (CAA) since 2003. It takes place once a year and has become the largest industry show in Asia.

Exhibitors profile are livestock, animal health products, feed and feed Additives, animal husbandry machinery and animal breeding technology. 4,500 booths, 1,800 exhibitors and 120,000 professional visitors.

More information
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JOIN THE DANISH PAVILION AT BIOFACH EXHIBITION IN SHANGHAI 22-24 MAY

Arla is selling organic milk in China, Thise is on its way, Friland has recently been approved to sell organic pork meat and Knuthenlund’s goat cheese is already distributed in a network of over 200,000 households in Beijing.

In 2020, the Chinese Ministry of Agriculture predicts that China will be the world’s largest consumer of organic products.

The demand for organic food is steadily increasing as the Chinese consumers become more focused of quality, health and safety, and in line with the growing size of the Chinese middle class.

In addition, Chinese consumers are more confident with foreign products as they perceive these as more safe and of a higher quality than the domestic Chinese alternatives. At the same time Chinese consumers pay two to four times more for organic products. This means that the relatively expensive Danish products can be sold in China with a profit.

The market is still difficult to access as Danish organic products must be certified according to Chinese rules in order to be sold as organic in China. However the Trade Council is working towards assisting Danish organic products achieving the ideal spots on the Chinese market as well as to open the doors to Danish niche products.

On this year’s BioFach exhibition in Shanghai from 22-24 May, the Trade Council will participate in the opening of the exhibition as an organic pioneer country. Denmark will also have a pavilion at the exhibition where 20,000 ecological business guests are expected to visit.
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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China has given up one of its most sacred tenets and effectively abandoned its policy of being self-sufficient in grain as its population outpaces the ability to grow its own food.

Beijing has increasingly imported grains and food but has maintained an ideological emphasis on producing as much domestically as possible. For the first time however it has now set a grains output target well below domestic consumption rates, implying a move away from that ideological commitment to producing all the grains it needs – which has been central to Communist party thinking for decades.

The new policy stance, included in guidelines issued by the state council, or cabinet, this week, instead placed a greater emphasis on the quality, rather than just the quantity, of what is produced.

The guidelines call for grain production to “stabilise” at roughly 550m tonnes by 2020, below the 2013 harvest of 602m tonnes. “While putting emphasis on food quantity, pay more attention to food safety and quality,” the document said, in a shift in tone and emphasis.

A more liberal grains import policy was floated as a reform that might be adopted by President Xi Jinping, even before he became head of the Communist party in 2012.

Under the new rules the country will prioritise the supply and quality of meat, vegetables and fruits, all of which require less land than bulk grains and create more agricultural jobs. That in turn should lead to increased imports from countries with sufficient space to grow grain – including the US, Australia, Canada and Ukraine, a recently favoured destination for Chinese agricultural investment.

China has long held to the principle of grains self-sufficiency – a term included in the latest blueprint – but the meaning of that tenet has already shifted considerably.

Soyabeans, which the country imports in bulk, have not been included in self-sufficiency calculations for some time, and agricultural policy debates for several years have revolved around the question of whether “80 per cent self-sufficient” is as good as “95 per cent self-sufficient”. China became a net food importer in 2004.

“It is clear that the policy has shifted towards food grains such as rice and wheat rather than feed grains. There’s a clear problem maintaining volumes of feed grains, such as corn or soybeans,” said Wang Jimin, of the Rural Economic and Development Institute at the Chinese Academy of Agricultural Sciences.

Supplying grain has been a priority for the Communist party, which built its power base in a Chinese countryside wracked by famine in the 1930s and 1940s.

Ironically, the emphasis on grain production in the first three decades of Communist rule often resulted in food shortages – for instance, grain production quotas resulted in low-yield rice being planted in unsuitable fields; lowland crops replaced highland barley, the staple of the Tibetan plateau; and production of vegetables, cooking oil and other necessary food got short shrift.

An estimated 30m people starved to death during the height of collectivisation in the late 1950s, when...
local communes exaggerated grain yields to meet Mao Zedong’s inflated targets.

Restoring planting decisions to family farmers and market reforms beginning in 1978 have improved supply of all foods, including fruits, vegetables and meat, across China.

Average food consumption has risen in a generation from levels barely sufficient for human survival to levels that rival the developed world in urban areas, although meat is still a treat for the rural poor. “Now the cities are full of little fatties, but in the countryside there are children who are malnourished,” said Mr Wang.

Even in recent years, government policy continued to support grains production, especially at giant state farms, in spite of warnings from reformists that land would be better used for less thirsty crops.

But rising Chinese meat consumption changed the equation, due to the amount of grains needed to feed livestock. The shift in emphasis away from domestic production will particularly benefit poultry producers in the coast and south, who have long lobbied for more liberal corn import policies.

VICE PREMIER URGES REFORMS IN PROGRESSING MODERN AGRICULTURE

Source: Xinhua, 26-01-2014

Chinese Vice Premier Wang Yang on Sunday urged authorities in northeast China’s Heilongjiang Province to steadily construct an environment fit for modern agriculture.

Efforts should be coordinated and targeted at areas including standardization in allocating agriculture-related funds, development of big-scale farming, mechanism improvement for the pricing of farm produce, as well as innovations to agricultural businesses, he said.

Meanwhile, breakthroughs must be made in rural finance and agricultural insurance, Wang said during his inspection tour Friday to Sunday to the province.

During his stay, the vice premier also urged local logistics companies to step up work in ensuring market supplies of fresh vegetables and other farm produce in the province ahead of the Spring Festival, which falls on Jan. 31.

Northeast China’s Heilongjiang produces the most grain of any province, with its annual yield accounting for almost 10 percent of the national total.
AGRICULTURAL REFORMS

RABOBANK: CHINA TO ENTER SECOND AGRI BOOM ON BACK OF NEW GOV POLICIES

Source: Foodnavigator Asia, 12-02-2014

While agriculture in China has grown quickly over the last 35 years, a new report suggests the flurry of government policies since new government leadership assumed office in 2012 will prompt the industry to boom even faster in the coming decade.

Rabobank’s report, which focuses on new Chinese agricultural policy, suggests that legislative changes to address a balancing of pace between urban and rural development will have widespread impacts on the industry.

**Leading by technology and land use**
Among these will feature a greater adoption of mechanisation and new technology in the agricultural system, and a transfer of land-use rights to create economies of scale.

"Agriculture has been the backbone of the Chinese economy for thousands of years," said Rabobank analyst Chenjun Pan. "The pressures associated with feeding a population of 1.3bn has meant that the domestic agricultural industry is strategically important to national food security. The decisive and supportive role of the government in agricultural development in China has facilitated new growth in food demand, and farmers’ incomes are expected to grow faster than ever before."

In China, government policy has traditionally had a strong impact on industry development. For instance, policy-backed growth in the industrial sector from the late 1970s diverted many resources away from agriculture, and so widened the economic gap between urban and rural areas. In order to address this disparity, the government’s 2014 No. 1 Central Document directive emphasises agricultural development as a key priority.

It advocates cooperation between the industrial and the agricultural sector so that industry promotes agriculture, urban areas support rural development, industry and agriculture reinforce each other, and urban and rural development is integrated.

**Rising agricultural subsidies**
Personal incomes in urban China are three times as high as in rural areas and narrowing this gap has become top priority particularly as wealth disparities affect consumption patterns.

In response, according to Rabobank, the government plans to increase agricultural subsidies, thereby boosting farmers’ disposable incomes and subsequently demand for protein-based products in rural areas.

From a land perspective, China’s current agricultural system is based on small-scale production. This fragmented and uncoordinated supply chain cannot meet urban requirements for food safety and quality, yet small farmers are responsible for the majority of agri output. This has driven the establishment of large commercial farms where both standardised operation and government monitoring is easier.

Rabobank expects these farms to continue growing rapidly. Increasing the average scale of household farms to a level at which modern agricultural practices can be adopted will therefore be the key. Thanks to the government’s framework for the regulation of land-use rights transfer, areas of land can now be planted collectively, making mechanisation more widespread and improving efficiency and productivity.

New types of farming organisations, such as cooperatives, family farms and specialised large farms, have emerged since land-use rights transfer has become possible, says Rabobank. The coexistence of these new types of farms has quickly become a new, important source of agricultural production.
CHINA TO FINANCE NEW FARMING PRACTICES

Source: Xinhua, 21-02-2014

China will offer customized financial services to new farming practices to push agricultural modernization, China’s central bank said on Friday.

Financial institutions should give more credit support to innovative farming entities such as family farms and agricultural cooperatives by adjusting loan rates, maturity length and collateral, according to a statement released by the People’s Bank of China.

The move is designed to promote moderate-scale farming operations and modern agriculture by easing financing difficulty for farmers.

Loans’ maturity length can be extended up to 10 years if farmers plant fruits, trees and other crops with long growth circles, the statement said.

Diversified and innovative financing choices will be offered to meet different farming business needs, with support focusing on production materials and machinery purchase, land contracts and other infrastructure development.

Qualified family farms may enjoy specially designed approaches in the inter-bank market to sell bonds to investors publicly or privately, the statement added.

Last December’s central agricultural work conference and the No. 1 central document on agricultural development issued in early January both highlighted the promotion of new farming business models and the need to encourage diversified agriculture practices.
BIGGER FARMS REAP BIGGER FORTUNES 
UPON RURAL LAND REFORM

Source: Xinhua, 04-02-2014

As the owner of one of the largest family farms in Xuancheng City, Anhui Province, Zan Xiaoma has been both elated and deflated by his farmland.

Through planting rice on some 2,000 mu (133 hectares) he rents from those who abandoned farming to seek fortunes in the cities, Zan pockets over 1 million yuan (164,000 U.S. dollars) every year. Profit notwithstanding, his large-scale farming has reached its limit as he lacks funds and confidence to expand his business further.

"Financial support does not come easily for big family farms," Zan said. "Besides, I don't dare invest much in infrastructure as my leases with other farmers are usually only for 5 years. Nobody can assure me as to what will happen when the leases expire," he added.

With new rural reform to be rolled out soon, Zan sees solutions to his problems and dreams of a bigger fortune still.

**Top-down planning**

China's rural reform started in 1978 in a village of Anhui, with the introduction of the household contract responsibility system, which ended communal farming. Agricultural productivity significantly increased when farmers got their own contracted land.

Unlike the bottom-up system of 36 years ago, progress today needs more planning at the top, said Wang Weiguo, a law professor at China University of Political Science and Law.

After more than three decades of breakneck economic expansion, China's urban-rural divide is alarming, a problem China's leadership is addressing through a more fair land policy.

Urban land is owned by the state and most of rural land is normally under collective ownership. While trading of land-use rights in urban areas has evolved into a vigorous market over past decades, the situation in the countryside has remained largely stagnant as farmers only have the right to use contracted land, but cannot directly trade or mortgage it.

Lured by better employment and salaries, as many as 260 million farm workers have left the countryside for cities. A side effect of the exodus is a vast amount of land being left uncultivated. Farmers have very little wriggle room in land transfers and don't make much money from land deals anyway, so they often simply abandon their land and start afresh on their urban journey.

With food security and the economic potential of rural and ex-rural residents foremost in their minds, authorities are promising more property rights for farmers. These include transfer and mortgage of land-use rights, and the ability to take shares in large farming entities, according to a document released after the Third Plenary Session of the 18th Communist Party of China Central Committee last November.

As the policy-making meeting concluded, Anhui announced its own plans, once again leading rural land reform. Twenty counties will pilot a new system of
rural property transfers, with new modes of financial support for conglomerate farms being explored.

More reform dividends, better fortune prospects
As one of Anhui’s 20 pilot counties, Xuancheng, where Zan lives, announced its plans at the end of January, allowing owners of big family farms to mortgage management rights of their land. The news has cheered Zan.

"I used to borrow from my friends and relatives for my investment needs," he said. Zan has even resorted to mortgaging his own house and those of his relatives. If he can borrow more by mortgaging his farm, Zan will develop more land for organic rice, a lucrative business given high prices and market demand. At the moment, he has only 500 mu under organic rice; it is an expensive crop to grow.

Mortgaging land is being discussed as a way to apply policy," said Wang Lixiang, of Xuancheng agriculture department, citing issues such as which items shall be mortgageable and how to control risk.

While big farm owners like Zan see hope in these plans, individual farmers can expect dividends as well.

According to Wang, Xuancheng is issuing more land-use certificates to individuals, an essential step if they are to transfer their land to big farmers.

Agriculture Minister Han Changfu said last year that China aims to complete land-use rights registration within five years.

Xuancheng will choose five towns to pilot a land reclamation scheme. Farmers will be able to move to new villages with better infrastructure and services and their abandoned homesteads reclaimed as arable land. The rights to this newly developed land will remain with the farmers. Despite the bright prospects, analysts have cautioned against unbridled optimism.

Farmland contracts for individual farmers in China normally last 30 years. As the renewal of land contracts for farmers in Anhui was mostly carried out in 1995, farmers now have around 10 years of use rights remaining. This is a major bugbear for farmers like Zan who pine for longer leases with farmers.

For Zan, a 10-year lease is an improvement. Combined with expected reform, Zan has some right to his optimism.

"As policy support materializes, I will try to make more money from my land," he said.
Chinese provincial governments are quickly empowering local food safety watchdogs in line with the requirements of the central government to prevent food scandals.

Since the China Food and Drug Administration was launched during the cabinet restructuring of last March to supervise the full process of food production, circulation and consumption, a primary mission of provincial governments has been to correspondingly restructure their food safety monitoring mechanism.

During the reshuffle, the functions of quality inspection departments are intensified as they gain food safety jurisdiction previously held by health as well as industry and commerce departments.

To make sure the reshuffle runs smoothly and efficiently, the China Food and Drug Administration has sent out work teams to various provinces.

While inspecting the work in central China's Hunan Province in mid-January, Liu Peizhi, vice minister of the administration, urged provincial governments to complete the reshuffle as quickly as possible on the premise that the restructured outfits could have sufficient resources to fulfill the mission of the administration.

The administration is yet to announce the progress of the nationwide restructuring. However, Li Hongyuan, director of the food and drug administration of Xiamen City in east China's Fujian Province, was quoted by the Xiamen Daily as saying that more than two-thirds of 31 provincial regions in the Chinese mainland have completed relevant restructuring so far.

Yan Zuqiang, chief of the Shanghai Municipal Food and Drug Administration, said that one goal of the restructuring was to increase the number of grassroots inspectors.

Describing the human resources structure of the old monitoring mechanism as "olive-shaped," with the higher management on the top and grassroots inspectors on the bottom largely outnumbered by middle management, Yan said that law enforcement at the grassroots level has been very weak.

After the restructuring, he said, the number of local grassroots inspectors in Shanghai had risen to 1,700, representing the bulk of the city bureau's staff.

Food safety has become a top concern in China as a string of safety scandals, particularly the one in 2008 when melamine-tainted baby formula caused the deaths of at least six infants and sickened 300,000 others, have crippled customer confidence.

Shanghai municipal legislator Xu Liping agreed that the weakness of food safety supervision was at the grassroots.

"The number of inspectors cannot be increased infinitely. The key is to improve their competency and work style," said Xu.

Zhao Renrong, deputy to the Shanghai People's Con-
gress, the city's legislature, proposed that a nationwide blacklisting system be established based on the credit records of food business managers.

"Without such a system, a business owner who breaks the law can easily run away from his problems by reopening another shop under the name of his relative," said Zhao, also chief of the Tingdong Village Branch of the Communist Party of China in Shanghai's Jinshan District.

Although many places including Shanghai have started to experiment with blacklisting lawbreakers, Liu Zhengguo, director of the enterprise credit management committee of the metropolis, said that a nationwide credit system was badly needed to prevent lawbreakers continuing their malpractice elsewhere in the country.

"We must ensure no Chinese can afford to have a bad record in terms of food safety in this country," he said.

Liu Boying, director of the Commission of Commerce in Hongkou District in Shanghai, suggested that digital technologies should be widely used to strengthen certification of products’ origins.

For instance, consumers should be able to learn the exact breeding information of aquatic products by scanning the label, said Liu, adding that the biggest challenge was how to raise the enthusiasm of enterprises with certifications of origin.

To solve the problem, Shanghai has started legislation on compulsory certification of the origin of foodstuff, which may cover pork, vegetables, aquatic products, grain crops, dairy and cooking oil, according to the municipality's food safety supervision chief Yan Zuqiang.

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**OVER 400 CHINESE STUDENTS INFECTED WITH NOROVIRUS**

Source: Xinhua, 19-02-2014

More than 400 students in east China's Zhejiang Province have been infected with norovirus, a common cause of viral gastroenteritis, local authorities said Wednesday.

The students from several schools in Haining City and Haiyan County, including kindergartens and middle schools, are receiving treatment in local hospitals, according to the municipal government of Jiaxing City, which administers the two places.

No deaths have been reported so far, according to the government.

Classes will be suspended on Thursday and Friday but are expected to resume on Monday.

The outbreak began on Feb. 11 in Haining and Feb. 13 in Haiyan.

It is suspected that the outbreak was caused by barrelled water. All the affected schools have been using barrelled water with the same brand, said Yang Jing, head of the provincial health and family planning commission.

A further epidemiological investigation is under way, said Yang.

"Norovirus infection is characterized by vomiting and diarrhea. In general it will be self-cured within three to five days," said Chai Chengliang, a health expert with the provincial disease control and prevention center.

The virus can easily break out in densely-populated areas and is transmitted through the digestive system as well as the respiratory system, he said.

Governments have ordered all the schools to disinfect canteens, classrooms, dormitories and toilets.
HK CONFIRMS H7N9 BIRD FLU, TO CULL ABOUT 20,000 POULTRY

Source: Xinhua, 28-01-2014

Hong Kong’s food and health authority on Monday evening confirmed a H7N9 bird flu case was found at a local agricultural products wholesale market and announced it will cull about 20,000 poultry in the market Tuesday morning.

Ko Wing-man, secretary of Food and Health Bureau, announced that a live chicken sample taken among fowl imported from Guangdong Province of the Chinese mainland was tested to be positive for the deadly virus. The government has decided to suspend poultry import from the mainland and live poultry sales on local markets for at least three weeks.

The wholesale market was also identified as an epidemic spot where Hong Kong’s disease control departments will give a thorough disinfection and cleaning during the suspension of sale.

It is very likely that Hong Kong residents could not buy any live poultry during the traditional Chinese Lunar New Year holidays which start on Friday, since the government also bans local chicken farms from selling live poultry within three weeks.

The secretary said Hong Kong government has informed the mainland’s authorities and required mainland’s inspection and quarantine agencies to investigate the source of the exported poultry that was found carrying the virus.

Monitoring of the mainland chicken farms will continue after the three weeks of suspension of live poultry trading, and live fowl export to Hong Kong would not be resumed unless both the mainland and Hong Kong agree on the investigation results, the secretary told a press conference, adding that it had been the first case of H7N9 bird flu confirmed in imported live poultry in Hong Kong since the epidemic broke out on the mainland last March.

According to Ko, Hong Kong’s disease control departments are looking for the deliver of the infected poultry who needs to be taken into disease control center for medical examination and observation.

The disease control departments will also follow health conditions of poultry dealers in the market and staff working for Hong Kong’s import inspection and quarantine station.

P.L. Ho, president of the Center of Infection under the University of Hong Kong, said the confirmation of the first case of H7N9 bird flu in Hong Kong is no surprise, since an increasing number of human cases has been found on the mainland.

The poultry in the market where the virus was found should be culled, said Ho, because Hong Kong is threatened by an increasing possibility of H7N9 bird flu epidemic.
FOOD SAFETY

CHINA'S FOOD SAFETY LAPSES CREATE A HALAL OPPORTUNITY FOR MALAYSIA

Source: Foodnavigator Asia, 24-02-2014

China’s food safety issues and the subsequent turn by middle-class consumers towards quality imports have made it a hot market for Malaysia’s halal foods, according to a top Malaysian government official.

Dato Seri Kamil Bidin, chief executive of the Halal Industry Development Corporation, told Foodnavigator-Asia that China is now the top export market for Malaysian halal foods.

Established in 2006, the HDC works for the overall development of the halal industry in Malaysia.

“China’s halal market is worth US$2bn and is growing exponentially,” said Bidin, who was speaking at Gulfood, the world’s largest annual food and beverage industry show.

Halal opportunity

China has a minority population of Muslims that tops out at 20 million, but according to Bidin, with all the food safety issues that China has had in the recent years, an opportunity has been created for halal foods.

“Halal is seen as an assurance of safety and quality in China. When all the food scandals started happening [and received media coverage], people there started placing more emphasis on halal foods,” Bidin said.

According to Bidin, the majority of the halal foods being exported are in the confectionary and snacks segment.

“This now when people see the halal certification label from Malaysia, they know that it has gone through stringent quality and safety checks,” he added.

Malaysia jumps in

The certification muddle in China is another factor that has helped Malaysian halal foods. In China, halal producers must have their products certified by local provincial governments and ethnic affairs commissions.

This creates a situation where there are halal products on the market with various types of halal logos and certification, designated by province and region on the packaging.

However, Malaysia is one of the pioneers in halal certification, having introduced a national standard about four decades ago, said Bidin, which has been accepted by CODEX and also replicated by many other nations, making it one of most recognised type of standards in the world.
Some 10,100 people have been prosecuted for production and sale of substandard and poisonous food between 2011 and 2013, China's Supreme People's Procuratorate (SPP) said here on Friday.

According to data from the SPP, prosecutors also approved the arrest of some 7,000 people linked to manufacture and marketing of food products.

Speaking at a press conference in Beijing, Nie Jianhua, SPP vice director in charge of public prosecution, said illegal workshops, factories and markets were the major sources of problematic food.

Suspects were mainly self-employed business people, farmers or unemployed, he added.

Prosecutors also revealed at the press conference details of five criminal offences concerning food safety which, according to the SPP, were of "instructive" importance.

In one such case, a suspect named Liu Liguo sold 100 million yuan's worth of "gutter oil" made from kitchen waste between December 2007 and July 2011. Some 9 million yuan's worth of such unsafe oil entered the cooking oil market.

"Gutter oil" literally refers to recycled oil dredged from gutters behind restaurants as well as inedible animal oil. The oil, which contains carcinogenic substances, is dangerous if consumed.

Liu was given a life sentence in 2013.

In another case, Sai Yue and Han Chengwu, director and vice director of the Chongming county bureau of quality and technical supervision, were sentenced to six and two years and a half in prison for dereliction of duty and taking bribes after a food company in Chongming was found to have produced poisonous cooking oil.

Official dereliction and graft played a major role in food safety cases, said Guan Fujin, another vice director.

He said 531 officials had been investigated in 2013 over their involvement in cases concerning harmful medical and food products.
INDIAN AND CHINESE CONSUMERS VALUE CERTIFICATION IN IMPORTS: STUDY

Source: Foodnavigator Asia, 17-02-2014

Consumers in India and China are putting a greater focus than expected on aspects like food safety and environmental quality when purchasing food, a new Kiwi study has found.

According to the research from the Agribusiness and Research Unit at Lincoln University, consumers in emerging markets show greater discernment, in ways not entirely expected, and this has enormous potential for New Zealand producers, for which this study was compiled.

Country by country
The paper, which assessed Chinese, Indian and UK consumer preferences and willingness to pay for particular attributes in Kiwi food, found that 75% of Chinese and 65% of Indian respondents rated food safety certification as very important.

This was surprisingly higher when compared to just 41% of UK respondents who said that food safety certification was important, though researchers attributed it to a greater trust by UK consumers in food chain regulation and compliance.

According to the research, Chinese consumers are willing to pay 74% more than the normal price for dairy products with food safety certification, while Indian consumers were willing to spend up to 77% more for lamb products with food safety certification.

Interestingly, just 34% of UK respondents rated animal welfare as very important, next to 42% and 50% of Chinese and Indian respondents respectively.

One of the more surprising results of the study was just 29% of UK respondents rating environmental quality as very important next to 58% of the Chinese and 55% of the Indian respondents.

Growing incomes
Researchers referred to this finding, as well as other findings, which showed Chinese and Indian consumers valuing organic and GM-free attributes much more highly than UK consumers, as pointers towards the emerging market consumer being more sophisticated than might be expected.

“As incomes grow, consumer behaviour changes. Product attributes other than price start to play a greater role in consumer decision-making,” said Caroline Saunders, Professor of Trade and Environmental Economics at Lincoln University.

“Projections coming of the back of this research show that New Zealand can stand to gain handsomely through increased product certification.”

“For instance, with just food safety certification alone, the potential increase in New Zealand producer returns from dairy and sheep meat exports to China, India and the UK is projected at US$247m to 2020. The most significant increase would likely be with whole milk powder, accounting for some US$139m,” she said.

According to Saunders, when considering food safety, animal welfare, and biodiversity certification together, sheep meat and dairy exports to the three countries in question were projected to increase New Zealand producer returns by more than US$405m to 2020.

“The results strongly suggest that New Zealand producers should give serious consideration to certifying their products,” added Saunders.
Nearly two-thirds of nutrition labels on a range of small pre-packaged food and drinks in Hong Kong are breaking trading guidelines by not being easy enough to read. Concerns over the legibility of nutrition labels have led to a joint study between the Centre for Food Safety (CFS) and Hong Kong’s Consumer Council recently.

The joint study seeks to assess how closely traders have followed the recommendations set out in the Trade Guidelines on Preparation of Legible Food Label (Trade Guidelines), issued by the CFS in 2012. The Food and Drug (Composition and Labelling) Regulations stipulate that, unless otherwise exempted, prepackaged food shall be legibly marked and labeled with a list of required nutrients.

Industry cooperation
The study focused on samples of relatively small-size pre-packaged food and drink products including biscuits and crispy snacks, canned luncheon meats and canned sardines, breads and cakes, yoghurts and milk, non-alcoholic and milk beverages. “A significant amount of products did not provide nutrition labels in accordance with the guidelines,” the CFS concluded.

CFS principal medical officer Samuel Yeung Tze-kiu urged the industry to address this issue and said the body is not ruling out the possibility of legislating the guidelines if it is not done voluntarily. “We want the consumers to read the information they need when they want to,” he said.

Out of a total of 100 samples, as many as 63 were judged to be unsatisfactory by failing to conform to the legibility recommendations of the Trade Guidelines, with most 51 of these falling short of the size requirements of the letters or characters on the labels. The Trade Guidelines recommend, for English letters, a font size of at least 1.2mm in height, based on the lower case of the letter x. This goes down to at least 0.8mm for small packages with a total surface area of less than 400sq-cm, and for packages that use more than one language on the label. Chinese characters should be printed at a size comparable to English, or at least 1.8 mm in height.

Magnifying glass
In one extreme case, from a sample of Four Seas Biscuit Sticks, the English letters were measured at a height of barely 0.48mm—with Chinese characters at 0.91mm. This, the researchers found, was virtually impossible to read without the use of a magnifying glass.

Besides font sizes, which were measured by the CFS Food Research Laboratory, the labels were also evaluated by a CFS assessment panel on other key elements of legibility requirements, such as decent contrast and sufficient spacing, as well as quality printing and the use of non-reflective surface. The problem of legibility was most serious in the case of 31 nutrition stickers. Although not covered in the Trade Guidelines, the position of a label may also affect the ease of reference.

The findings of the study corresponded closely with those of an 18-member panel of consumers enlisted to give their perspectives and comments on the labels. Out of 82 samples assessed by the consumer panel, 51 were considered by the majority of members to be in need of improvement, particularly based on their font sizes.

“The food industry is strongly urged to follow the Trade Guidelines, and where space is available, to enhance legibility by printing larger nutrition labels to facilitate consumers, especially those with weaker eyesight, in reading and benefiting from the information to make informed choices,” the Consumer Council said in a statement.
Chinese inflation remained stable in January, bucking a long-established pattern of a spike in prices ahead of the country’s New Year holiday.

Consumer prices rose 2.5 per cent from a year earlier, the same as in December. The reason for the more moderate inflation pressure compared with the normal seasonal rhythm were subdued food prices in the lead-up to the New Year’s celebration.

But the reasons given by analysts for flat food prices were as varied as the dishes on a Chinese banquet table. They included: unusually warm weather, ample pork production, slowing economic growth, a strong renminbi and quieter New Year’s festivities in response to President Xi Jinping’s campaign against extravagance.

The implication of low, steady inflation for Chinese economic policy has been complicated by the central bank’s determination to rein in rising debt levels. In the past, weak inflation would have been expected to clear the way for monetary easing, especially as the economy shows signs of softening. But that might not be the case this year.

“With policy makers concerned about the pace of credit growth, chances that monetary policy will be eased appear slim,” said Julian Evans-Pritchard of Capital Economics.

With food accounting for about a third of China’s consumer price index, it is the biggest short-term factor driving the country’s swings in inflation. Pork prices, in turn, are the biggest single determinant of food prices, and they have declined in recent months as pig production has recovered from a slump in 2013. Fruit and vegetable prices started to climb towards the end of January, but falling pork prices were enough to keep a lid on overall inflation.

Harder to pin down but significant as well was the impact of Mr Xi’s push to tone down celebrations for the New Year’s holiday. Government departments and state-owned companies around the country scaled back or cancelled their festivities ahead of the week-long break.

China’s catering sector grew at its slowest pace in more than two decades because of the government’s austerity campaign, and high-end restaurants said that trend continued in January.

The inflation numbers also hinted at a flagging in the economy’s growth momentum. Producer prices declined 1.6 per cent from a year earlier, steeper than December’s 1.4 per cent fall. It was the 23rd-straight month in deflationary territory for producer prices, a result of lower global commodity costs but also excess manufacturing capacity.

“This inflation profile actually heightened the downside risks to the Chinese economy,” economists with ANZ said in a note. “If the Chinese authorities keep the growth target in 2014 unchanged at 7.5 per cent, the government will have to roll out stimulus policy before June.”

Instead, they said it would be more sensible for Beijing to cut the country’s growth target to 7 per cent when the national parliament convenes in June. The Chinese economy grew 7.7 per cent last year.
Experts and government officials have called for the further development of dairy farmers' cooperatives in China to ensure the safety of dairy products and protect farmers' interests.

Establishing dairy farmers' cooperatives can facilitate tracing dairy products and improving their quality, Zheng Xinli, vice-chairman of the China Center for International Economic Exchanges, said at a seminar in Beijing on Wednesday.

Zheng, who is also the former deputy director of the Policy Research Office of the Communist Party of China Central Committee, said the country’s dairy industry can learn from its counterparts in the Netherlands, where farmers are shareholders in agricultural cooperatives.

"We need to reflect on why farmers are showing such indifference to the quality of their products. Why not establish an interest mechanism so that they will pay more attention to product quality?" he said.

Zheng said that currently, farmers and agricultural companies are market rivals. "If companies offer low prices during the milk collection process, farmers will suffer losses and vice versa," he said.

China’s dairy industry was hit hard after a scandal in 2008 in which dairy farmers were found to have added melamine to raw milk to make it appear to have a higher protein content. The incident left at least 300,000 babies sickened and six dead.

Zheng said a cooperative can link the interests of farmers and agricultural enterprises. "Farmers can become shareholders of agricultural enterprises through cooperatives, and they could also gain profits through dividends of companies' profits," he said.

China had more than 12,300 dairy farmers' cooperatives as of 2010, the latest figure available, said Ma Ying, deputy director of the dairy industry management office of the Ministry of Agriculture.

"The figure is almost twice that of 2009, which shows that the development of dairy cooperatives have been robust," she said.

But she warned that authorities should make sure that cooperatives truly represent the interest of farmers.

Establishing cooperatives is also key to protecting the financial interests of dairy farmers, who have long suffered from low profit margins due to the rising cost of forage crops.

The price of raw milk has stayed stable from 2011 to June 2013 while the price of forage crops have increased 22 percent during the same period, the Ministry of Agriculture said.

As a result, the country encountered a severe shortage of raw milk last year, with raw milk production, which was 35.31 million metric tons in 2013, declining 5.7 percent from the previous year.

The shortage, coupled with a ban of imports of whey protein powder and whey protein concentrate pro-
duced by Fonterra in New Zealand after a contamination scare, has also resulted in a price spike in raw milk, which increased from an average of 3.2 yuan (53 cents) per kg to an average of 4.2 yuan nationwide.

Ma, from the dairy industry management office, said even though the price surge has benefited farmers, the increasing prices have failed to cover the cost increases.

Bi Yu’an, an inspector with the food safety supervision department of China Food and Drug Administration, said, "When the country resumes imports of raw powder products from New Zealand, the dairy farmers will suffer losses again as foreign products are much cheaper."

Bi said a plan for cooperatives that makes farmers shareholders of dairy companies is the best way to protect farmers from price fluctuations.

However, Atze Schaap, director of dairy development in China at Royal FrieslandCampina, a Dutch dairy cooperative, said the success of cooperatives is also tied to the market success of dairy enterprises.

"A cooperative is not a guarantee for success. The cooperative must own a successful company, not the other way around," he said.

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**CHINA AUTHORIZES EIGHT BABY FORMULA TESTERS**

*Source: Xinhua, 29-01-2014*

The China Food and Drug Administration (CFDA) announced on Tuesday that it has authorized eight testing centers for baby formula products to improve security.

The eight are located in cities including Beijing, Shanghai, Guangzhou, Wuhan and in the provinces of Shandong, Anhui and Heilongjiang, the CFDA said.

In production license examinations, local food and drug authorities first make inspections of company premises. They then send the samples collected to at least two of the centers for testing.

The CFDA ordered the centers to use strict rules in accord with national standards for baby formula products and food security.

The credibility of China's dairy industry was damaged in 2008 when milk laced with melamine, a chemical added to milk products to make the protein content seem richer, made 300,000 children sick and killed six.
China’s consumption of lamb and beef has grown explosively over the last 12 months, making it one of Australia’s top red meat markets, an industry official said.

Jamie Ferguson, regional manager for the Middle East and North Africa at Meat and Livestock Australia, told FoodNavigator-Asia that China had gone from being the number eight market for Australian red meat to number three in under a year.

“The growth has been phenomenal,” said Ferguson, who was speaking at Gulfood 2014, the annual food and beverage industry show for the Middle East. Meat and Livestock Australia is the peak marketing and development body for Australia’s cattle, sheep and goat producers.

“What has happened in China is that they have depleted their cattle [both beef and lamb] stocks heavily,” said Ferguson. “So they have decided to top up from other countries.”

Ferguson pointed out that only three countries are legally allowed to supply China, the other two being New Zealand and Uruguay. “So we have been in a great position to take advantage of this opportunity,” he said.

Opportunity well tapped
Data from the government backs this up. According to the Department of Agriculture, Australian beef, veal, lamb and goat exports to China surged during 2013, to 256,993 tonnes, accounting for 17% of Australia’s total exports, compared to 6%, at 79,153 tonnes in 2012.

Of these, Australian beef and veal exports to China during 2013 climbed significantly, to 154,833 tonnes, up 371% year-on-year. The beef cut in the greatest demand was brisket, at 29,960 tonnes—up 423%.

In terms of Australian sheepmeat exports during 2013, lamb shipments were up 34% year-on-year, to 39,535 tonnes, while mutton exports surged 254%, to 57,888 tonnes, accounting for 34% of Australia’s total exports.

According to Ferguson, the market in China has seen an even mix between the retail and food service industry.

Perception of safety helping
“We are seen as country that is clean and safe. There probably has been some uptake based on their food safety standards and that is why we are one of only three countries allowed to legally sell there,” said Ferguson, when asked if China’s food safety issues have inadvertently opened the door to Australian exports.

On the rest of Asia, Ferguson said that the country was seeing high growth in Indonesia, Australia’s closest neighbour, Malaysia and Hong Kong.

Date from the government revealed that Australian red meat exports to the wider Southeast Asia region during 2013 surged 85% year-on-year, to 448,838 tonnes.

Source: Foodnavigator Asia, 26-02-2014
CHINA SAYS H7N9 VIRUS NOT DETECTED IN POULTRY FARMS
Source: Xinhua, 27-01-2014

China's Ministry of Agriculture (MOA) said on Monday that the H7N9 bird flu virus has not been found in the country's poultry farms, but it has been detected in live poultry markets in some provinces.

Of the 33,400 samples from 2,402 sites tested since the beginning of 2014, eight samples tested positive for H7N9, said the ministry. The eight positive samples came from five live poultry markets in Guangdong, Fujian, and Zhejiang provinces and Guangxi Zhuang Autonomous Region, according to the MOA.

In 2013, 88 of a total of 1.63 million samples tested positive for H7N9. They came from 26 live poultry markets in 10 provinces, including Shanghai, Jiangsu, Anhui and Zhejiang. The MOA urged local authorities to strengthen monitoring of live poultry, continue vaccine research and development, tighten cooperation in epidemic prevention and control, and prevent the virus from spreading to poultry farms.

On Sunday, three new human H7N9 cases were reported in east China's Zhejiang Province and south China's Guangdong Province. Human cases of H7N9 have been reported in Shanghai, Zhejiang, Beijing, Jiangsu, Fujian and Guangdong. Zhejiang, which has seen new H7N9 cases for 18 consecutive days with a total of 49 cases, is home to the largest number of human infections among all provinces this year.

With Spring Festival being peak season for poultry sales and consumption, some poultry markets in Zhejiang have been suspended to prevent the spread of infection.

Since the H7N9 influenza outbreak in March 2013, the country's poultry industry has suffered losses worth more than 40 billion yuan (6.7 billion U.S. dollars) after the closure of poultry markets.

BIRD FLU COSTS CHINA®S FARMERS 20 BLN
Source: Xinhua, 29-01-2014

Poultry farmers in China have lost about 20 billion yuan (3.3 billion U.S. dollars) due to H7N9 bird flu infections, said the Ministry of Agriculture (MOA) on Wednesday.

Sales and prices of poultry products have slumped badly on the back of H7N9 infections.

"There is insufficient proof that the virus is transmitted from poultry to humans directly, so it is safe to eat poultry products that are bought through formal channels and quarantined," said Zhang Zhongqiu, MOA chief veterinary officer.

H7N9 has not been detected in any poultry farm, said Zhang, adding that there were genetic differences between human and avian viruses, as laboratory studies have shown.

The authorities found 88 positive samples among more than 1.6 million collected in ten cities and provinces including Shanghai, according to Zhang.

H7N9 bird flu has killed 19 in China this year, and human infections stood at 96 on Monday, according to the Chinese Center for Disease Control and Prevention.
Cities in China’s Yangtze River Delta plan to close live poultry markets, after the number of people affected by the H7N9 strain of bird flu nearly doubled in the past week.

So far Chinese authorities say there is no evidence of human-to-human transmission, although concerns were raised when a 31-year-old surgeon in Shanghai died of the virus earlier this month.

Evidence of human-to-human transmission would be a cause for concern as hundreds of millions of Chinese cram into trains and buses to travel home for the Lunar New Year, which begins on Friday, potentially exposing a larger population to the virus.

H7N9, which first appeared in eastern China in 2013, has killed 19 people so far this winter and infected 96, China’s state-owned Xinhua news agency said on Tuesday, up from 50 cases reported last week. Last winter and spring, the strain killed 43 people and infected at least 85 others before warming weather and the closure of live poultry markets halted the outbreak.

Most of the human cases have been concentrated in Zhejiang Province, a relatively wealthy region to the east of Shanghai known for its private industry.

Zhejiang is also home to the most severe outbreaks among chickens, although not necessarily with the same H7N9 strain, says Chenjun Pan, a meat and livestock specialist with Rabobank in Beijing. “This year the large-scale farms have been hit harder than the small farms,” she said. Guangdong in the south and Shandong and Henan provinces in north-central China have also carried out poultry culls.

Bird flu tends to hit in the winter, when the weather in southern China is rainy and chilly. Most but not all of the cases have occurred among people with exposure to poultry markets, where the virus can linger in puddles and damp cages.

Guangdong in southern China – like Zhejiang, a magnet for migrant workers from the poorer countryside – has seen the second greatest number of human cases, with 26 new ones reported and four deaths in January.

Hong Kong, which imports much of its food from neighbouring Guangdong, confirmed one case at an agricultural market on Monday. It began the cull of 20,000 birds on Tuesday and suspended imports of fresh poultry from mainland China for 21 days.
Hong Kong’s food safety and health authorities have shifted gears and initiated counter measures after the discovery of the H7N9 bird flu virus in a batch of live poultry from mainland China.

Ko Wing-man, secretary of Food and Health Bureau in Hong Kong, announced today that a live chicken sample taken among poultry imported from Guangdong Province of mainland China tested positive for the deadly virus.

Suspension and closure
As a counter-measure, Hong Kong has decided to suspend poultry imports from the mainland for the next three weeks until February 18. In addition, the bureau has also ordered the closure of the city’s wholesale poultry market, where the virus was discovered, to provide for cleaning and disinfection.

The last time Hong Kong suspended live poultry imports was in 2011, after a dead chicken tested positive for the H5N1 strain of bird flu at the same market.

Ko also stated that local farms too were being banned from supplying live chickens to the market and that health and sanitation authorities will cumulatively cull 20,000 chickens to prevent an outbreak. “Agriculture, Fisheries and Conservation Department officers will inspect all the local chicken farms and collect more samples for testing to ensure that local farms are not affected by H7 avian influenza,” Ko said.

WHO caution
According to the Hong Kong Department of Health, the H7N9 bird flu virus first emerged in March last year and has so far infected at least 240 people in China, Taiwan and Hong Kong.

The WHO’s stand on the matter is that while the H7N9 virus passes between birds, cases in humans have so far not shown evidence of sustained human-to-human infection.

According to reports, two people infected with H7N9 bird flu have died in Hong Kong and a third patient is being treated—all three were infected during visits to the southern Chinese city of Shenzhen.

In China, according to the Chinese Centre for Disease Control and Prevention, 19 people had been died of the flu this year.
By 2030, Asian countries will account for 70% of global fish consumption, according to a new forecast by the World Bank, which also predicts that fish farms will provide nearly two-thirds of the world’s fish supply.

This will be happen as catches from wild-capture fisheries level off and demand from an emerging global middle-class, especially in China, substantially increases, says Fish to 2030: Prospects For Fisheries And Aquaculture, a collaboration between the World Bank, Food and Agriculture Organisation of the United Nations (FAO) and the International Food Policy Research Institute (IFPRI).

According to FAO, at present 38% of all the world’s fish is exported, with over two-thirds of these exports coming from developing countries in Asia and elsewhere directed to developed countries.

**Keeping up with demand**

The report predicts that by 2030, China fast developing fish economy will provide 38% of the world’s seafood. China and many other nations are increasing their investments in aquaculture to help meet this growing demand.

Aquaculture will provide 62% of the world’s fish, with the fastest growth in supply likely to come from tilapia, carp, and catfish. Global tilapia production is expected to almost double from 4.3m tonnes to 7.3m tonnes a year over the period of the study.

"The fast-moving nature of aquaculture is what made this a particularly challenging sector to model—and at the same time, embodies the most exciting aspect of it in terms of future prospects for transformation and technological change," said one of the report’s authors, Siwa Msangi, of the International Food Policy Research Institute.

"Comparing this study to a similar study we did in 2003, we can see that growth in aquaculture production has been stronger than what we thought."

**Concerns over sustainability**

The World Bank’s director of agriculture and environmental services, Juergen Voegele, warned that carefully thought-out policies are needed to ensure the resource is sustainably managed.

"Supplying fish sustainably—producing it without depleting productive natural resources and without damaging the precious aquatic environment—is a huge challenge," Voegele said.

"We continue to see excessive and irresponsible harvesting in capture fisheries and in aquaculture, disease outbreaks among other things, have heavily impacted production. If countries can get their resource management right, they will be well placed to benefit from the changing trade environment."

Fisheries and aquaculture are a vital source of jobs, nutritious food and economic opportunities, especially for small-scale fishing communities. Yet threats from large-scale disease outbreaks in aquaculture and climate change-related impacts could dramatically alter this.

Árni M. Mathiesen, assistant director-general of FAO’s Fisheries and Aquaculture Department, emphasised that unlocking the potential of aquaculture could have long-lasting and positive benefits.

"With the world's population predicted to increase to 9 billion people by 2050—particularly in areas that have high rates of food insecurity—aquaculture, if responsibly developed and practiced, can make a significant contribution to global food security and economic growth," Mathiesen said.
From first meeting to handshake it took fewer than 24 hours.

Hong Kong resident Pan Sutong flew by private jet to California’s Napa Valley in May 2011, and flew out the next day with an agreement to buy Sloan Estate, one of Napa’s most desired vineyards, for US$50 million.

The deal to buy from US investor Stuart Sloan was as much about personality as opportunity. "What clicked is that Pan is very similar to Stuart. He is also a businessman ... and wine is his passion," says Harvey Lee Chi-chung, Pan’s colleague.

Pan is the chairman of Goldin Real Estate Financial Holdings. The purchase of the Sloan Estate was "the first step in a 100-step process" to build a global wine business, says Lee, who is the group’s vice-chairman. "We are long-term greedy. Our main focus right now is to buy top-quality properties."

The deal marked the first wave of overseas investment by Chinese investors, an attempt to profit from the country’s growing thirst for wine.

The trend is still in its infancy. Patsy McGaughy, communications director at Napa Valley Vintners, a Napa Valley winemakers’ association, says there have been just five or six acquisitions by Chinese investors in recent years, including the Sloan purchase. "I would not say that we’ve seen a particularly high level of interest from Chinese investors compared to investors from other foreign countries," she says.

David Guillon of French vineyard brokers IFL estimates there have been only about 70 transactions in France’s Bordeaux wine region despite several thousand visits by Chinese buyers in the last four years.

Pan started working in consumer electronics manufacturing and distribution before entering real estate development in 2007. He started buying vineyards in 2011.

Since the Sloan purchase, Goldin has bought three vineyards in Bordeaux for €15 million (HK$157 million) and the firm has begun building two eight-million-bottle warehouses in China. Lee says they have their eyes on further acquisitions in France and the US.

No longer content to simply handle mainland distribution for foreign wineries, Chinese investors are now starting to acquire vineyard real estate in a wider strategy to control the entire supply chain from grape to glass.
The Chinese appear to have beaten the French at one of their own favourite pastimes – quaffing red wine. China's drinkers knocked back 1.86bn bottles of vin rouge last year, an increase of 136% over five years, making the country the leading market for red wine.

However some experts say the boom, which has led to increasing interest from Chinese buyers in French vineyards, is more a matter of cultural sensibilities than taste. The colour red is considered lucky in China and is also affiliated with the Communist government, while white is associated with death and is predominantly seen at funerals.

France, where consumption of red wine is dropping, was in second place in this league, followed by Italy, according to the latest figures compiled by the London-based company International Wine and Spirit Research. The US remains the world's biggest market for all colours of wines, said Vinexpo, the Bordeaux chamber of commerce organisation that commissioned the study.

"Apart from the healthy aspect in comparison to the excessive consumption of rice wines, the success of red wine [in China] is largely down to the symbolism of its colour," said a Vinexpo spokesperson. "Red is a very positive colour in Chinese culture and is synonymous with wealth, power and luck. In the business world these three values are fundamental, therefore red wine is often found in banquets to seal partnerships. And red is also the colour of China."

Guillaume Deglise, Vinexpo's new chief executive, said: "White is the colour of death. So you don't want to drink that, and why would you?" He said though that as the Chinese market matured he would expect white wines and champagne to become more popular. In trade terms the Chinese consumed 155m nine-litre cases of red wine, compared with 150m cases in France and 141m cases in Italy.

Demand for red wine in China has grown steadily since the mid 2000s and today's sales figures are more than 175% higher than those for 2005. During the same period red wine sales dropped by 18% in France and by 5.8% in Italy.

Researchers believe that drinkers in the Asia-Pacific region will be polishing off more than 4bn bottles of different wines a year by 2017.

Economists see Chinese drinkers' growing taste for wine as evidence of the creeping westernisation of the country. Wine was once the prerogative of government and party officials and wealthy businessmen. State clampdowns on corporate excesses have forced drink companies and wine-makers to look for new customers among the urban nouveau riche.

Last year the auctioneer Christie's opened the world's first estate agency for wealthy Chinese who like wine so much they want to buy the vineyards. In 2012 Christie's sold more than £23m worth of wine at nine sales in Hong Kong.

China is now the fourth largest export market for French burgundy producers behind Japan, Britain and the US.

Overall, Americans remain the world's most prolific consumers of still and sparkling wine, drinking nearly 325m nine-litre cases in 2012, followed by France with just over 303m cases, and Italy with
about 297m. Germany is in fourth place with 278m cases, then China with 172m and the UK with 135m. The top 10 is completed by Argentina, Russia, Spain and Australia.

**The view from Beijing**

The stereotype of a Chinese wine drinker is the businessman easing into a deal, probably with an official, over a bottle of Chateau Lafite, its label prominently displayed.

But the austerity and anti-corruption drive of the Chinese president, Xi Jinping, has led to a marked decline in conspicuous consumption and sales of high-end wine.

While imports to China rose 5% by volume last year, their value grew just 0.5%, said Jim Boyce, writer of the Grape Wall of China blog.

Ma Huiqin, who has run lessons in wine tasting for 10 years and last year tutored more than 400 students, said that few distributors expected pricey wine sales to pick up soon. Instead, growth was likely to come at the lower and middle end of the market.

"When I started teaching, only a few people would have tasted wine. When you asked about tastes they would say sweet and sour," she said. "Now more than half have experienced wine before they come to my class."

She added: "Young people are a very strong driving force ... Chinese people want to try something interesting and new. Pizza has been very successful; KFC has been very successful. Twenty years ago very few Chinese drank coffee, but now so many do."

But Ma, who is also a microbiologist at China Agricultural University, and an expert on wine marketing, noted that figures overestimated actual consumption because distributors and retailers held large amounts of unsold stock.

She said: "For most Chinese it is still an occasional commodity, mainly for holidays. There will be more consumers, but they are occasional consumers."

A good example is Ms Xue, who works for a wine company in Hebei province, receives six free bottles a year, enjoys red wine and believes it is good for her health. Even so, she does not drink often. "Maybe during the festivals," she said.

Boyce said: "The average is [about] one bottle a year per person. But the scale of China makes it a huge market."

Reds have long dominated the market and about 70% to 80% of sales were of Chinese wines, or those made from a blend of Chinese and imported wine, he said.

While Chinese wines did previously have a poor reputation, the Changyu Moser XV was one wine he would definitely recommend, he said.
VINEYARD OWNERS ARE HOPING THAT CHINA WILL BECOME THE NEXT TOP WINE PRODUCER

Source: SCMP, 10-02-2014

At Wu Feng's private vineyard on the peninsula of Penglai in Shandong province, the grapes harvested last autumn have been pressed into wine and poured into oak barrels for fermentation and ageing. In the spring he'll start pruning and grafting new vines.

Since Wu's winery produced its first bottle of cabernet franc, a Chateau Reifeng-Auzias, in 2007, the businessman says his wine's quality is improving each year. But he has yet to convince many domestic consumers to choose his wine rather than those imported from France or Australia.

"It's really difficult to promote our wines. But I never doubt this market will get bigger and better for us," says Wu, a 56-year-old entrepreneur who also runs a chemical company.

China is the youngest player in the world's emerging wine-production markets - and has quickly become the world's fifth-largest wine producer. Industry experts estimate the nation will have the most land devoted to wine production and bottle more wine than any other country in five years.

"It's just like the Australia and Chile markets 10 or 20 years ago," Wu says. "Perhaps Chinese wine can become a well-received world brand in three decades."

Producing top-quality wines in China and selling them worldwide has become a dream for a growing number of Chinese entrepreneurs. Over the past decade, individual investors, state-owned enterprises and even leading winemakers from Europe have flocked to the country, selecting sites, planting their own vineyards and making wine.

Last year, Chateau Lafite Rothschild in France, one of the world's premier wine estates and owner of one of the world's most expensive wine brands, finished planting a 25-hectare vineyard and opened a winery in Penglai. It is growing varietals including cabernet sauvignon, cabernet franc and syrah.

A chateau in Penglai. Photo: AFP

Penglai, a place with more than a century of wine-making history, is considered to have the ideal climate and soil conditions for growing grapes. It's situated at roughly the same latitude as the Bordeaux region in France and Napa Valley in the United States, two of the world's best-known viticulture areas.

Chateau Lafite Rothschild is expecting to bottle the first Chinese-produced Lafite in three to five years, Olivier Richaud, general manager of the vineyard, told mainland wine magazine Taste Spirit. Richaud told the magazine that the company had spent more than 15 years hunting for the right place to plant grapes in Asia.

Another high-profile foreign player is LVMH Group of France, which has shown interest in two other popular vine-growing regions in China: Ningxia in the northwest and Yunnan in the southwest. The world's largest luxury goods conglomerate harvested the first batch of cabernet sauvignon and merlot grapes last autumn from its vineyard in the high mountains of southeastern Yunnan. It's also working with a Chinese partner to develop a 67-hectare vineyard and winery to produce sparkling wine in the Helan Mountains in Ningxia. So far, the group says it's too early to launch any wine brands originating from inside China.
In another move, Citic Group, the state-owned multi-industry conglomerate, is placing a big bet on Xinjiang in the far west.

Its wine arm, Citic Guoan, has become the biggest vine planter and wine producer in Asia, with a total of 10,000 hectares of vineyards growing on the northern slopes of the Tianshan range in Xinjiang. In recent years it has been selling its high-end products priced from 300 to 800 yuan (HK$380 to HK$1,015) a bottle in local markets.

"China's wine industry, from small private chateaus to big leading wine companies, is hoping to tap the high-end market," says Gao Xiang, a co-founder of Taste Spirit magazine in Beijing and a member of a wine culture committee of the United Nations. "But it may take another decade or two for China to become the next top wine-producing destination. It's because you will never know the potential of this land unless you dig deep into the soil."

A general view inside a winery in Shandong. Photo: SCMP

Although wines from a number of China's private estates in Ningxia and Shandong have won prizes in various competitions and earned a solid reputation overseas, Gao says that their quality may not be as stable as other well-established brands in traditional wine-making countries.

So far, Gao says, most great wines are still from the "old world" - namely Europe - and few come from the "new world", meaning Argentina, Australia, Canada and elsewhere.

Wu Feng says he always believed that his home country could grow the best vines in the world.

Wu fell in love with wine and visited many vineyards and wineries in Europe while studying for a PhD in chemistry in Belgium in the late 1980s. His goal to build a vineyard in his home country started with a question: Why did such a big country like China not produce good wine? After returning to China, he and a friend from France put that idea into action in 2004.

This project has cost him at least 60 million yuan so far, yet the return is relatively small.

"But we feel encouraged to see the taste of our wines improving every year," says Wu. Since 2012, cabernet sauvignon, cabernet franc and syrah wines from Wu's estate have won several prizes from Britain's Decanter World Wine Awards and the China Wine and Spirits Awards.

Wu's wines have a different taste to those produced by leading European winemakers, which he says may be due to Penglai's climate and geographic conditions.

A woman displays a bottle. Photo: Xinhua

Ninety per cent of the wines from Wu's estate are sold domestically to high-end restaurants and clubs. The rest supply wine shops in France and the United States, where they are priced between €150 and €219 (HK$1,580 and HK$2,300) a bottle.

Wu and his partner plan to expand sales channels overseas this year and build their reputation in foreign markets first, which may later help boost their domestic sales.

"The China market is still a big challenge for us," he says. "We have no plans to put our wines in supermarkets or wine shops in China, as most individual consumers believe imported wines must be better than local ones. But the truth is our wine may have a slightly different taste, but is not inferior in quality."
Global tea companies will have to hit the M&A trail to unlock opportunities in important tea markets including China, Russia and India, according to Rabobank.

A world tea market worth around $40.7bn is dominated by black tea (42%) and green tea (26.5%) but Rabobank describes the marketplace as “relatively static” in comparison to coffee or soft drinks. “Within global tea there has been limited M&A activity and industry consolidation has been slow,” Rabobank’s Food & Agribusiness Research & Advisory analysts wrote, in their 2014 Global Beverage Outlook report: ‘Beyond the Yellow BRIC Road: Finding Growth in Global Beverages’.

The Top 10 tea brands represent only 30% of the total tea market – the respective figure for coffee is 52% – and Rabobank said the low level of globalization suggested there was “still ample room for large tea companies to expand across international markets”.

**Unilever, Tata and ABF**

Unilever (Lipton) is market leader with an 11.7% share by retail value followed by Tata Global Beverages (3.1% share) and Associated British Foods (2.5%).

“These three companies are the only truly global competitors in tea, and while they remain strong in mature markets, their challenge is to continue growing organically and penetrate the important tea markets of China, Russia and Japan.”

Critically, China is forecast to account for half of global growth through to 2017, but Unilever’s market share is only 1.6% and neither Tata Global Beverages nor ABF have a presence there.

“Success for global tea companies in China will require M&A with local players or new product development to satisfy Chinese demand for local products such as Strong Milk Tea and Xiang Piao Piao,” Rabobank’s analysts write.

**Chinese leaders fire anti-corruption salvo**

Chinese milk tea (Xiang Piao Piao is an instant version) originates from British colonial culture, and the practice of taking black tea in the afternoon with milk.

But the Chinese typically add evaporated or condensed milk to the tea instead: the leaves are boiled and brewed in water then separated from the water and strained to extract full flavor.

Speaking more generally of the beverage industry outlook in China, Rabobank said that the nation’s new political leaders – who took office in March 2013 – have fired an “opening salvo” against corruption. As we can see from the Diageo results today, luxury goods such as high-end spirits have been hit, as has dining and entertainment – with a recent string of restaurant closures.

“The effect is expected to linger on into 2014,” Rabobank’s analysts added.
The bakery sector in China is a social phenomenon - considered by many as a trendy, Western sector, says a Shanghai-based consultant.

China’s industrial baked goods market was valued at $25.4bn for 2013, according to Euromonitor International, up from $19.6bn in 2012.

According to Shanghai consultancy firm Daxue Consulting, per capita consumption of baked goods has more than doubled since 2000, reaching nearly 5kg per year.

While this yearly consumption figure remains fairly low, around eight times lower than Britain, Daxue consultant Thibaud Andre said the market showed great potential.

“Bakery in China is experiencing a social phenomenon which has already occurred in wine and coffee,” Andre told BakeryandSnacks.com. “To eat bakery is considered trendy and a Western style.”

Two types of Chinese bakery consumers
There are two types of Chinese bakery consumers. Firstly, those who go to famous franchises like Starbucks or Costa Coffee to enjoy branded baked goods – the same as those found in Europe and the US, he said. Secondly are consumers that enjoy the appearance of Western baked goods but not the taste, and therefore opt for local takes on Western bakery, he said.

For the second wave of consumers, local shops with names like ‘Paris Baguette’ sell products that resemble European baked goods but cater to local taste preferences, Andre said. For example, he said shops sell croissants filled with cheese and meat to appeal to the inclination towards salt.

“Consumption is a mix of traditional Western bakery products and Chinese taste,” he said.

Andre said it was the ambiguity between the attraction of Western products and lack of awareness about these traditional baked goods that led to hybrid bakery products.

Brimming with potential – but how do you tap into this?
China’s consumers have a willingness to develop their knowledge of the bakery sector and imitate Western consumption patterns, which spelled opportunity for international companies, Andre said.

Manufacturers, he said, should therefore get involved in educating Chinese consumers about traditional European or US baked goods through special events, for example.

Future growth within the sector would be driven by the younger generation interested in Western food and with money to spend, he said. “The market is quite young, so there are still plenty of opportunities, especially in second or third-tier cities where the market is less developed.”

Western companies must understand that the appearance of baked goods would be vital to their success, he said. “Generally speaking, Chinese consumers really pay attention to the appearance of the product. It should be pleasing to the eye. Attractive and colorful packaging will help.”

Consumers also have a preference for packaged products, he added, because they are considered safer – an extremely important factor for Chinese consumers that have endured food scares like the melamine baby food scandal.
**IMPORTED FOOD**

**CHINA WILL NOT IMPORT LARGE QUANTITIES OF FOOD**

*Source: People’s Daily, 21-02-2014*

China’s grain output reached 602 million tons last year, while according to the recently released China Food and Nutrition Development Program (2014-2020), as of the end 2020 China’s grain output will stabilize at 550 million tons or more. Why is the target far below the current output? Zhang Hui, deputy director of the development planning department under the Ministry of Agriculture, gave the following explanation.

**550 million is a bottom-line goal**
The target of 550 million tons or more is mainly based on the following three factors. First, the grain in the program refers mainly to cereals. So the target means the output of cereals will reach at least 550 million tons.

Second, it is a bottom-line goal. In 2013, China’s grain output reached 602 million tons. Within these figures the total output of wheat, corn and rice amounted to 543 million tons. So the goal is a lower limit target. No upper limit was set in the program.

Third, the goal represents a continuation of China’s planning targets released in 2008 and 2009, which set 540 million tons and 550 million tons respectively as the goal in 2020.

**Self-sufficiency of grain to secure China’s basic demand**
China is a populous country and solving the problem of feeding more than one billion people has always been a top priority in ensuring national security. The volume of cereals traded on the international market represents only half of the volume consumed in China. There are therefore limited food resources China can import. Therefore, self-sufficiency of grain is the strategic base for ensuring national food security.

**China will not import large quantities of food in the future**
Imported grain in 2013 reached 15 million tons while imported soybeans reached 60 million tons, Zhang attributed this to the following two factors.

First is domestic demand. With the improvement in levels of consumption, people have increasing demands for food diversity and food quality. Second, prices of grain on the international market are relatively lower.

**CHINA REJECTS U.S. GM CORN SHIPMENTS**

*Source: Xinhua, 01-03-2014*

China has returned 887,000 tonnes of U.S. corn shipments tainted with a genetically-modified (GM) strain not approved by the country’s agriculture ministry since last October.

These corn shipments were found to contain the unapproved MIR162, a strain of insect-resistant transgenic corn, according to the General Administration of Quality Supervision, Inspection and Quarantine.

China detected the first batch of MIR162 tainted corn shipment from the U.S. in last October in Shenzhen, and found several batches at the country’s different ports after that.

The administration urged local entry-exit inspection and quarantine bureaus to step up detection of the imported farm produce and return or destroy those tainted with unapproved GM components.
For more information please contact:

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