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Report Highlights:

This report provides a news synopsis of trade policy and agriculture/commodities in China. **Trade policies include: China suspended one U.S. plant, and gave warnings to 10 U.S. plants on meat trade; China suspended imports of even-toed animals and their products from Britain. Agricultural/commodities includes: China's top economic planner initiates food price probe; Keep trade in check; Agricultural Bank reaps profit in H1; Swine Blue Ear Disease (PRRS) outbreaks decreased in July in China; Shangdong Province implements compulsory vaccines to backyard raised swine; Chongqing's pork exports to Hong Kong in the first half of 2007 increased quickly; Trial swine insurance will expand in Hubei Province; MOA requests to carry out swine production support policies; Main ideas of the State Council in supporting swine production; China provides RMB1.15 billion (about \$153 million) to subsidize sow insurance; China's poultry production recovered; Xinjiang cotton growth better than previous year; Ministry of agriculture to raise potato acreage in the coming Years; The rise in food prices is expected slow down in 2nd half 2007. Food Safety issues includes: China issues new regulation on food safety; Food safety information to be released every two weeks; Government pumps \$1 Billion to raise drug and food safety; Safe food and drugs; kids say 'McFood' better than food; Campaign on banned chemicals.**

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Beijing [CH1]

[CH]

Trade Policy

China suspended one U.S. plant, and gave warnings to 10 U.S. plants on meat trade

On August 6, 2007, the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) notified the U.S. Embassy in Beijing via Memo #933 of its suspension on pork imports from the U.S. Establishment—850 due to detection of ractopamine residue that is forbidden in China. It also gave warning to 10 U.S. plants (P687, P-548, P322, P-7927, P-550 for poultry products, and 360A, 17564, 717CR, 717M and 717 for pork products) due to detection of pathogens, ractopamine or chromium exceeding the maximum tolerance standard. The memo states that if similar detections are found again, AQSIQ may take further actions. (AQSIQ notification, 8/06/2007, ZJP)

China suspended imports of even-toed animals and their products from Britain

On August 7, 2007, the Ministry of Agriculture (MOA) and AQSIQ jointly announced China's suspension on imports of even-toed animals and their products from Britain due to outbreaks of food and mouth disease in that country. The suspension became effective the very date of the announcement. (Beijing Daily, 8/08/2007, ZJP)

Agriculture/Commodities

China's top economic planner initiates food price probe

National Development and Reform Commission (NDRC) ordered local pricing authorities to launch investigations into prices of major food products. The probe came after recent price increases at some fast food restaurants and of instant noodles triggered consumers' complaints. The investigations will mainly cover grain, edible vegetable oil, pork, beef, mutton, and poultry. The price hikes in grain, edible vegetable oil and pork in China, boosted by global grain price rises since the fourth quarter of last year, have aroused wide concerns. The NDRC said that some industry associations have initiated united pricing hikes among its member companies, while some firms raised prices by hoarding or fabricating rumors, severely upsetting the market and threatening social stability. NDRC also ordered local pricing authorities to scrap or slash illegal and high administrative levies on food producers, transporters and sellers. Analysts said the probe indicated the government's intention to maintain price stability. (Xinhuanet, 08/02/2007, ZL)

Keep trade in check

On Monday, August 6, the NDRC required that pricing departments at all levels inspect food manufacturers, wholesalers and retailers of their respective regions. Living necessities like grain, oil, meat, poultry, eggs and milk are listed as key items to be checked. Unjustified price activities such as price collusion and price cheating will be strictly examined. It is noticeable that the NDRC pointed out that relevant trade associations should not plot together to manipulate retail prices in any manner. (China Daily, 08/09/07, ZQ)

Agricultural Bank reaps profit in H1

The Agricultural Bank of China, the last of the country's Big Four lenders to be reformed, reported a 64.55 percent growth in operating profit for the first half of the year. Operating profits totaled \$5.6 billion (42.34 billion yuan) in the first six months, and increase of \$2.2 billion (16.61 billion yuan) from a year ago. The growth has mainly been boosted by increasing loan demand and rapid development of its intermediary services. It's widely believed the capital the Agricultural Bank needs will be bigger than what the other three need, as it is the worst hit by massive uncommitted lending to the rural sector. Then bank

has about \$39.5 billion (300 billion yuan) in bad assets generated by lending to meet government policies. (China Daily, 08/08/07, ZQ)

Swine Blue Ear Disease (PRRS) outbreaks decreased in July in China

The Ministry of Agriculture (MOA) disclosed during a press conference on July 25, 2007, that up to July 22, 2007 there accumulated 651 PRRS (porcine reproductive respiratory syndrome) outbreak locations in 25 provinces in China, normally known as the blue ear disease. There were a total of 165,144 head of infected swine with 45,546 mortalities and 42,728 culling. From July 1-22, 2007, eleven provinces had PRRS outbreaks in China, and there were a total of 73 outbreak locations, 22,634 head infected swine with 6,433 mortalities and 15,728 culling. The number of outbreaks, infected swine, mortalities and culling went down in July. (China Livestock and Veterinary Newspaper, 8/05/2007, ZJP)

Shandong Province implements compulsory vaccines to backyard raised swine

Shandong Province decided to implement compulsory vaccines to 11.69 million head of backyards produced swine. The vaccine budget will be distributed by the government, at various levels. (China Livestock and Veterinary Newspaper, 8/05/2007, ZJP)

Chongqing's pork exports to Hong Kong in the first half of 2007 increased quickly

According to China's customs data, pork exports to Hong Kong by Chongqing City were 2,870 tons valued at \$4.65 million, an increase of 6 percent and 22 percent respectively over the same period last year. Export price was \$1,687 on average, a 16 percent increase. (China Livestock and Veterinary Newspaper, 8/05/2007, ZJP)

Trial swine insurance will expand in Hubei Province

When farmers invest in boar insurance, they only pay a third of the insurance fee. The government will subsidize the rest. If a boar dies, the farmer can receive RMB1,500 (\$200) from the insurance company. Hubei Provincial Government will allocate RMB 100 million (\$13.3 million) to subsidize swine cultivation and breeding sow insurance. The Swine Association of Yunmeng County signed a contract with an insurance company to insure 750 head breeding swine and 15,000 head commercial swine. Family households raising breeding swine identified by the county livestock bureau or households raising swine with an annual inventory of over 5 head or with an annual slaughter of over 10 head can all participate in the insurance program. The insurance volume is RMB1,000 (\$133.3) for a sow and RMB1,500 (\$200) for a boar. The insurance rate is 6 percent and the government will pay two-third. The insurance fee is RMB18 (\$2.4) for a commercial swine. The Government pays 25 percent, the insurance company deducts 25 percent and farmers pay 50 percent. (China Livestock and Veterinary Newspaper, 8/05/2007, ZJP)

MOA requests to carry out swine production support policies

MOA calls on the livestock and veterinary bureaus at various levels to carry out the "Opinion of the State Council on Promoting Swine Production and Stabling Pork Supply" (hereinafter refers to as the Opinion), and implement support policies as soon as possible for swine production. The Opinion points out the Central Government has already allocated subsidy funds for sow production to various local governments, and the local government should distribute the fund to farmers raising sows as soon as possible. (Economic Daily, 8/04/2007, ZJP)

Main ideas of the State Council in supporting swine production

Recently the State Council sent out the "Opinion of the State Council on Promoting Swine Production and Stabling Pork Supply". The main ideas include: 1) Provide subsidies to insurance of swine production; 2) Encourage standardized commercial cultivation; 3) Provide guidance to small and backyard cultivation; 4) Further improve swine stocks; 5) Strengthen

veterinary service at grassroots; 6) Improve feed safety; 7) Strengthen swine production information analysis and urgent notification system; 8) Strengthen leadership roles at various level of veterinary agencies and co-ordination between various agencies. (Farmers' Daily, 8/04/2007, ZJP)

China provides RMB1.15 billion (about \$153 million) to subsidize sow insurance

The Chinese Central Government has provided RMB1.1 billion to subsidize insurance for producing sows. The program will start in Southwest China. It has also allocated RMB220 million (about \$29 million) and RMB285 million (about \$38 million) respectively to subsidize vaccines against foot and mouth disease (FMD) and swine blue ear disease (PRRS). The Government will provide a certain subsidy to farmers using artificial insemination (AI) technology for genetic improvement. The local government will provide an award to large swine producing counties that export swine to other provinces. (The People's Daily, 8/04/2007, ZJP)

China's poultry production recovered

China's poultry production has recovered to normal production due to governmental subsidy policy for poultry production during avian influenza (AI) outbreaks in the last couple of years. Poultry recovery is also because of strong demand generated by consumers shifting from pork to poultry due to swine blue ear disease (PRRS) and sharp rise of pork prices. The MOA indicated that poultry cultivation employs over 10 million people with an annual output of RMB40 billion (\$5.2 billion). In 2006, China's total poultry meat production was 15.07 MMT ranking 2nd in the world, and total poultry egg production was 29.46 MMT ranking the first in 21 years running. (The People's Daily, 8/04/2007, ZJP)

Xinjiang cotton growth better than previous year

According to State Cotton Marketing Network's survey conducted in the beginning of August, Xinjiang cotton growth conditions are rated better than the previous year. In general, the current crop experienced less drought and diseases and the yield is likely to maintain high if the weather in the coming months remains normal. The survey shows the "de-heading" of the plants ended at the end of July, and the plant height ranges from 80-90cm, the per plant branches range from 9-12, balls 8-16 with 4-6 matured. All these parameters are better than that in previous year. The surveyed farmers expected higher cotton price in response to the recent price spike for many agriculture and animal products. (Cncotton.com, 08/09/07, WXP)

Ministry of agriculture to raise potato acreage in the coming years

To guarantee the food security, MOA will promote water-saving techniques for potato planting in drought hit region in the coming years. Over the previous 10 years, potato acreage has risen by 70% with an increase of 2 million ha. Potato has become an important crop for poverty alleviation in the western dry regions including Inner Mongolia, Gansu, Ningxia, Sichuan and Yunnan provinces in recent years. Take Gansu province for instance, the farmer favors the planting of potato as a drought resistant crop. The income from potato planting now accounts for 26 percent of farmer's annual net income in the province. (China National Grain & Oil News, 08/08/2007, JJY)

The rise in food prices is expected slow down in 2nd half 2007

Ministry of Commerce estimates that rise of the food prices will slow down in the second half of the year as compared with the first half. According to report by the Market Performance Department, Ministry of Commerce, except for the short supply of pork, other food items supply is basically guaranteed. The Chief Economist at National Statistical Bureau remarks that as more counter measures put in place in the second half of the year, the rising momentums in food prices will be curbed and annual consumer price index will possibly be contained below 4 percent. (Xinhua News Agency, 08/08/2007, JJY)

Food Safety

China issues new regulation on food safety

China's State Council publicized a special regulation on the supervision of food safety on July 27. The regulation issued by the State Council is aimed at intensifying the control over producers and distributors dealing with food products. The main points are: inspection and quarantine authorities, as well as commercial and drug supervisors, which should establish positive and negative records for Chinese food exporters and submit the records to the media regularly. Local governments at county levels and above are mainly responsible for the supervision of food product safety. Exporters of food products who provide fake quality certificates or evade quality and quarantine inspections will be fined three times the product's value. The regulation has also set out rules on the supervision of imported food products. China's imported food products should meet both the national compulsory standards and criteria in the contracts signed by Chinese importers and foreign exporters; Chinese importers should make detailed records of domestic distributions for imported food products and the records should be kept for at least two years. Inspection and quarantine authorities should establish a blacklist for foreign exporters to seriously punish domestic importers who introduce unqualified food products. (Xinhuanet, 08/02/2007, ZL)

Food safety information to be released every two weeks

In a news briefing held on August 8, the spokesperson of China's State Drug and Food Administration said a two-week food safety information release system is to be established. The system is based on discussions among all relevant ministries including SDF, MOA, MOH, SAIC, AQSIQ and the State Council's News Office. SDF is responsible for this information release based on combined information from all relevant ministries. Additionally, the spokesperson also said a sum to RMB8.8 billion (\$1.1 billion) government funds would be used within 3-5 years to implement the "Food and Drug Monitoring and Supervision Infrastructure Program". (Beijing Youth Daily, 08/09/07, WXP)

Government pumps in \$1 billion to raise drug, food safety

China will spend \$1.16 billion (8.8 billion yuan) to improve food and drug supervision, the industry watchdog announced yesterday. The money will mainly be spent on building or upgrading infrastructure that will be in place by 2010, State Food and Drug Administration (SFDA) spokeswoman Yan Jiangying said. SFDA will hold press conferences every two weeks to brief the media on the food security situation. The central and provincial watchdogs are authorized to seal factories, arrange spot checks, and seize materials when probing substandard goods. (China Daily, 08/09/07, ZQ)

Safe food and drugs

Officials from the State Food and Drug Administration (SFDA) revealed at a press conference that detailed rules to tighten supervision of the entire process from the purchasing of raw materials to the production and distribution of drugs and food would soon be released. The new rules will further specify the responsibilities of the producers and watchdogs. For example, supervisors from the SFDA are mandated to conduct on-the-spot inspections of production assembly lines to check whether the production follows the right procedure and to seal accounts, financial documents and contracts when they do find problems. Producers must recall their products that are found with quality or safety problems and they must shoulder the cost of doing so. Local government leaders are also bound with specific

responsibilities for food and drug safety. Those who fail to perform their duties will according to the new rules face severe penalties. (China Daily, 08/09/07, ZQ)

'McFood' better than food, kids say

Anything sold by McDonald's tastes better, preschoolers said in a study that powerfully demonstrates how advertising can trick the taste buds of young children. Even carrots, milk and apple juice tasted better to the kids if it was wrapped in the familiar packaging of the Golden Arches. The study has youngsters sample identical McDonald's foods in name brand or unmarked wrappers. The unmarked foods always lost the taste test. "You see a McDonald's label and kids start salivating," said Diane Levin, a childhood development specialist who campaigns against advertising to kids. The study will stir more debate over the movement to restrict ads to kids. It comes less than a months after 11 major food and drink companies, including McDonald's announced new curbs on marketing on children under 12. McDonald's says the only Happy Meals it will promote to young children will contain fruit and have fewer calories and less fat. (China Daily, 08/08/07, ZQ)

Campaign on banned chemicals

The central government has ordered a two-month law-enforcement campaign to halt the use and production of highly poisonous chemicals. The campaign, to last from August to September, is in response to news reports that "a dozen or so" pesticide producers were still making highly poisonous pesticides such as methylamine and phosphamidon. The five types of pesticides, banned earlier this year, are also highly polluting. Other less polluting pesticides are accepted in international practice and will not pose a threat to farmers or consumers. Wang Shoucong, Deputy Director of MOA Department of Farming Management, told China Daily the ministry is compiling a blacklist of lawbreaking companies. Official data shows that the overuse of pesticides has been rampant in China. The country sprays 1.45 million tons of pesticides annually, almost two times more than necessary. (China Daily, 08/09/07, ZQ)