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Crops

China's trade deficit of agricultural produces hits USD4,240 million in Jan. 2013

According to the Ministry of Agriculture of the People's Republic of China (MOA), China's trade deficit of agricultural produces hit about USD4,240 million in Jan. 2013, up by 82.0% YoY. The total export and import value of agricultural produces was USD16,260 million in Jan. 2013, up by 22.7% compared with that in 2012. Among which, the export value was USD6,010 million, while the import one was USD10,250 million, an increase of 10.2% and 31.5% respectively YoY.

In detail, in Jan. 2013, China's trade deficit of grain amounted to 947,000 tonnes. China imported 1,013,000 tonnes of grain with an import value of USD380 million, up by 10.2% and 2.2% respectively YoY; while the export value was USD53.73 million, an increase of 22.1% year on year. As to the edible oil seeds, its trade deficit hit USD3,200 million, up by 32.2% YoY. Among which, the import volume was 5,238,000 tonnes, a value of USD3,360 million, up by 6.9% and 28.5% respectively; while its export volume reached 87,000 tonnes, a value of USD160 million, decreased by 19.5% and 18.8% respectively YoY.

Besides, China's trade deficit of livestock products was USD1,290 million in Jan. 2013, an increase of 111.5% YoY. Of which, the import value was USD1,790 million, while the export one was USD500 million. They increased by 62.0% and by 2.4% YoY.

China's first agricultural insurance regulations take effect in March 2013

On March 1, 2013, China's first law for agricultural insurance, Agricultural Insurance Regulations (the regulations), formally became effective, helping to release the potential for the further development of agricultural insurance industry in China. The regulations are also conducive to the confidence of agricultural insurance enterprises and the emergence of new ones in China.

The market pattern of agricultural insurance in China has witnessed some changes in recent years. It is no longer limited to a few institutions specialized in agricultural insurance or some comprehensive insurance companies, but a market with over 20 players of insurance firms. China's agricultural insurance premium hit USD3.82 billion (RMB24.06 billion) in 2012, an increase of 38.4% year on year, said Xiang Junbo, Chairman of China Insurance Regulatory Commission.

"Our company intends to set up 10,000 service stations of agricultural insurance in rural areas in 2013. We invested USD952 million (RMB6 billion) in agricultural insurance indemnities in 2012, and our market share has increased by 7% in China", said Sheng Hetai, General Manager of the strategic planning department of The People's Insurance Group of China Co., Ltd. (PICC).

The implementation of the regulations is an opportunity for agricultural insurance companies, but it also brings some challenges in the meantime, said Han Tao, General Manager of the agricultural insurance department of China United Property Insurance Co., Ltd. (China Insurance).



Occurrence forecast of wheat pests and diseases in 2013

According to the data from a national discussion forum organized by the National Agro-Tech Extension and Service Centre (NATESC) in which hundreds of crop protection experts attended, accumulative occurrence area of wheat pest and disease in 2013 is forecasted to reach about 66.67 million ha., a situation milder than that in 2012.

For wheat pests, wheat aphid is forecasted to have a total covering area of 16.67 million ha. in 2013, mainly occurring in Hebei, Shandong, Shanxi, Ningxia, Henan, Anhui and Jiangsu. Similar situation of wheat midge would come to Hebei, Shanxi and Henan, covering a national area of 2.87 million ha. While the occurrence area of wheat spider would be 6.13 million ha., principally infesting in Hebei, Shandong, Shanxi, Hubei, Henan and Hebei.

As to wheat diseases, it is forecasted that powdery mildew would infest, with a occurrence area reaching 7.00 million ha., in most areas, such as Henan, Jiangsu and Shaanxi, but comparatively mildly in Hebei, Shandong, Shanxi, Anhui, Hubei, Guizhou, Sichuan, Gansu and Yunnan. In terms of sheath blight, it is forecasted to seriously occur in Henan, Anhui and Jiangsu with a national occurrence area of 9.13 million ha. in 2013. While Leaf rust would be found in Henan and Shanxi, and less in Hubei and Anhui, amounting to 2.47 million ha. nationwide.

MOA to better rice yield target

Recently, the Ministry of Agriculture of China (MOA) has formally launched a research program that China's target unit yield of rice could reach 14.99 tonnes per ha. in 2015. The program led by Yuan Longping (father of hybrid rice), mainly organized by the China National Hybrid Rice R&D center, the China National Rice Research Institute, the Chinese Academy Of Agricultural Sciences, Crop Science Institute and other agriculture research teams. They will breed rice to reach the unit target in China's major rice planting areas through collaborative research.

Domestic experts in this field believe that it still leaves room for yield rise of rice in China via making full use of photosynthesis. Actually, In 2012, a unit yield over 14.99 tonnes per ha. did come to some paddy in the major rice planting areas.

Research on super-hybrid rice began in 1996 as part of China's efforts to ensure food security. A team of researchers led by Yuan Longping reached a target unit yield of 10.49 tonnes per ha. and 11.99 tonnes per ha. in 2000 and 2005, respectively, setting world records both times. Last September, his team further raised the yield to 13.89 tonnes per ha.



China's first development plan for flower industry issues

The State Forestry Administration of China issued a National Development Plan for Flower Industry (2011-2020) (Development Plan), which will provide an important guide for developing the domestic flower industry in the next several years.

As mentioned in the plan, China will improve the credit support for the flower enterprises and establish an insurance system to lower risks. According to the plan, flower planting area in 2015 will be 1.3 million ha. or so, and flower sales will reach USD27 billion (RMB170 billion), including an export value of USD1 billion. Besides, there will be at least 20 flower enterprises in China whose single output value exceeds USD16 million (RMB100 million) per year at the end of 2015. While the number of enterprises like these will increase to at least 20 in another five years when the flower industry achieves an information management with a stable planting area and reasonable structure.

At present, China's flower industry is changing from the traditional planting into an industrial chain of processing and service. The plan of flower industry proposes six systems for its development nationwide, including innovation system for flower new varieties, promotion system for flower R&D, flower production and management system, circulation system, flower socialization services system and flower culture system.

China forecasts insect pest occurrence to 366.7 million ha. in 2013

At the end of Feb., 2013, the National Agricultural Technology Extension and Service Center (NATESC) forecasted that the accumulative occurrence area of pests and diseases in China would totally reach 366.7 million ha. in 2013. Thereinto, the area affected of rice, corn and wheat insect pests in China is forecasted to reach 70 million ha., 55.3 million ha. and 36 million ha. respectively.

It is worth noticing that three insect pests would break out in 2013, namely, rice planthopper, wheat aphid and wheat midge, according to the forecast by the NATESC. The outbreak of rice planthopper would occur in southern China, particularly in parts of South China and Southwest China. While a similar situation of wheat aphid would come to Hebei and Shandong Province, and wheat midge to parts of Hebei and Shaanxi Province.

The forecast statistics are mainly on the basis of the quantity of residual pest egg per area, cropping system and climate conditions from last winter to this spring.

State Council approves a construction plan for high-yield farmland

On March 16, 2013, the State Council of China approved a construction plan for high-yield farmland (the plan), according to the National Comprehensive Agricultural Development Office of the Ministry of Finance. By the end of 2020, China will have altogether 26.67 million ha. of high-yield farmland through upgrading medium-low-yield farmland, with 22.67 million ha. through an investment by comprehensive agricultural development funds, and the rest by funds of co-ordination and integration. Then the output of grain per unit will increase by more than 1,500 kg/ha, directly benefiting about 32 million farmers with an individual increasing income of USD478/ha. (RMB3000/ha.).



The main purpose of the plan is to guarantee not only the farmers' property rights and interests, but also the food safety with a planting area of at least 120 million hectares. China will mainly aims to produce more grains, develop the high-yield basic farmland and advanced technologies, increase overall agricultural production capacity, and effectively ensure the supply of grain and other important agricultural products.

According to the Ministry of Agriculture of China, there is about 36.67 million ha. of high-yield farmlands, while the rest one is medium-low-yield farmland accounts for 70% of Chinese farmland, of which about 139.52 million ha. is easy to upgrade.

Spot trading volume of cotton declines in February

According to a report released by the China Cotton Association recently, the spot cotton trading witnessed a comparatively stagnant domestic market in Feb. 2013, mainly resulting from the span of Chinese New Year. Most of the textile enterprises in February this year had a holiday ahead of time but delayed to resume after the festival, which means their suspension of cotton sales and reserves during this period.

The report shows that the company's trading volume of cotton spot declined in February but its price remain stable relatively. China's cotton price index (CC Index 328) was USD3,077/t (RMB19,325/t) at the end of February with an increase of USD8.6/t (RMB54/t), up 0.3% month on month.

In addition, trading volume of cotton was 210,000 tonnes in February with a decrease of 60 tonnes compared with that in January due to the suspension of cotton purchasing and storage during the period of the Chinese New Year. At the end of February, the total volume of purchasing and storage was over 6.22 million tonnes.

Chinese scientists map out the D genome of wheat

Reportedly, Chinese scientists have mapped a key genetic code for wheat after five years of research, marking China's wheat genome research into the most advanced in the world. The discovery will help improve the wheat's productivity and ability to withstand extreme conditions. Besides, the research result was published on the website of the journal Nature on March 24, 2013.

The research, launched by a team from the Institute of Genetics and Development Biology under the Chinese Academy of Sciences (CAS), was conducted by Shenzhen-based BGI, a leading genomics organization, and other research institutes, focusing on the genome sequencing and analysis of the wild diploid grass *Ae. tauschii*.

Ae. tauschii(DD), also known as Tausch's goatgrass, is a diploid goat grass species which has contributed the D genome of common wheat. Around 8,000 years ago in the Fertile Crescent, it crossed with the tetraploid wheat *T. turgidum* (AABB) in rare hybridization events that resulted in the hexaploid wheat *T. aestivum*. However, the modern strategy of breeding for hybrid vigor has been accompanied by marked changes in patterns of gene expression.

Wheat is a globally important crop due to its enhanced adaptability to a wide range of climates and improved grain quality for the production of baker's flour. Major efforts are underway worldwide to increase its yield and



quality by increasing genetic diversity and analyzing key traits related to its resistance to cold, drought and disease. However, the extremely large size and polyploid complexity of the wheat genome has to date been a substantial barrier for researchers to gain insight into its biology and evolution.

Persistent drought strikes tea in Yunnan

Persistent drought in 2012 has stricken more than 40,000 ha. of tea tree in Yunnan Province and spring tea prices rose more than 10% YoY, announced the Ministry of Agriculture of Yunnan Province (Yunnan MOA) on March 21, 2013.

Due to the low precipitation, high temperature and strong spring wind, teas in the major planting areas such as Puer City, Lincang City, Dali City and Chuxiong City have been affected by the drought in varying degrees. According to the statistics of the Yunnan MOA, Puer City is the most serious affected area, with an area of 27,933 ha. Then comes next is Dali City, reaching 5,120 ha.

Yang Qingwen, sale manager of King of Puer Tea Industry Group Co., Ltd., said that the drought had resulted in a reduction of tea output and a rise in price of spring tea, with an increase of YoY 20% for puer tea, 10% for green tea, and 30% for black tea. Apart from the drought, the rising labor cost and market demand are also the reasons for their price increases. Mr. Yang expects that the price of spring tea may continue to rise in the near future according to the present situation.

China formally sets up Agricultural Industry Development Fund

On March 21, 2013, the opening ceremony of China Agricultural Industry Development Fund (the fund), the first national agricultural industry fund in China, was held in Beijing. With a duration of 15 years, the fund is jointly raised by the Ministry of Finance, the Agricultural Development Bank of China, China Cinda Asset Management Co., Ltd. and China CITIC Group Co., Ltd. With an initial size of USD0.64 billion (RMB4.00 billion), four founders contributed USD0.16 billion (RMB1.00 billion) each.

The fund will focus on supporting domestic leading agricultural enterprises to improve their capital strength and lure more capital and talents, and upgrade new technologies. This will further enhance the overall level of development of agricultural industrialization.

As a matter of fact, the fund is another exploration of China to support agriculture development with financial measures. In Jan. 2010, Henan Provincial Government and China CITIC Group Co., Ltd. jointly set up the first agricultural development fund named "Henan Agricultural Development Investment Fund" at home with a total amount of USD0.76 billion (RMB4.80 billion).



Decreasing market purchase price of corn increases the temporary purchase volume of corn

The decreasing market purchase price of corn during Feb.-March 2013 increased the temporary purchase volume of corn in 2012/2013 (When the market purchase price of corn from farmers decreases lower than temporary purchase price, temporary purchase launches).

As of late March 2013, China Grain Reserves Corporation (China Grain Reserves) has purchased 8.7 million tonnes new corn in Northeast China. According to Jilin Corn Center Exchange Ltd., the temporary purchase volume of corn in Northeast China will exceed 14 million in 2012/2013.

Due to the sufficient supply and low quality of corn in Northeast China, the purchase price of moisture corn from farmers decreased to about USD210/t in some areas of Heilongjiang, obvious lower than the temporary purchase price of corn in 2012/2013. Owing to the snow, the sales progress of corn in Northeast China is later than normal. Plus that the excessive rainfall increased the moisture content of corn, which made the corn easy to get moldy, farmers are urgent to sell their moisture corn when temperature gets higher. But the demand for corn in downstream industries was not strong. As a result, intermediate traders reduced their purchase price of corn from farmers.

Please refer to *Corn Products China News 1304*.

Agricultural means of production industry

Urea daily on March 4

On March 4, 2013, the price of urea in domestic markets is rather stable, except for a slight fluctuation in some regions. Overall, the temporary mainstream price of urea may witness a slight increase in the stability, despite its limited rising space due to the little acceptability of its price in the short term.

In Shandong province, sales of urea witness a upturn in the prime season for winter wheat and the use of urea on a big scale. The ex-works price is USD342.2/t (RMB2,150/t), an increase of USD3.2/t (RMB20/t) day on day.

As to Henan, Hebei, Hunan, Hubei and Northeast China, the urea price remains stable temporarily despite the mediocre demand from markets. The ex-works prices of urea are USD334.4/t–USD342.4/t (RMB2,100/t–RMB2,150/t) in Henan and Hebei; USD345.5/t–USD350.3/t (RMB2,170/t–RMB2,200/t) in Hubei; and USD350.3/t–USD358.3/t (RMB2,200/t–RMB2,250/t) in Hubei and northeast China.

However, the market of urea in Anhui witnesses a decrease by USD4.8/t (RMB30/t) in the quotation of individual manufacturer, which mainly due to two reasons. Firstly, over is the prime season of winter wheat for urea, while the next prime season has to wait until May when rice and corn began to use urea. Secondly, the market demand is somewhat weak in South China.



Domestic enterprises gain 23 new registrations of pesticide active ingredient in 2012

According to the Institute for the Control of Agrochemicals, Ministry of Agriculture (ICAMA), 23 kinds of pesticide active ingredients were registered by domestic enterprises in China for the first time in 2012, including eleven kinds of herbicides, six kinds of fungicides, five kinds of insecticides and one kind of rodenticide.

In 2012, 177 pesticide active ingredients, including renewals, gained registration in China in 2012, among which, there are sixty-nine kinds of herbicide, forty-six insecticide, fifty-one fungicide, five acaricide, three bio-pesticide, and one kind of nematocide, antiviral agents and rodenticide respectively.

TABLE 1: 23 pesticide active ingredient that were registered by domestic enterprises in 2012 for the first time

| Item | Active ingredient | Registrant | Type |
|-----------------|--|---|-----------|
| Herbicide (11) | Flumioxazin | Shangyu Nutrichem Co., Ltd. | Formal |
| | Prosulfuron | Jiangsu Changqing Agrochemical Co., Ltd. | Temporary |
| | Pentoxazone | Jiangsu Zhongdan Chemical Technology Co., Ltd. | Temporary |
| | Imazapic | Shandong Cynda Chemical Co., Ltd. | Formal |
| | S-metolachlor | Shangyu Nutrichem Co., Ltd. | Formal |
| | Orthosulfamuron | Yancheng South Chemicals Co., Ltd. | Temporary |
| | Acifluorfen-sodium | Shangyu Nutrichem Co., Ltd. | Formal |
| | Florasulam | Jiangsu Agrochem Laboratory | Formal |
| | | Shandong United Pesticide Industry Co., Ltd. | Formal |
| | Carbetamide | Hebei Wanquan Agrochemical Co., Ltd. | Temporary |
| | Flupropanate-sodium | Zhejiang Lanxi Juhua Fluorine Chemicals Co., Ltd. | Temporary |
| Amidosulfuron | Jiangsu Reopnt Pesticide Factory Co., Ltd. | Formal | |
| Fungicide (6) | Zoxamide | Dalian Kaifei Chemical Co., Ltd. | Temporary |
| | Polyoxins B | Shanxi Green Sea Pesticide Technology Co., Ltd. | Formal |
| | Fludioxonil | Zhejiang Boshida Crop Technological Co., Ltd. | Formal |
| | | Shangyu Nutrichem Co., Ltd. | Formal |
| | Ivdingjunzhi | Jiangsu Baoling Chemical Co., Ltd. | Temporary |
| | Tetramycin | Liaoning Wkioc Bioengineering Co., Ltd. | Temporary |
| | Bupirimate | Xi'an MPC Stock Co., Ltd. | Temporary |
| Insecticide (5) | Chlorfenapyr | Shandong Weifang Shuangxing Chemicals Co., Ltd. | Formal |
| | Spinosad | Shanghai Nongle Biological Products Co., Ltd. | Formal |
| | | Mudanjiang Bioseen Biology Technological Co., Ltd. | Formal |
| | Methoxyfenozide | Shangyu Yinbang Chemical Co., Ltd. | Formal |
| | Thiamethoxam | Huludao Lingyun Group Pesticides Chemical Co., Ltd. | Formal |
| | | Shijiazhuang Richem Co., Ltd. | Formal |
| | | Shandong United Pesticide Industry Co., Ltd. | Formal |
| | | Anhui Guangxin Agrochemical Co., Ltd. | Formal |
| | | Jiangsu Luye Agrochemicals Co., Ltd. | Formal |
| | | Shandong Hailier Chemical Co., Ltd. | Formal |
| Indoxacarb | Nantong Shizhuang Chemical Co., Ltd. | Formal | |
| | Shangyu Nutrichem Co., Ltd. | Formal | |
| Rodenticide (1) | Cholecalciferol | Zhejiang Garden Biochemical High-tech Stock Co., Ltd. | Temporary |

Source: ICAMA



Qinghai Salt Lake Industry to produce one million tonnes of potassium chloride

On March 8, 2013, Qinghai Salt Lake Industry Co., Ltd. (Qinghai Salt Lake Industry), a China-based company engaged in manufacture and distribution of chemical fertilizers, announced that its application for launching a potassium chloride project with an annual capacity of one million tonnes had been approved by the National Development and Reform Commission of China (NDRC).

Introduced by Qingdao Salt Lake, the total investment of the project will amount to a value of USD434.51 million (RMB2,724.37 million). The company itself will invest 30% of the total funds that the project needed, namely, USD130.35 million (RMB817.31 million). While the rest of USD304.16 million (RMB1,907.06 million) are to be loaned from banks. The company will complete the project as soon as possible.

The company will use some new technology to upgrade the current devices, so as to reinforce its ability of comprehensive utilization of resources. This will also further ameliorate the project by minimizing the concomitant pollutants, and trying to achieve near-zero emissions of pollutants.

Jiangsu: 2012 net profit of major pesticide enterprises up by 31% YoY

According to the statistics from the Jiangsu Provincial Crop Protection Industry Association, the industrial output value in 2012 of the 27 major pesticide companies in Jiangsu Province reached USD7.03 billion (RMB44.12 billion), with a profit of USD0.44 billion (RMB2.78 billion), up by 31.0% YoY, and its sales rose by 13.2% YoY to USD7.16 billion (RMB45.00 billion). While its pesticide business reached USD5.48 billion (RMB34.42 billion), an increase of 18.3% YoY, with a profit of USD0.38 billion (RMB2.39 billion) and sales of USD5.35 billion (RMB33.58 billion).

Except the herbicide and fungicide, the output of insecticide and other kinds of pesticide, plant growth regulators in particular, decreased in varying degrees in 2012. Generally speaking, the overall pesticide industry in Jiangsu Province performed well in 2012.

Total pesticide output of the 27 major enterprises in 2012 reached 391,074 tonnes, an increase of 8.1% YoY. In detail, the output of fungicide was 69,211 tonnes, climbing by 4.1% YoY, herbicide 226,941 tonnes, up by 19.0% YoY, reaching 190,647 tonnes. Meanwhile, the insecticide was 83,316 tonnes, decreased by 8.0% YoY; while plant growth regulators declined to 7,248 tonnes, down by 14.9% YoY, and acaricide 1011 tonnes, a decrease of 8.5% YoY.

As to its export volume, the 27 pesticide companies' pesticide reached 197,964 tonnes in 2012, an export value of USD1.34 billion (RMB8.42 billion).

The top ten pesticide export enterprises in China

The top ten pesticide export enterprises in China in 2012 have been decided on the 14th China International Agrochemical & Crop Protection Exhibition held in Shanghai, according to the statistics from the General Administration of Customs of the People's Republic of China (China Customs). The total value of pesticide



export of these top ten enterprises in 2012 amounted to USD2.5 billion, each one reaching at least USD170 million. The top ten include such enterprises as Nutrichem Laboratory Co., Ltd., Zhejiang Wynca Chemical Group Co., Ltd., Shandong Weifang Rainbow Chemical Co., Ltd., Jiangsu Yangnong Chemical Co., Ltd., Nantong Jiangshan Agrochemical & Chemicals Co., Ltd., etc.

Actually, the domestic pesticide enterprises witnessed an increase in 2012 not only in their number to tap into the overseas market, reaching more than 1,000, but also in their total export volume. Last year, China's total import and export volume of pesticides increased by 14.6% YoY, reaching 1.66 million tonnes, a value of USD8,495 million, up 26.94% YoY. Thereinto, the export volume and import one was 1.61 million tonnes and 53,800 tonnes, up 14.25% and 26.29% respectively. They respectively amounted to USD7,927 million and USD568 million, rising by 28.12% and 12.48%.

In 2013, China's import and export of pesticide are expected to present four characteristics. Firstly, pesticide export is expected to continue increasing thanks to an increasing attention to pesticides worldwide. Secondly, export of formulations would increase further. Thirdly, emerging market would develop rapidly while traditional one becomes saturated. Fourthly, the development of non-agricultural use of pesticides is expected to be accelerated while the export of bulk pesticides would be stable relatively.

CNDCA recommends a ban on the import of GM seed for staple food

During the period of the National People's Congress and Chinese People's Political Consultative Conference (NPC & CPPCC), China National Democratic Construction Association (CNDCA), one of China's eight non-communist political parties, recommended a ban on the approval of genetically modified (GM) seeds for commercialization in China, due to the high market share of foreign seeds in domestic market.

CNDCA recommended several measures in the proposal to protect China's seed industry.

First of all, China should frame regarding laws to ban on the import of GM seeds for staple food. The proposal noted that the advantage of multinational seed companies lies in transgenic technology, advancing almost for 20 years than that in China. The domestic market of GM seeds will definitely be devoured by these companies when China open up its market to them.

Secondly, China should ameliorate relevant policies and regulations to prevent the loss of germ plasm resources. CNDCA propose revising the law of seed to avoid any illegal accessibility of foreign research institutions, including multinational corporations, to domestic germ plasm resources, and establishing a tracing system of the breeding of core germ plasm resources.

Thirdly, China should establish an accountability system to prevent germ plasm resources from inflowing into multinational companies without compensation.

In addition, the proposal advanced a breeding project composed of experts specilized in this field, which can also avoid the brain drain.



China pesticide sales up by 23% YoY in 2012

According to the China National Bureau of Statistics (NBS), a total industrial output value of USD38.85 billion (RMB244.02 billion), was realized in the total 804 Chinese pesticide enterprises above designated size in 2012 with an increase of 24.4% YoY. Their total sales reached USD37.63 billion (RMB236.34 billion), up 23.2% YoY. Thanks to its high domestic demand, fast growing market overseas and high price, the profit of pesticide industry reached USD2.20 billion (RMB13.84 billion) in the first eleven months of 2012. Besides, losing enterprises in the whole field fell by 28.5% to USD103.50 million (RMB650 million), which showed a better performance in 2012.

In Dec. 2012, the total industrial output value of pesticide was USD4.04 billion (RMB25.37 billion), an increase of 37.6% than the same period last year. The Sales of pesticides at this period increased by 35.2% to USD3.89 billion (RMB24.44 billion). Among them, output value and sales growth of bio-pesticides both exceeded 45%.

TABLE 2: Major economic indicator of domestic pesticide in 2012

| Category | Number of company | Industry output value, billion USD | YoY change, % | Sales, billion USD | YoY change, % |
|--------------------|-------------------|------------------------------------|---------------|--------------------|---------------|
| Chemical pesticide | 680 | 33.64 | 22.1 | 32.56 | 21.0 |
| Bio-pesticide | 124 | 5.21 | 42.1 | 5.07 | 39.8 |
| Total | 804 | 38.85 | 24.4 | 37.63 | 23.2 |

Source: NBS

China: USD79.62 million subsidies for primary processing of agricultural produces

The Ministry of Finance of the People's Republic of China (MOF) decided to continue the implementation of the grant project for primary processing of agricultural produces in 2013, in order to solve the serious loss of post-harvest last year in China. In addition, MOF will invest USD79.62 million (RMB500 million) to carry out the project in 14 provinces in 2013, focusing on supporting the farmers and cooperatives to build potato storage cellar, fruit and vegetable ventilation libraries, cold storage, drying room and other primary processing facilities.

It is obvious that the project has achieved remarkable results and been generally welcomed by farmers since its implementation in 2012. Thanks to the project, about 18,629 farmers and 1,095 cooperatives have entitled to the subsidies, with 28,268 storage and drying facilities, developing a storage capacity of 0.8 million t/a for potatoes, fruit and vegetable, and new drying capacity of 0.3 million t/a. The average prices of potatoes and vegetable increased by 10%–20% last year in the target regions, making a value appreciation over 30% to those in storage.

Liaherd Chemical expects a loss in Q1 2013

On March 20, 2013, Shandong Liaherd Chemical Industry Co., Ltd. (Liaherd Chemical), a China-based company engaged in manufacture and sale of non-organic chemical products and chemical fertilizers, announced that its net loss for the first quarter of 2013 is expected to be USD0.64 million–USD1.27 million



(RMB4.00 million–RMB8.00 million). The company attributed its loss to the declining selling price of its main products such as ammonium nitrate and nitric acid, and to the stable price of its the main raw material.

As a matter of fact, Liaherd Chemical has suffered from loss for the first time in 2012 since its listing. According to the company's 2012 financial report, its total revenue was USD188.38 million (RMB1,183 million) in 2012 with a decrease of 13.54% YoY. In addition, its net loss reached USD1.86 million (RMB11.66 million). The company cited the downturn in the chemical industry as the main reason for its loss. The company's main products fell in price compared to the same period of 2011. Prices of ammonium nitrate and melamine decreased by 21.55% and 12.55% YoY respectively.

Sinochem Group sign an agreement with Monsanto

On March 12, 2013, Sinochem Group, a major state-owned agricultural conglomerate, has signed an agreement with the US-based crop-biotechnology company Monsanto, obtaining the rights for selling glyphosate in Roundup brand (Roundup) in Australia and New Zealand.

The agreement is built on the existing cooperation between two companies, since Sinochem Group sells Roundup in China and the Philippines at present. According to the agreement, Sinochem Group will be the exclusive distributor of Roundup in the markets of Australia and New Zealand since Sept. 2013. In addition, Sinochem Group could begin to sell relative products in June 2013 in accordance with the principle of non-exclusive sale.

The cooperation has given Sinochem Group a good opportunity to sell its own products in Australia and New Zealand market. With its growing business in Australia, Sinochem Group is interested in planning and producing some of its own products in its Australian factory.

CNGC develops two new fertilizers

Recently, North Huajin Chemical Industries Group Corporation (CNGC) has begun to developed two new fertilizers, namely, the bulk blending fertilizer (BB fertilizer) and the compound fertilizer of MUSP with a new process of compound fertilizer production from the tailings of phosphate rock with iron-containing element. Both are researched and developed by CNGC itself. In addition, they have passed the identification of Liaoning provincial scientific research in Dec. 2012.

At present, the technological process for the MUSP pilot project of compound fertilizer has been decided. Besides, CNGC has optimized the existing equipment resources and signed some contracts on buying new equipment. The pilot project is expected to be finished in the second quarter of 2013, with a capacity of 50,000 t/a after its successful trial production.

As for the BB fertilizer project, it will rely on the process of large granular urea to optimize and add urea production equipment and warehouses for raw materials and finished products. The project is expected to be launched during 2013.



Denghai Seeds expects a rising net profit in Q1 100%-150%

On March 26, 2013, Shandong Denghai Seeds Co., Ltd. (Denghai Seeds), a listed company engaged in the provision of corn seeds, vegetable seeds and wheat seeds in China, announced that its net profit in Q1 2013 is expected to be USD9.88 million–USD12.35 million (RMB62.06 million–RMB77.57 million), an year-on-year increase of 100%–150%.

Introduced by Denghai Seeds, the whole company, especially its subsidiary Shandong Denghai Pioneer Seed Industry Co., Ltd., performs well in terms of its revenue compared with that in the same period of 2012.

Reportedly, Denghai Seeds will announce its 2012 financial report on April 23, 2013. The company had expected its net profit of 2012 to be USD36.94 million–USD48.09 million (RMB232 million–RMB302 million) with a year-on-year increase of 0%-30%.

Lanfeng Bio-chemical 2012 net profit down 29% YoY

On March 26, 2013, Jiangsu Lanfeng Bio-chemical Co., Ltd. (Lanfeng Bio-chemical), announced that its net profit in 2012 was USD9.43 million (RMB59.23 million), declined by 29.04% compared with that in 2011. Its total revenue was USD202.07 million (RMB1,269 million) with an increase of 10.96% YoY, earnings per share of USD0.04 (RMB0.28). Besides, the company will use undistributed profits to pay a cash dividend of RMB1 (pre-tax) per 10 shares. Lanfeng Bio-chemical is a listed company engaged in the production and distribution of raw materials and preparations of fungicides, insecticides and herbicides, as well as the fine chemical intermediate products.

The company's revenue last year rose thanks to its increasing production and sales; while its profit year-on-year declined mainly due to an underproduction of some products, an increase of cost in environmental protection, as well as the temporary underperformance of some investment plans.

Salt Lake Industry performs well in 2012

On March 26, 2013, Qinghai Salt Lake Industry Co., Ltd. (Salt Lake Industry), a China-based company principally engaged in manufacture and distribution of chemical fertilizers, announced that its net profit in 2012 reached USD402 million (RMB2,524 million) with an increase of 1.74% compared with that in 2011. Its total revenue in 2012 was USD1.32 billion (RMB8.27 billion), up 22.03% YoY, with an earning per share USD0.25 (RMB1.59). The company will use undistributed profits to pay a cash dividend of USD0.25 (RMB1.59) (pre-tax) per 10 shares.

The company believes that its significant increase of revenue in 2012 mainly owns to the increasing sales of potassium chloride products, reaching 458,400 tonnes, a value of USD1,129 million (RMB7,089 million), rising by 19.04% YoY, an increasing value of USD185 million (RMB1,161 million). Anyway, Salt Lake Industry performs well in 2012 despite its increasing cost in operation, sales and finance, which affected the growth rate of net profit in a manner.



China formally sets up Seed Industry Development Fund

On March 28, 2013, the opening ceremony of China Seed Industry Development Fund (the fund), the first national seed industry fund involved the government and market-oriented operation, was held in Beijing. With a duration of 10 years, the fund is jointly raised by the Ministry of Finance, the Agricultural Development Bank of China, Sinochem Group and the Ministry of Agriculture of China. With an initial sum of USD0.24 billion (RMB1.50 billion), the first three founders contributed USD0.08 billion (RMB0.5 billion) each. Besides, the fund will expand the raising scale by joining funds with other investors to set up a sub-fund, expecting another raising fund of USD0.80 billion–USD1.27 billion (RMB5 billion–RMB8 billion).

The fund will focus on supporting domestic leading seed enterprises with equity investments and advising on Chinese measures and other services to them, particularly to those with a breeding ability, a high market share and a large scale of operation.

The fund will attract social capital and industrial teams to join in the investment and management to the seed industry. This will promote the breeding capacity of the seed companies, the production level of processing technology and marketing capability, as well as further develop seed enterprises.

Sanonda achieved USD16.7 million net profit in 2012

According to Hubei Sanonda Co., Ltd. (Sanonda)'s 2012 annual report, the company achieved a net profit of about USD16.7 million (RMB103.7 million) in 2012 with a year-on-year growth of 96.2%. Its total revenue attained USD377.4 million (RMB2.3 billion) with a year-on-year growth of 23.4%.

As for its products range, the agrochemical business is still the major source of income for Sanonda and the business totaled a revenue of USD375.9 million (RMB2.3 billion) with a gross profit margin of 14.9% in 2012, up 1.44% year on year. It's observed that Sanoda's chlor-alkali business had the fastest growth and its gross profit margin in 2012 reached 24.6%, increasing by 16.1% year on year. The gross profit margin of new materials & special chemicals, hitting 47.3%, is the highest among all Sanonda's businesses in 2012.

Please refer to *Herbicide China News 1304*.

TABLE 3: Sanonda's operating performance, 2010-2012, million USD

| Item | 2010 | 2011 | 2012 |
|------------------|--------|--------|--------|
| Total revenue | 252.69 | 305.96 | 377.43 |
| Operating profit | 4.77 | 11.77 | 23.48 |
| Net profit | 3.81 | 8.51 | 16.70 |

Source: Sanonda's annual reports for 2010, 2011 and 2012



Qingdao Hailir to get through environmental scrutiny for IPO

On March 15, 2013, Qingdao Hailir Pesticides & Chemicals Co., Ltd. (Qingdao Hailir) released its report of environmental scrutiny from Jan., 2010 to Dec., 2012, which announced that Qingdao Hailir reach the standard for environmental protection of IPO. The report has not been approved yet, as it still needs to accept inspection for public. But it is a matter of time for Qingdao Hailir to get approval for IPO successfully.

Qingdao Hailir plans to issue A shares in the stock market of small and medium-sized enterprises board. With the funds by equity financing in IPO, the company would launch its projects on expansion for R&D center and water-based pesticides formulation production.

According to relative policies concerning securities regulation and environmental protection in China, heavy pollution enterprises including pesticide enterprises have to secure approval of environmental scrutiny by environmental protection department before issuing stocks for IPO. And the term of environmental scrutiny for IPO is not less than 36 months. Against this backdrop, Qingdao Hailir and its manufacturing subsidiaries namely Shandong Qingdao Aodisi Biological Technical Co., Ltd. (Qingdao Aodisi) and Shandong Hailier Chemical Co., Ltd. (Shandong Hailier) have to be inspected by local environmental protection departments from 2010.

Please refer to *Insecticides China News 1304*.

Livestock & poultry industry

The U.S. pork importer shall provide clenbuterol inspection report

According to the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ), since March 1, 2013, meat importers or their agents should provide an inspection report of non-clenbuterol residue which issued by a qualified test institutions when importing pork from the U.S. It signifies no traces of ractopamine can be found in pork products to enter into the Chinese market starting from March 1, 2013.

Clenbuterol, a banned drug added to the feed of animals to increase their weight gain, better known in China as the lean meat powder, has been banned in China since December 2011. In the past, clenbuterol was mostly used to increase weight gain of livestock. It speeds up muscle growth in livestock but is harmful to human health and may give rise to cancer.

Pig purchasing price expected to fall again

In recent several weeks, purchasing price of pigs has been continually falling, being expected to be so in the near future, since their supply exceeds demand in markets.

On March 8, 2013, pig price continued to fall, closing to USD2.07/kg (RMB13.00/kg), a price on the verge of loss, according to the Ministry of Commerce of the People's Republic of China. In Northeast China, purchasing price of pig on average declined significantly in Jilin Province, reaching USD2.14/kg (RMB13.40/kg), a



decrease of USD0.14/kg(RMB0.90/kg) week to week; while in Heilongjiang Province the price fell to USD2.04/kg (RMB12.80/kg). As to North and East China, average purchasing price of pigs also witnesses an obvious fall. In Henan, Hubei and Fujian, the market saw a drop of pig price between USD0.02/kg–USD0.05/kg (RMB0.15/kg–RMB0.30/kg) week to week; while it is relatively stable in Hebei, Jiangsu and Anhui. The significant decline of purchasing price of pigs also came to the markets in South China, especially in Guangdong and Guangxi provinces, with a decrease of USD0.05/kg (RMB0.30/kg) week to week.

It is expected that the market price of pigs will not rebound in the near future due to the fact that their supply exceeds demand. A great seasonal demand for pork before China's New Year is over. Considering the relatively low demand and price for the moment as well as the fluctuation cycle of pig price, the overall prospect of pig price is likely to remain comparatively bleak in the first half of 2013.

Shennong Agricultural Group to establish a sow nucleus farm

Reportedly, Yunnan Shennong Agricultural Group Co. Ltd. (Shennong Agricultural Group), has signed a joint venture agreement with Genus PIC days ago, mainly for a 1,000-sow nucleus farm under the PIC's management in Yunnan. The farm will introduce pure line porcine stock from the Genus PIC's global high-health pyramid in the second half of 2013.

In addition, the nucleus farm is expected to be full operation in 2014. It will produce crossbred grandparent females. Shennong Agricultural Group will use at least 40% of the output to support the expansion of its pig production program. The remaining animals will provide important additional volume to support the growing sales of Genus PIC breeding animals in China.

Operating for more than 50 years, Genus PIC is a global leader in providing pig breeding stock and technical support for maximizing genetic potential to commercial pork producers.

Shennong Agricultural Group is a leading vertically integrated pig producer in China's Yunnan province. Since its beginning as a commercial feed producer in 1999, the company held firm has established pig production farms and value-added slaughtering, meat processing and retailing businesses.

Contract draft for egg futures issues with a threshold of USD796 at minimum

On March 18, 2013, the Dalian Commodity Exchange (DCE), one of the four futures exchanges in China and the only futures exchange in Northeast China, issued a contract draft for eggs futures and has begun to solicit opinions from the public till March 25, 2013. However, there is no specific timetable for eggs trading in the futures market.

According to the draft, the minimum threshold of egg futures is USD796 (RMB5,000) generally, with a unit of 500kg. Its price fluctuation will remain within 4% of the settlement one in the previous day, with RMB1 per 500kg. The draft shows that the minimum trading deposit will be 5% of the contract value; Its contract trading months will be the whole year except July and August. The last trading date lies in the tenth in the contract month, after which comes the settlement one of physical delivery in the following two days.



The annual output of eggs in China is about 23 million tonnes, a total value of USD56 billion (RMB350 billion). With the egg futures in the market, the industry of breeding hens is believed to become better and better in China.

Shunxin Agriculture: 2012 sales up but net profit down

On March 20, 2013, Beijing Shunxin Agriculture Co., Ltd. (Shunxin Agriculture), a listed company engaged in the breeding of boar, the slaughter of pigs, the processing and sale of meat, as well as the brewing and distribution of spirit in China, announced its 2012 financial report. According to the report, the company's total sales was USD1.33 billion (RMB8.34 billion) with an increase of 10.05% YoY. However, its net profit declined sharply 58.99% YoY to USD20.06 million (RMB125.82 million).

As to Shunxin Agriculture's main business, the sales of spirit was USD0.52 billion (RMB3.24 billion) with an increase of 29.35% YoY, thanks to its good performance beyond Beijing market. The markets in Tianjing, Shanxi, Henan, Shandong, Liaoning and Inner Mongolia witnessed an obvious sales growth last year. Besides, its sales of boar breeding increased 55.31% YoY to USD47.80 million (RMB300.21 million), owing to the new progress in terms of operation, brand and social responsibility.

However, the sales of pigs was USD0.51 billion (RMB3.20 billion), decreased by 8.74% YoY, while the sales of vegetable and seeds decreased sharply, by 22.96% and 16.66% YoY respectively, due to an increasing initial investment in 2012.

Tongwei's pig feed factory put into production

On March 18, 2013, Tongwei Co., Ltd. (Tongwei), a listed company principally engaged in the production and distribution of feedstuffs in China, announced that its first professional pig feed factory has been put into production, as the first bag of pig feed produced by its subsidiary Gaoming Tongwei Feed Co., Ltd. (Gaoming Tongwei).

According to Lu Yunjin, general manager of the company, Gaoming Tongwei located in Foshan City Guangdong Province is the first branch of pig feed belongs to Tongwei, though it has been selling pig feed for a long time. Gaoming Tongwei covers an area of 3.33 ha. with a total investment of USD7.96 million (RMB50 million). Its business covers such breeding areas as Foshan, Jiangmen, Yunfu, Zhaoqing and other surrounding cities.

In the future, Tongwei may set up another pig feed subsidiary in Qingyuan City Guangdong Province, disclosed by Lu Yunjin. It's no doubt that Guangdong is a competitive market for pig feed since its developed aquaculture industry. The layout of Tongwei also means a more intense competition market.



China may issue program of pig purchasing and storage

Reportedly, China may issue a program of pig purchasing and storage in order to prevent a further fall of pork price.

The price of pork has been continuing to decline since the spring festival this year. The decrease of pork price results from rising cost of raising pig and a downturn in market demand. Pork orders had declined by 20% YoY before the Chinese New Year, and then reaching 60% after the festival. The price of pork is an important part of the CPI. Ration between pig and grain (ex-works price of pig: wholesale price of corn) was lower than 6:1 breakeven point for the last three consecutive months, with some areas even touching the yellow warning line of 5.5:1, which means serious loss.

The pork price will inevitably continue to fall if the market remains weak as there are still about 460 million pigs in China. According to the regulation plan of pig price of the National Development and Reform Commission of China (NDRC), when the pig grain ration fell below 6:1, China will take a measure of pig purchasing and storage; China will purchase more if below 5.5:1, and start sow subsidies if below 5:1. Since the pig grain ratio fell to 5.5:1 in some regions for the moment, farmers are looking forward to a purchase of pork from the government.

Nongcheng Investment finances with equity pledge

On March 27, 2013, Shenzhen Jinxinnong Feed Co.,Ltd. (Jinxinnong), a listed company engaged in the research, development, production and sale of pig feed, announced that it received a notice about equity pledge from its big shareholder Shenzhen Nongcheng Investment Co., Ltd. (Nongcheng Investment). Financial shortage is the main reason for the equity pledge.

According to the notice, Nongcheng Investment will pledge 13.85 million tradable shares to China Resources SZITIC Trust Co.,Ltd. (CR Trust). They have gone through certain related formalities in Shenzhen Branch of the China Securities Depository and Clearing Co., Ltd. on March 25, 2013. The pledge is legal from March 25, 2013 to the date when it is terminated.

Up to now, Nongcheng Investment has accumulated 13,850,000 pledged shares, accounting for 13.75% of the total number of shares of equity of Jinxinnong, and 9.82% of Jingxinnong. At present, Nongcheng Investment holds 100,743,615 shares of Jinxinnong, accounting for 71.45% of the total number of shares of Jinxinnong.

2012 Guangdong Dahuanong sees a growth in both its revenue and profit

On March 27, 2013, Guangdong Dahuanong Animal Health Products Co., Ltd. (Guangdong Dahuanong), a listed company engaged in the research, development, manufacture and distribution of veterinary drugs, announced that it sees a growth in both its revenue and profit last year. In 2012, the company's total revenue was USD134.94 million (RMB847.43 million) with an increase of 18.42%YoY. Its total profit and net profit reached USD33.50 million (RMB210.38 million) and USD28.81 million (RMB180.90 million), separately up 8.95% YoY and 8.41% YoY. Meanwhile, the company enjoys a status of favorable asset quality and a healthy financial condition. The company's total assets reaches USD0.35 billion (RMB2.18 billion); the net assets was



USD0.33 billion (RMB2.07 billion), with an asset-liability ratio 4.81%.

In 2012, its sales of veterinary biological products, veterinary pharmaceutical preparations and feed additives reached USD72.33 million (RMB454.22 million), USD43.24 million (RMB271.55 million) and USD15.67 million (RMB98.42 million) respectively, an year-on-year increase of 11.43%, 28.65% and 11.77% respectively compared with that in 2011.

2012 Huaying Agricultural sees revenue up but profit down

On March 28, 2013, Henan Huaying Agricultural Development Co. Ltd. (Huaying Agricultural) announced its financial report of 2012, showing that its total revenue increased while its profit suffered from a serious decrease. In 2012, the company's total revenue reached USD288 million (RMB1,809 million) with an increase of 7.33% compared with that in 2011. Its total profit and net profit were USD1.15 million (RMB7.20 million) and USD0.68 million (RMB4.30 million), decreased by 91.80% and 94.95% YoY respectively.

The company attributed its decline in net profit to the rising costs of feed raw material and labor force, and less margin of sales.

In addition, Huaying Agricultural expects a decrease by more than 50% in its net profit in Q1 2013 YoY. Huaying Agricultural is engaged in the breeding and hatching of breeding poultry, the sale of poultry seedlings, the breeding, slaughter and processing of commercial poultry, the manufacture and sale of related products, as well as the manufacture of feedstuffs. The Company's main products include frozen ducks, cooked poultry food, duck seedlings, chicken seedlings, duck feathers, feedstuffs, frozen chicken products, hatching eggs, soft feathers and chickens.

Fishery industry

China to restructure oceanic administration

China plans to restructure the National Oceanic Administration of the People's Republic of China (NOA), aiming at solving the problems of low efficiency in maritime law, improving protection and use of the oceanic resources and better safeguarding China's maritime rights and interests.

China will integrate current responsibilities, scattered in different ministries, to under the unified management of one single administration still named the National Oceanic Administration. The new NOA take ministries under its control such as the China Marine Surveillance, the coast guard forces of the Ministry of Public Security of the People's Republic of China, the fisheries law enforcement command of the Ministry of Agriculture of China, and the maritime anti-smuggling police of the General Administration of Customs of the People's Republic of China. The NOA used to only have one maritime law enforcement department, China Marine Surveillance.

A high-level consultation and coordinating body, the National Oceanic Commission, will also be set up to formulate oceanic development strategies and coordinate important oceanic affairs. In a word, the new NOA will carry out law enforcement activities in the name of the China Maritime Police Bureau and under the operational direction of the Ministry of Public Security. Apart from law enforcement, other functions of the new



administration include outlining oceanic development plan, supervising and managing the use of sea waters, and protecting oceanic environment.

Shanghai Kaichuang' rise in tuna benefits with an increasing catch

The tuna output of Shanghai Kaichuang Marine International Co., Ltd. (Shanghai Kaichuang) in 2013 is predicted to be 65,000 tonnes with an increase of 25% YoY since its two large fishing boats has been put into use, forecasted by the China Investment Securities on March 2013. The price of tuna in Q1 2013 increased by about 6% YoY and the whole year is predicted to up by 5%, less than that in 2012 when it rose by 22%. Considering its relatively stable price, the tuna market is expected to perform well in 2013.

In view of its desirable output and price of tuna last year, Shanghai Kaichuang is predicted to have a net profit of USD10.5 million (RMB65.7 million) in 2012, an increase of 90% YoY.

Shanghai Kaichuang is a listed company engaged in marine fishing, providing various fish products, including mackerel, tuna, fish fillets, krill and squid. The company distributes its products in domestic market and overseas markets and engaged in tuna fishing and processing business through its subsidiaries.

China COSCO plans to sell COSCO Logistics

On March 12, 2013, China COSCO Holdings Co., Ltd. (China COSCO), a shipping and logistics services supplier, announced that it plans to sell a 100% shares of its directly-owned subsidiary COSCO Logistics Co., Ltd. (COSCO Logistics). The buyer is China COSCO'S controlling shareholder China Ocean Shipping (Group) Company (COSCO Group), China's largest and the world's leading group specializing in global shipping, modern logistics and ship building and repairing. Details of the proposed transaction are still in negotiation.

China COSCO expects a desirable capital gain via the very transaction so as to better its performance in 2013 and reduce a suspending risk of its stock in the A-share market.

However, most of the investors are warned against the risks due to the uncertainties of proposed transaction. In fact, China COSCO has a serious loss of two consecutive years in 2011-2012. The company's net loss reached USD1.67 billion (RMB10.45 billion) in 2011, hitting a loss record of its history of the A-share market. Besides, the company confronted with a constant loss during the whole year of 2012 due to a loss of USD1.02 billion (RMB6.40 billion) in the first three quarters.

China suffers from countervailing duty investigation on shrimp in the U.S.

Days ago, the U.S. Commerce Department announced that it will formally launch countervailing duty investigations on frozen warmwater shrimp from China and other six countries, which initiated by the U.S. Coalition of Gulf Shrimp Industries. Investigation like this against China's agricultural produces is unprecedented. The U.S. International Trade Commission (ITC) made its preliminary injury determination on Feb. 11, 2013 that the import of shrimp from China exists dumping and threatens injury to the domestic industry. The determination means that the U.S. Commerce Department will begin questionnaire survey soon and make



the final ruling in the second half of 2013. If it exists dumping, the U.S. government will slap anti-dumping duty orders on frozen warmwater shrimp from China formally.

Such a step will make great impact on the shrimp industry in China. Firstly, the rising cost of export, combined with the stagnant international market, will lead to a business stop of some relevant companies for the market of the U.S, thus aggravating the surplus of domestic shrimp. What are worse, other countries are likely to follow the U.S. to initiate a countervailing duty investigation on China's shrimp, and eventually give rise to a plight of China's exports in shrimp industry.

Guangdong Dahuanong to set up fishery bio-technology company

Recently, Guangdong Dahuanong Animal Health Products Co., Ltd. (Guangdong Dahuanong) has teamed up with Fishery Pharmaceutical Factory of Pearl River Fisheries Research Institute (Pearl River Institute) to set up a fishery bio-technology company Guangdong Dayu Biological Co., Ltd. (Dayu Biological), which has obtained a business license issued by the Administration for Industry and Commerce of Zhaoqing City Guangdong Province. Guangdong Dahuanong is a listed company principally engaged in the research, development, manufacture and distribution of veterinary drugs.

It is reported that the two companies jointly invested USD3.18 million (RMB20 million) for Dayu Biological. Thereinto, Guangdong Dahuanong invested USD2.87 million (RMB18 million), accounting for 90% of the registered capital. The two sides agreed that Pearl River Institute and the production facility of its affiliated companies' aquaculture vaccine will mainly use as R & D pilot rather than production and operation, after Dayu Biological formally set up. At the same time, according to the agreement, they should not set up another company of the same industry with others. Other things being equal, Dayu Biological should enjoy a superior rights for the new aquaculture vaccine achievement of Pearl River Institute.

Food industry

China's new standard for pesticide residues in food takes effect

On March 1, 2013, China's new standard for pesticide residues in food, Maximum Residue Limits for Pesticide in Food (new standard), formally becomes effective, according to the Ministry of Agriculture of China (MOA). The new standard becomes the only mandatory national standard for domestic pesticide residue in the monitoring system of food safety, which effectively avoids hindrance to the enforcement of relevant laws and helps to realize the unification of pesticide residue standard.

According to the new standard, now there are 2,293 items regarding to maximum residue limits, covering 322 kinds of pesticides in ten large categories of agricultural produces and other food. It has added 1,400 new items, reflecting a stricter standard for pesticide residues in food in China. The new items regarding to maximum residue limits on pesticides in fresh agricultural produces, such as vegetables (915), fruits (664), edible fungi (17), etc., account for the most.

At present, quality inspection centers of agricultural products in China start trying to meet the new standard by using new methods and technologies. Considering the inefficiency of the testing equipment available to meet



the requirements of the new standard for the moment, MOA will upgrade related equipment as soon as possible.

Hangzhou Wahaha to invest an overseas breeding base?

Hangzhou Wahaha Group Co., Ltd. (Hangzhou Wahaha), a leading beverage company in China, is planning to establish a breeding base of cow in Western Australia to guarantee the source quality of milk, according to Zong Qinghou, chairman of Hangzhou Wahaha. However, for the overseas investment, he hasn't further disclosed the detail up to now.

Wahaha will make great efforts to expand its upstream industry chain and set foot in Western Australia for cow breeding base. Such a step makes Wahaha more superior and constant in its source quality of milk, said Zong Qinghou. In recent two years, Zong Qinghou has visited Australia for more than three times for investing assessment there. He believes that building a cow breeding industry in Australia not only can reduce the cost of production but also assure a superior quality of milk products. In his opinion, it's resourceful to combine the overseas breeding base and the domestic consumption market.

As a matter of fact, Hangzhou Wahaha has five milk material bases located in regions of Xinjiang Uygur Autonomous Region, Dali, Ningxia, Heilongjiang and Jilin. But most of them are underperforming at present due to lack of high quality of material source.

CNCRC purchases corn actively

It is reported that China National Cotton Reserves Corporation (CNCRC), a wholly state-owned enterprise responsible for the management of state grain reserves, has actively purchased corn in major corn planting areas in the Northeast and North China since autumn grain exposed to markets last year, in order to ensure the stability of the grain market.

Up to Feb. 25, 2013, CNCRC has an accumulated purchase of 12.61 million tonnes for corn from the Northeast and North China, according to the company's statistics. Besides, the total volume of salable grain from farmers increased by 20% comparing with the same period of 2012. About thirty million tonnes of salable grain can be found in Northeast China, accounting for 45% of the total amount of grain goods in the local region; A same volume comes to North China, with a proportion of 56%.

In 2012, domestic corn had a good harvest, but farmers showed somewhat reluctant to sell them. They expected a desirable price in the markets of corn, with the rising cost for planting corns. Anyway, CNCRC will take more steps to stabilize the grain market and protect the interests of farmers.

Hunan Grain Group backdoor listing successfully

Hunan Jinjian Cereals Industry Co., Ltd. (Hunan Jinjian Cereals), a listed company principally engaged in the processing and sales of grain and oil produces in China, will issue 97,323,601 A shares of common stock to raise a fund of approximately USD63.69 million (RMB 400 million). The company will distribute 5,000 shares



to its major shareholder Hunan Jinxia Grain Industry Co., Ltd. (Hunan Jinxia)—a subsidiary of Hunan Grain Group Co., Ltd. (Hunan Grain Group). The group is the first state-owned grain one in Hunan Province engaged in grain & oil trade, purchasing and storage, processing, logistics, and e-commerce. The offering being completed, Hunan Jinxia's shareholding ratio will increase from 17.02% to 22.34%, and the Group will backdoor listing successfully.

Some market analysts believe that Hunan Grain Group zero in on Hunan Jinjian Cereals due to two reasons. On one hand, Hunan provincial government wants to seize the opportunity of backdoor listing. On the other hand, business of Hunan Jinjian Cereals is similar to Hunan Grain Group's, which is favorable to integrate them together. It is predicted that the total sales of Hunan Grain Group would reach USD796 million (RMB5,000 million) in 2013, after the offering is finished and Hunan Jinjian Cereals become its subsidiary.

Beijing: online shops might be prohibited to sell food and milk powder in bulk

Online shops in Beijing might be prohibited to sell food and milk powder in bulk, as the new amendment of Beijing Food Safety Ordinance (the ordinance) will come into effect on April 1, 2013. According to the ordinance, shops with no selling sites can not engage in sales of bulk food, including online shop, postal service, TV shops, automatic vending machine and so forth.

Besides, some insiders found that, for shops with no selling sites, the items in supervision only involved pre-packaged foods, excluding dairy products. This signifies the illegality of milk powder sales online in the near future. To a great degree, it takes risk of security to purchase milk powder online due to its inaccessibility for government to supervise, which is especially true for an international purchase.

In accordance with the provisions of the ordinance, food suppliers must first get a circulation license, valid for three years, deli in bulk in particular. In addition, foods needed to get a business license online are divided into three categories, namely, pre-packaged foods, bulk foods, and dairy products (including or excluding infant formula of milk powder).

Any violator of the ordinance will be punished and be announced, decided by the Beijing Municipal Bureau of Commerce and Industry.

China to set up a general administration of food and drug

China plans to set up a general administration to enhance the status of the existing State Administration of Food and Drug in order to improve food and drug safety, according to a report to be delivered by State Councilor Ma Kai on March 10, 2013.

The proposed ministry-level General Administration of Food and Drug will be responsible for carrying out a unified supervision on food and drug safety and quality in the process of production, circulation and consumption. The General Administration of Food and Drug will integrate the responsibilities of the Food Safety Commission Office of the State Council, the State Food and Drug Administration, the production aspects of food safety supervision of the General Administration of Quality Supervision, Inspection and Quarantine of China, and, the circulation of food safety supervision of the State Administration for Industry and Commerce of China.



Overlapping of supervision from different departments and some supervision "blind spots" are weak links of the current food safety supervision system, the report says. Some expert says that the industrial development is expected to promote since the complicated degree of administrative examination and approval will greatly simplify, after the new general administration for food and drug setting up.

Wuliangye to adjust its sales strategies

Wuliangye Yibin Co., Ltd. (Wuliangye), a listed company engaged in the manufacturing and distribution of liquor and related products, plans to adjust its sales strategies in 2013. Sales of Wuliangye's advanced samshu increased a little bit in 2013, but with a slower step than 2012, said Tang Qiao chairman of Wuliangye. For this, the company will adjust its product structure and expand its export. As to the foreign markets, the 70 million overseas Chinese would be the main target of consumers.

As a matter of fact, Wuliangye has set foot beyond domestic market in 2012. On one hand, the company has tried to enhance its brand awareness among overseas consumers. On the other hand, it has strengthened its channels of overseas sales, such as creating overseas flagship stores, looking for a strategic partner and so forth.

On March 11, 2013, Wuliangye also announced that its net profit in 2012, as expected, increased 54.28%–59.16% YoY to USD1,515 million–USD1,563 million (RMB9,500 million–RMB9,800 million). In addition, the company plans to achieve total revenue of USD5.58 billion (RMB35.00 billion) in 2013, an increase of 30% YoY, while the sales volume up by 20% YoY.

China Grain and Logistics Corporation to be a subsidiary of COFCO

On March 12, 2013, the State-owned Assets Supervision and Administration Commission of the State Council of China (SASAC) announced that China Grain and Logistics Corporation as a whole will be incorporated into COFCO Corporation (COFCO), becoming its wholly-owned subsidiary. Meanwhile, China Grain and Logistics Corporation will no longer be an enterprise performing the functions of the SASAC.

China Grain and Logistics Corporation is the largest inter-regional grain logistics enterprise in China, owning transit warehouses, ports between transport of both water and land. Its grain and oil trading businesses in China cover regular and superior varieties of raw grain, including wheat, rice, corn, oils and oilseeds. In addition, the company has 11 subsidiaries to process grain and oil, involving rice, flour, feed and so forth.

COFCO is the largest supplier of diversified products and services in the agricultural products and food industry in China. It also involves the development of real estate, hotels, non-grain bio-energy, packaging, finance and other industries. The enterprise has four listed subsidiaries in Hong Kong, namely, China Foods (HK00506), China Agri-Industries Holdings (HK00606), Mengniu Dairy (HK02319), and COFCO Packaging Holdings (HK00906) and the other three in mainland China, namely, COFCO Tunhe (600737), COFCO Real Estate (000031) and BBKA (000930).



Domestic market price of edible ethanol decreases in the past five months

The market price of edible ethanol witnessed a general downtrend in China in the past five months. For example, the market price of edible ethanol in Henan and Jilin decreased respectively to USD936/t and USD912/t on March 10, 2013, down 5.3% and 5.0% compared with that on Oct. 10, 2012. White spirits performed poorly in its consumption peak season. It is reported that the sales volume of white spirits in China decreased by about 20% during Dec. 2012-Feb. 2013.

FIGURE 1: Market price of edible ethanol in Henan and Jilin, Jan. 2012-March 2013



Source: CCM

2012/2013 outlook of corn market in China

Corn has drawn more and more attention because of the rapidly increasing market price caused by tight supply in China in the past few years. However, with the continuous increasing output and fairly weak demand for corn in 2012/2013 (Oct. 2012-Sept. 2013), domestic corn market may be different from those in the past few years.

Domestic output of corn has been increasing in recent years due to stimulation from high profit caused by its growing market price of. The output of corn in China reached 208 million tonnes in 2012/2013, 8.5% higher than that in 2011/2012. The consumption volume of corn in China in 2012/2013 will reach 209.5 million tonnes, up 11.4% year on year according to monthly world market and trade of grain report from the US Department of Agriculture (USDA) in Feb. 2013. Given its sufficient supply, the price increase of corn on average will slow down in domestic market in 2012/2013, compared with that in 2011/2012. In the meanwhile, the export volume of corn will rise thanks to its sufficient supply while the import one will decline due to its shrinking output but increasing price in the international market. Although government has raised the temporary purchase price of corn in 2012/2013, its volume of circulation in markets remains not large at present because the market price is still higher than temporary one of government.



Biostime advance to seek milk sources overseas

On March 15, 2013, Biostime Inc. Guangzhou (Biostime), a premium provider of high-end pediatric nutritional and baby care products in China, announced that it has signed a renewed infant formulas manufacturing agreement with La Laiterie de Montaigu, a renowned French dairy manufacturer, to ensure continuous and stable supply of Biostime's infant and expectant mother formulas in the Chinese market, for a term of three years from January 1, 2014 to December 31, 2016.

According to this new Agreement, Biostime will continue to grant La Laiterie de Montaigu the right to produce infant and mother formulas according to Biostime's proprietary high demanding formulas specifications and La Laiterie de Montaigu will provide an exclusivity to Biostime for the Chinese market for the duration of this agreement. Biostime has agreed to purchase no less than 10,000 tons of finished products per year and La Laiterie de Montaigu has undertaken to guarantee such supply to Biostime.

The company's family of products includes premium probiotic supplements for children, infant formulas and dried baby food products marketed under the brand name of Biostime™, baby care products marketed under the brand name of BMcare™.

Yurun Food' loss in 2012 blames its diversification?

Recently, China Yurun Food Group Co., Ltd. (Yurun Food), one of the leading meat product manufacturers in China, issued a profit warning. It's net profit in 2012 is expected to fall sharply compared with that in 2011 and thus have a loss, mainly due to its failure of diversification to fully play in the underachievement of macroeconomic economy.

However, some insiders argue that the loss of Yurun Food should blame its lack of core competitiveness. The performance of the company was mainly dragged down by the diversification strategy. According to the official website of Yurun Food, apart from the main business of deep processing of meat, the company also set foot in fields of logistics, commerce, tourism, real estate, finance and construction since 1993. Although diversification can make an enterprise increase its revenue sources and lower risks, but such a strategy is only suitable to those enterprises with core competitiveness.

The company sales in 2011 reached USD6.37 billion (RMB39.97 billion); However, in the first three quarters of 2012, it dropped by 14% YoY, and its net profit declined 126% YoY with USD36.67 million (RMB230 million) of net-loss.

Andre Juice: 2012 sales decreased by 7% for over-reliance on exports

Yantai North Andre Juice Co., Ltd. (Andre Juice), a HK listed company engaged in the manufacture and sale of condensed juice, pulp, and essence, pomace and related products, announced its financial report of last year on March 18, 2013. According to the report, the company's total revenue reached USD195.22 million (RMB1,226 million) in 2012, decreased by 7% YoY; its gross profit margin downed 3% YoY to 21%. The stagnant international market last year might explain its decline in revenue, leading to a decrease in export of concentrated fruit juice.



Its over-reliance on export can be shown in the fact that 50% of apple juices of Andre Juice is produced in China, but 80% of them are sold in overseas market. Besides, apple juice business accounted for 86% of Andre Juice sales of all product categories at present. According to the official website of Andre Juice, its capacity production of concentrated fruit juices and processing scale is in a leading position in the industry, with a fruit processing capacity reaching 2.00 million t/a, concentrated fruit juices, 0.34 million t/a, and fruit puree 0.01 million t/a. As for the product sales, more than 90% of the company's products are exported to sales markets such as the United States, Japan, Europe, Oceania, and some Africa countries.

Huiyuan Juice announces to expand its upstream business

Recently, China Huiyuan Juice Group Limited (Huiyuan Juice), engaged in the manufacture and sales of juice and other beverage products, announced that the company is in negotiation on the rights to produce a certain concentrated juice and a jam, with not result yet for the moment, including the purchasing price and other items.

Some insiders said that Huiyuan Juice continues to seek growth via such a step after a serious loss in H1 2012. According to the company's semi-annual report, its sales fell 7.5% YoY in the first half of 2012 to USD269 million (RMB1,690 million); its gross profit is USD69 million (RMB420 million) with a decrease of 11.8% YoY; while its net profit declined by 78.43% YoY with a net-loss of USD5 million (RMB32 million).

Currently, Huiyuan Juice has 42 factories in China, of which, 18 factories are engaged in fruit juice concentrate, fruit puree and canned fruit with total production capacity of one million t/a. Apart from these factories, the company has its own planting bases with a huge capacity all over the country.

Milk powder's price ups in New Zealand but remains stable in China

Recently, the price of milk powder imported from New Zealand increased sharply due to a short supply, which resulted from the serious drought, unlikely to alleviate in the short term. From the beginning of this year, the auction price of whole milk powder of Fonterra Co-operative Group Limited (Fonterra) has risen by 28%, hitting a new record in recent two and a half years. Besides, the auction price of the company's whole milk powder increased to USD4,298/t at its latest auction, up 18% compared with the previous one.

Most of domestic dairy companies released that they have no plan to raise the price at present. Zhejiang Beingmate Scientific-industrial-trade Share Co., Ltd. (Beingmate) released it has no plan to price up on an interactive platform of the Shenzhen Stock Exchange. Inner Mongolia Yili Industrial Group Co., Ltd., Inner Mongolia Mengniu Dairy (Group) Co., Ltd. and Bright Dairy and Food Co., Ltd. also show an attitude of keeping the price stable temporary.

Reportedly, about 95% of milk powder produced by New Zealand are for export with a volume more than 1.2 million tonnes per year, accounting for 60% of global milk powder trade. Fonterra is New Zealand's largest dairy company, producing more than 90% of New Zealand's dairy. The company's export value accounted for more than 20% of New Zealand's total exports of goods. China's import milk powder mainly comes from New Zealand, accounting for about 70%-80%.



Macroeconomy

ADBC plans to issue USD78 billion of financial bonds in 2013

On March 7, 2013, the spokesman of ADBC (Agricultural Development Bank of China), one of the country's policy lenders, announced that the bank is planning to issue USD78 billion (RMB490 billion) of financial bonds in 2013. Up to now, ADBC has an accumulated issuance of financial bonds of USD399.1 billion. (RMB2,506.3 billion), accounting for 67% of its total fund-raising source.

In 2012, ADBC has raised a fund of USD0.96 billion (RMB6.0 billion) in Hong Kong via financial bonds. This not only established a new model for raising capital beyond mainland China to develop its agriculture, but also lowered the cost of fund raising.

According to Bao Jianan, vice president of ADBC, the proportion of ADBC re-lending from the People's Bank of China (PBC) reduced year by year through the issuance of financial bonds, which alleviates the pressure of demand for the national base money. At present, the re-loan balance of PBC to ADBC is USD48.1 billion (RMB302.0 billion), accounting for only 13.35% of the total fund-raising sources of ADBC. Issuing financial bonds is conducive to the circulation of social capital, better supporting for implementation of the country's policies and benefiting the development of agriculture. As the end of 2012, ADBC's non-performing loan rate had fallen to 0.99%, with an annual profit of USD7.72 billion (RMB48.48 billion).

China's foreign trade up by 14.2% YoY in the first two months of 2013

On March 8, 2013, General Administration of Customs of the People's Republic of China (China Customs) announced that China's total import and export value reached USD609.31 billion in the first two months of 2013, an increase of 14.2% YoY, excluding foreign exchange factor (similarly hereinafter). The cumulative trade surplus reached USD44.15 billion.

In these two months, China's export value was USD326.73 billion, and import one USD282.58 billion, an increase of 23.6% and 5.0% respectively YoY. In detail, China's foreign trade with the EU increased by 3.2%, with Japan 8.2%, with the United States 14.8%, and with Association of Southeast Asian Nations (ASEAN) 22.0%. In addition, the bilateral trade between Mainland and Hong Kong rose by 58.7% YoY in the same period.

In Feb. 2013, China's import and export value added up to USD263.49 billion, an increase of 1.0% YoY. The former fell by 15.2%, reaching a value of USD124.12 billion, while the latter rose by 21.8%, with a monthly value of USD139.37 billion. Monthly trade surplus was USD15.25 billion in Feb. 2013, while the same period last year saw a deficit of USD31.98 billion. After a seasonal adjustment, the total value of Feb. 2013 in import and export increased by 13.5%, with the import one by 20.6% and export one 6.5%.

MOA announces 38 measures: agricultural subsidies amount to USD31.85 billion in 2013

On March 20, 2013, the Ministry of Agriculture of China (MOA) announced 38 agricultural measures on its official website, involving farmer direct subsidies, agricultural machinery subsidies, agricultural material



subsidies, etc. Han Changfu, Minister of the MOA, said that China will continue to increase agricultural subsidies in 2013 based on USD25.48 billion (RMB160 billion) in 2012. Some insiders expect that the amount of agricultural subsidies in 2013 would exceed last year, reaching USD31.85 billion (RMB200 billion).

In 2013, China will directly subsidize grain farmers with a total subsidy of USD2.40 billion (RMB15.1 billion). Subsidies for rice, wheat, corn and cotton are USD23.89/ha. (RMB150/ha.). Full coverage will come to soybean in Northeast China and Inner Mongolia Autonomous Region, winter rape in Changjiang River Valley, Henan and Shaanxi, as well as highland barley in Tibetk, parts of these subsidies reaching USD35.83/ha. (RMB225/ha.). Besides, China will carry out pilot subsidies to potato and peanut in the main planting areas, as high as USD238.85/ha. (RMB1,500/ha.).

In addition, agricultural machinery subsidy will cover all the country's agriculture and animal husbandry counties (farms), covering 12 big categories and 48 small ones, adding up to 175 items. On this basis, local areas can add 30 items, with a single subsidy no more than USD7,961/machine (RMB50,000/machine).

For agricultural material subsidies, China has earmarked USD17.1 billion (RMB107.1 billion) in Jan. 2013.

China: FDI up 6.32% in Feb. 2013

According to the up-to-date statistics of the Ministry of Commerce of the People's Republic of China, foreign direct investment (FDI) in China reached USD8.21 billion in Feb. 2013, up 6.32% YoY. FDI in China finally increased after eight consecutive months of negative growth. The rebound of FDI reflects that China as one of the world's top destinations for foreign investments still holds many competitive edges, such as steadily expanding domestic market, improving competition environment, technology talents, government's stimulus measures, cheap labor, favorable tax policies, etc.

In the first two months of 2013, about USD17.48 billion of FDI were invested in China, with a number of 2,915 new enterprises. Thereinto, the European Union investment into China increased rapidly in this period, reaching USD1.21 billion, up 34.01% YoY, while the one of the U.S. was USD497 million, a decrease of 5.37% YoY.

However, some experts said that, it is difficult to conclude on the basis of the data above, whether it remains a positive situation for attracting foreign investment in the whole year. But it can be predicted that the volume of FDI into Chain will be on the verge of that of last year since the economic recovery in the U.S. and the European will lead to the return of foreign investment.



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