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Policies

On the right track for quality development

[China daily, 15-02-2016] The surprising thing now is not that the Chinese economy is slowing, but that there are so many who seem surprised by this.

Chinese leaders, and economists, have been saying for years that the high rate of GDP growth was unsustainable. In many ways it is remarkable that China has managed it as long as it has.

From 1978 to the 2000s, the Chinese economy grew fast, but from a much smaller base. Delivering 10-plus percent GDP increases was easier then than now, for the simple fact that these days the Chinese economy is five times larger than it was even as recently as 2000. Making even 1 percent of growth means much more activity and work now than it did a decade and a half ago.

On top of this is the simple issue of inevitable changing economic structure as a country develops. In the early and middle phase of reform and opening-up, China remained a place where over half its people lived in rural areas, and it had a high dependence on manufacturing for exports and fixed asset investment. All of this added up to a colossal commitment to the future, with high amounts of economic activity aimed at improving infrastructure and human capital, things which China now has in place. China is moving beyond that investment phase now. It is, to put it simply, maturing.

There remain plenty of sources of growth in China. But the story of growth in China now has to be about quality.

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Boost agricultural supplies

[Chia Daily, 02-02-2016] Bumper harvests can no longer guarantee handsome income growth for Chinese farmers, especially as global commodity prices have collapsed in recent years.

To eliminate "absolute poverty" in the country by 2020 and considerably narrow the development gap between rural and urban areas, Chinese policymakers must accelerate income growth for farmers.

This year's No 1 central government document, issued last week, has identified supply-side reform as a way to boost agricultural modernization in the long run.

In 2015, China's rural per capita disposable income increased 8.9 percent year-on-year to 11,422 yuan (\$1,743), while their net income was only 5,919 yuan under the calculation in 2010. Such steady income growth is in tandem with the fact that China's total grain output increased 2.4 percent year-on-year to 621 million tons in 2015, the 12th straight year of growth. Nevertheless, this will be a thorny problem as the grain stockpile is surging.

Big inventories used to be deemed a good thing for China. But too high inventories are neither necessary nor economical to maintain nowadays. Worse, the purchasing prices for reserves remain above market prices, which have been brought down by the increasing imports, and this has sent a misleading signal encouraging more domestic supplies.

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Price controls irritating rice storage crunch

[Caixin, 19-02-2016] A sign at the head of the queue was plainly visible: "Full. No more buying." But the farmers waited anyway, clinging to a hope that they would eventually sell their crops. Luoshan-area farmers are no strangers to waiting in lines with truckloads of rice.

Like most farmers in China, those in Luoshan want to sell their crops to Sinograin in an annual state purchase scheme after the harvest season because the government offers a good price.

But since 2013 Sinograin, a state company that manages the nation's grain reserves by buying and selling rice, corn, millet and other crops at government-determined prices, has been struggling to absorb these bumper harvests of rice.

Sinograin has been building new granaries and partnering with private companies that can provide storage facilities. It opened 115 new warehouses across the country last fall. But the storage space crisis persists.

Nationwide, the company can store up to 500,000 tons of rice. But it bought a whopping 1.7 million tons from the nation's farmers in 2013, 1.2 million tons the following year and an estimated 1.5 million tons in 2015.

Much of the rice purchased around the country since 2013 was still sitting in Sinograin storage facilities in early 2016, industry sources said. Some experts say there are fears that a significant amount of that stockpiled grain could spoil before it's sold.

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China designs incentives for scientists to translate research into products

[Xinhua, 18-02-2016] China has created policies to encourage the country's scientists to translate their research into commercial products.

The policies were laid out at the regular State Council executive meeting on Wednesday, which was presided over by Premier Li Keqiang.

Attendees agreed that converting scientific achievements to products more quickly is vital to the country's economic restructuring, and supply-side structural reform in particular.

According to the policies approved at the meeting, state-sponsored research institutions and universities will generally have autonomy in transferring their scientific outcomes to enterprises or social organizations, without having to file applications.

All revenues generated from the work may be reserved by the research institutions or universities, which shall be used mainly for rewarding scientists, advancing research and industrial applications.

Reward money should constitute no less than 50 percent of the net income earned from transferring scientific outcomes to enterprises or other social organizations, as well as stock shares gained. Major contributing researchers should take no less than 50 percent of the total rewards.

The new policies also allow scientists and researchers to take part-time jobs in enterprises to convert their discoveries into products, and they may temporarily leave their posts to start their own businesses.

Performance in translating scientific outcomes to products will be considered in the overall evaluation of research and higher learning institutions, according to the policies.

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China issues guideline on government openness

[Xinhua, 17-02-2016] China's central authority has published a guideline calling for improved openness in government affairs at all levels.

Issued by the general offices of the Communist Party of China (CPC) Central Committee and the State Council, the guideline said openness in government issues is a basic feature of a government ruled by law.

Openness should be the normal state, the guideline said, calling for stimulation of creativity and market vigor.

Openness in government affairs will be significantly improved and public participation will be increased, said the guideline.

It called for a system to make the decision-making process public and open to public opinion as well as the opinions of stakeholders, experts and media.

Transparency in public services and implementing major reforms, policies and projects will also be improved.

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The best way to improve the lots of farmers

[Caixin, 24-02-2016] A new set of guiding principles for the agricultural sector, set forth by the State Council and the Central Committee of the ruling Communist Party in their first policy document released this year, underscores policymakers' determination to embrace reform.

Previous efforts to make the sector play by market rules have suffered setbacks, mostly because the government fears changes may undermine the security of grain supplies that are considered of strategic importance to the country. The consequences are grave. Government intervention featuring direct purchases and heavy subsidies has all but eliminated the guiding function of price, reduced the diversity of market players, and plunged the industry into a peculiar plight where crops output, imports and stockpiles were all increasing at the same time.

The new policy shows the central government will start reform again, with special emphasis on rice, wheat and corn in a bid to solve the plight. This is landmark progress in market reform, considering the extra caution the central government has always maintained regarding changes in the agricultural sector for fear of hurting food security and farmers.

Under the new policy, the supporting mechanism for corn, a staple food, will be improved as well. This sends out a powerful message about policymakers' intention to push reform for other food crops and will facilitate changes in how rice and wheat farmers are subsidized, if at all.

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China's first soil pollution prevention regulations introduced

[China Daily, 01-02-2016] The Fourth Session of the 12th Hubei People's Congress voted to pass "Soil Pollution Prevention and Control Regulation of Hubei Province", China's first local laws and regulations for the prevention of soil pollution on Monday, 1st February.

In promoting legislation of soil prevention, Hubei acts as the forerunner to explore nationwide, laying a good foundations for national level legislation.

The Soil Pollution Prevention Act of Hubei Province provides that the provincial people's government establish a production project directory prohibiting construction, renovation, expansion of soil environment pollution; set the deadline to eliminate technology and equipment causing serious pollution to soil environment, shut down polluting enterprises which do not comply with industrial policies; environmental protection departments at all

levels to strengthen the focus on monitoring and supervision to industries and enterprises with high risk of soil pollution.

To truly realize prevention at the source, the regulations also provides that high-risk soil pollution industries and enterprises implement cleaner production audits mandatory by law, soil pollution control facility construction projects with the main project should be designed, constructed and put into use concurrently.

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China cracks down on illegal GM crops ahead of Syngenta deal

[Reuters, 05-02-2016] Chinese officials have issued warnings to seed dealers and farmers not to use unapproved genetically modified seeds in the country's main crop belt, shortly after Greenpeace said it had found widespread GM contamination in corn.

The unprecedented action by rural authorities in the past two weeks also comes as state-owned ChemChina agreed a \$43 billion deal for seed and agrichemicals giant Syngenta AG , a move seen as bringing leading technology and know-how to China's fragmented seed industry as it grapples with a divisive GM policy.

China does not allow cultivation of any GM varieties of corn or other staple food crops although it does permit the import of some GMO crops for use in animal feed.

Despite Beijing's strict official position on the issue, Greenpeace last month said almost all samples taken from cornfields in some parts of the north-east, China's breadbasket, tested positive for GMO contamination.

Beijing has not explicitly commented on the Greenpeace findings, but local authorities in Liaoning, Jilin and Heilongjiang provinces issued notices to farmers and seed companies warning them ahead of the spring seed-buying season against dealing in genetically modified products.

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China revised crop variety registration measure

[GAIN, 24-02-2016] On February 17, 2016, the Ministry of Agriculture (MOA) released its Draft Administrative Measures for Major Crops Variety Registration for public comments. The comment window will close on March 17, 2016.

The draft is developed in accordance with the new Seed Law. The following major modifications were made to the variety registration system:

- The number of crops subject to variety registration requirements was reduced to five: rice, wheat, corn, cotton and soybean.
- Seed enterprises with integrated businesses in breeding, production and marketing can conduct tests for their own varieties; enterprise unions or enterprise and institute unions (企业联合体, 科企联合体和科研单位联合体) with test capacity can conduct variety testing.
- A variety registered in one province can be introduced to other provinces in the same ecological region through a new record system without going through the variety registration system.

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Science, Technology and Environment

China inaugurates national R&D plan

[Xinhua, 16-02-2016] China began a national key research & development (R&D) plan on Tuesday, to streamline numerous state-funded scientific and technological programs.

The plan focuses on research in fields vital to the country's development and people's well-being, such as agriculture, energy, the environment and health, as well as strategic fields key to industrial competitiveness, innovation and national security, said Hou Jianguo, vice minister of science and technology.

The plan now covers 59 specific projects, Hou told a Ministry of Science and Technology press conference.

The plan merges several prominent state sci-tech programs, including the program 863 and program 973, focused on key fields such as biotechnology, space, information, automation, energy, new materials, telecommunications and marine technology.

Breakthroughs of the program 863 include supercomputer Tianhe-1, manned deep-sea research submersible Jiaolong, and super hybrid rice.

To address low efficiency resulting from redundant programs, over 100 programs will be merged into five plans: natural science, major sci-tech, key R&D plan, technical innovation and the sci-tech human resources.

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China to create more innovation bases

[GOV.CN, 04-02-2016] A State Council executive meeting on Feb 3, presided over by Premier Li Keqiang, decided to deploy resources and efforts to develop makerspaces to accelerate the cultivation of the new driving force; a new round of upgrading projects for power grids in rural areas will be carried out; more support will be given to destitute people to ensure their basic needs are met. A draft of the national social security fund regulations was passed at the meeting.

According to the meeting, building a new type of entrepreneurship and innovation platform can provide low-cost specialized services for the development of an innovation-driven strategy. It can also increase job vacancies and help eliminate overcapacity. Therefore, pilot innovation platforms at the national level should be set up to promote the development of mass entrepreneurship and innovation bases in various places. Makerspaces with production, study and research can be created with the assistance of leading companies, medium, small and micro-sized enterprises, scientific research institutes, universities and makers, in important fields such as electronic information, advanced equipment manufacturing and modern agriculture.

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Investment in water projects to top 800 bln yuan in 2016: economic planner

[Xinhua, 18-02-2016] China will invest over 800 billion yuan (122.6 billion U.S. dollars) in large-scale water conservancy projects in 2016, the top economic planner said on Wednesday.

The National Development and Reform Commission (NDRC) said in a statement that China's investment in water projects hit all-time high during the 12th Five-Year Plan period (2011-2015) and achieved remarkable results.

China invested more than 2 trillion yuan in water conservation during the period, official data showed.

The investment benefited hundreds of millions of people through projects related to drinking water in the countryside, flood control, drought relief, irrigation and rural hydropower.

Taking water security as a national strategy, the government will keep investing in major water projects and encourage private capital to contribute, the NDRC said.

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China builds a faster beagle in gene-editing race with U.S.

[Bloomberg, 24-02-2016] U.S. companies racing to develop a promising gene editing technology are up against a formidable competitor -- the Chinese government.

China has long set its heart on building an expertise in genomics and its government is pouring funds into a new -- and sometimes controversial tool -- called Crispr, encouraging its researchers to advance the technology. Chinese scientists say they were among the first in using Crispr to make wheat resistant to a common fungal disease, dogs more muscular and pigs with leaner meat.

The scientific research bankrolled by the Chinese government could eventually be tapped by agricultural and pharmaceutical companies. Programs funded by Beijing are, among other things, working on disease-resistant tomatoes, breast cancer treatments and increasing the oil content in soy beans. In the southern city of Guangzhou, researchers who received government funds went a step further, sparking an international ethical debate last year after tweaking the genetic makeup of human embryos using Crispr for the first time.

Formally called Crispr-Cas9, the genetic editing tool acts like a pair of low-cost and highly precise molecular scissors that can cut out unwanted sections of DNA and insert desired ones. It has revolutionized what was once a time-consuming, pricey and inaccurate process, and scientists and businesses worldwide are seeking to capitalize on this emerging technique. The expertise the Chinese groups are developing positions them to eventually challenge U.S. gene-editing companies, some of which have raised millions in venture capital.

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China to boost recycling of farm waste

[Xinhua, 11-02-2016] China has set goals for recycling farm waste such as crop stalks and plastic film by 2020 to prevent further pollution in agricultural production and support recycling farming.

In addition, the use of pesticides is to be capped as of 2020, according to a policy document jointly released by the National Development and Reform Commission, Ministry of Agriculture and State Forestry Administration.

Pesticides and fertilizers have done much damage to the country's ecosystem and are liable to bring food safety issues.

By 2020, China will strive to make 80 percent of plastic film used in agricultural production recycled, 85 percent of crop stalks reused, 75 percent of livestock and poultry waste processed while 80 percent of forestry waste materials utilized in other purposes.

Agriculture is of great significance in the world's most populous nation, but pollution remains one of key problems standing in the way of China's agricultural modernization drive.

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How Internet Plus agriculture makes real sense

[China.org, 30-01-2016] Chinese biggest Internet company Alibaba announced another 10 billion yuan investment in rural e-commerce during the second World Internet Conference

held last December in China. It showed the decisive ambition of CEO Jack Ma to enter into the rural market after its "Taobao Village" project, which has been expanding fast from three in 2009 to 780 in 2015.

Jingdong, another well-known Internet company, showed the same strong interest in rural e-commerce, and is about to launch a logistics network construction including cold chain, storage and distribution as reported. It is expected that these Internet companies are changing or promoting agriculture development somehow, in terms of providing a way helping farmers to sell agri-products and buy commodities.

The fast development of Internet, especially mobile Internet technology in the past decade, has made China the leading Internet power, given its biggest population and their keenness on smart-phone. It was reported by the CINIC (China Internet Network Information Center) that there were 680 million netizens by mid-2015; 88.9 percent of them use a smart-phone to access the Internet.

Alibaba reported the sales volume of "Taobao village" at 170 million yuan in 2015, almost tripling the previous year's figure of 60 million yuan. This big consumption market in turn provides incentives for innovations and development of IT, to either traditional Internet companies such as BAT (Baidu, Alibaba, Tencent), or developing companies such as Jingdong and some start-up enterprises. It has also brought prosperity to logistics companies such as ShunFengExpress, etc.

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China research highlights country's excess use of antibiotics

[Reuters, 22-02-2016] Children in China's eastern Jiangsu province are being widely exposed to antibiotics from tainted food and drinking water, potentially harming long-term health, local media reported on Monday, citing research from Shanghai's Fudan University.

The study, which tested for 21 common antibiotics, including those used for animals, found traces of at least one type in 80 percent of a pool of 505 schoolchildren in Shanghai, China's modern business hub with a population over 20 million.

China suffers from serious overuse of antibiotics, with doctors prescribing them to half of all outpatients, far above recommended levels, according to the World Health Organization (WHO).

Misuse of antibiotics is becoming a global risk, making the drugs much less effective at treating common infections.

The study from Fudan, one of China's top universities, included both human and veterinary antibiotics. Some individual antibiotics, including those normally used in farming, were detected in nearly one-third of children tested.

In 2013, China used 162,000 tons of antibiotics, around half of the world's total use, state-backed news website ThePaper.cn said. It added that more than 50,000 tons of antibiotics were discharged into China's waterways and soil.

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Global high-level forum on tropical agriculture research opens in Haikou

[MOA, 03-03-2016] Organized by the Chinese Academy of Tropical Agricultural Sciences (CATAS), the Global High-level Forum on Tropical Agriculture Research was held in Haikou from January 24 to 25, 2016.

At the forum, CATAS Vice President Liu Guodao noted that CATAS will establish close and practical cooperation with international academic institutes such as the University of Greenwich and the World Congress on Root & Tuber Crops (WCRTC) in joint researches and technology transfer, so as to boost sustainable development of tropical agricultural industries.

The forum built a platform for the interactions and exchanges among domestic and overseas experts, strengthening CATAS's role in implementing the national strategies of "Belt and Road Initiative" and "Agriculture Going Global". It will significantly facilitate CATAS's cooperation with international high-level universities and research institutes, and advance the development of tropical agricultural industries.

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How technology might reshape China's future

[Forbes, 02-02-2016] There are two main drivers behind China's emphasis on technology: national security and future export potential. Beijing does not want to be completely beholden to foreign suppliers to meet internal consumption, especially for vital goods like food and energy. While it cannot realistically afford to forgo partnerships with foreign firms to develop the technology it seeks, China has designed its partnerships in a way that will enable it to gain the knowledge and experience needed to eventually push its economy higher up the value chain. Rapid expansion of Chinese technology sectors, whether in rail, aviation, nuclear power or telecommunications, would push Beijing closer to becoming the global leader it desires to be. China wants to move beyond supplying the world with low-end goods and instead export expertise and high-end products, still at lower costs than its competitors, while relying more on internal consumption to drive economic growth.

Throughout its economic restructuring process, food security will remain a priority for Beijing. Agriculture has been the primary focus of the first policy document released each year by China for the past 13 years — a fact that isn't all that surprising when you take into account the geographic obstacles to Chinese production. Though China's land and water resources may be ample compared to those of other countries, they are nowhere near sufficient to support the world's biggest population. And as this massive group of people increasingly shifts toward the consumption patterns consistent with a rising middle class, the pressure on China's limited resources will only grow. If it hopes to keep its imports of agricultural goods under control, both now and in the future, China will have to help its farmers become more efficient and productive.

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Demand soars for Chinese drone schools

[GroundReport, 05-02-2016] China has been one of the world's undisputed technology powerhouses for the past few decades, and the rate at which new technologies are getting adopted at the Asian nation has been simply incredible. The use of remote controlled drones for leisure, agriculture and commercial services, in particular, has seen quite a growing market, and tech companies are pulling out all the stops to ensure the local demand is sufficiently met. In correspondence, investors are putting up new drone schools all across the country in a bid to exert a pull on current and prospective drone users for various enterprises.

China is currently coercing special licenses for anyone wishing to fly a 7kg drone for commercial purposes, and this could be the prime pull behind the growing popularity of drone schools.

Drone use upsurge in China is not going to ease anytime soon if 2015's gen is anything to go by. Statistics not only rank China as the biggest manufacturer of drones in the world, but also as an unmatched market for the doodads. China has a lot of land set aside for agriculture, for instance, and with the farmers looking for more and more capital intensive practices to reduce costs, maximize profits and compete favourably in the international market, drones, which can amply replace up to ten workers in the farm, are becoming a seamless way of doing away with heavy payrolls.

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Trade and Business

China and Britain face rare opportunity of economic and trade cooperation

[Xinhua, 27-02-2016] Chinese Commerce Minister Gao Hucheng said on 26 February that China and Britain face a rare opportunity in promoting bilateral economic and trade cooperation, according to a press release by the ministry.

Speaking at the 12th conference of the China-UK Joint Economic and Trade Commission in Birmingham, Gao said that the joint efforts of two countries have given rise to a pattern of mutually beneficial, overall, sweeping and multi-level cooperation in economy and trade.

The launch of China's 13th five-year plan and the ushering of "Golden Era" of China-UK relations as well as economic structural reforms and sustainable development pursued by both governments provide rare opportunities for bilateral economic and trade cooperation, he said.

Gao proposed that two countries should connect economic strategies, tap trade potential and expand service trade.

Also Speaking at the conference, Sajid Javid, British Secretary of State for Business, Innovation and Skills, said that since the successful visit to Britain by Chinese President Xi Jinping in October last year, Britain's desire to cooperate with China has been stronger than ever.

The British government is willing to promote pragmatic cooperation between businesses of the two countries and continued growth in bilateral trade and investment, Javid said.

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China to invest billions in UK plants that produce power – and prawns

[GCR, 02-02-2016] A Chinese group will invest \$2.9bn (£2bn) in two biomass plants in Wales designed to produce electricity and grow food at the same time.

China's SinoFortone Group is backing the projects at Holyhead and Port Talbot, which aim to use waste warm water from biomass power stations to grow king prawns and vegetables with aquaculture and hydroponics.

The projects are being developed by UK firm Orthios Eco Parks, whose 299 MWe biomass plant at Holyhead on the island of Anglesey in the north will feed what it calls the world's largest on-land prawn hatchery.

In Port Talbot, South Wales, a 350 MWe biomass plant will facilitate a large aquaculture and hydroponics operation. In the Orthios approach, forestry waste is charred by pyrolysis to generate heat to drive steam turbines. The warm water this produces is channeled into aqua-

farms to grow king prawns, while the murky prawn water and the carbon dioxide from the pyrolysis are used as nutrients to grow vegetables.

Orthios says this 'combined-food-and-power' approach is environmentally friendly, but also good business because the demand for prawns is rising fast. It claims that from 2008 to 2012 alone, the value of UK shrimp and prawn consumption rose 48%, from £338m to £500m.

The food-and-power plants will create 1,000 jobs in operation and "thousands more during the construction phase", the companies said.

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China e-commerce huge opportunity for British merchants

[CCTV, 19-02-2015] New research says almost half of the UK's top online retailers are failing to capitalize on China's burgeoning e-commerce market. E-commerce service provider Global-e reports that British companies are significantly missing out on a marketplace that'll be worth \$1.5 trillion within four years.

Chinese shoppers love doing it online. Buying big brands from around the world, It's global, China's Centre for Economic Exchange anticipates online retail will account for 30 to 40 per cent of world trade in less than a decade. E-commerce entrepreneur Amir Schlachet says most firms see that as a huge opportunity.

"Most of them actually do realize that China is an important market. It's close to a trillion shoppers online. Very open to the world. It's already around half of the online population actually buying cross border." said Schlachet.

Recent research by market research company Emarketer backs him up, claiming nearly 45% of people in China shop on overseas websites. And the internet shopping giant Alibaba offered further evidence with figures for 2015 indicating a revenue rise of more than 30 percent. However, while many UK retailers have seen the online potential, to others claims Schlachet are failing to take advantage.

But global's also local and the trick to getting into the Chinese online market baffles some. Shoppers in China want websites in Mandarin; prices in Renminbi the local currency and payment using local systems such as Tenpay. Union Pay and Alipay. So, while shops in Britain go out of their way to welcome Chinese shoppers, researchers at Global-e found traders needed help online.

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ChemChina offers 43 billion USD for Switzerland's Syngenta

[Xinhua, 03-02-2016] China National Chemical Corp. (ChemChina) said on Wednesday, 3 February an agreement to buy Swiss agrochemical and seeds company Syngenta for about 43 billion U.S. dollars is subject to anti-trust reviews and approval.

If the deal goes through, it will overtake CNOOC's 2012 purchase of Canadian energy company Nexen as the largest ever overseas takeover by a Chinese enterprise.

Syngenta's board of directors are recommending that shareholders accept the offer of 465 U.S. dollars per share along with a special dividend of 5 Swiss francs (4.9 U.S. dollars), ChemChina said on its website.

"We will continue to work alongside the management and employees of Syngenta to maintain the company's leading competitive edge in the global agricultural technology field," said Ren Jianxin, chairman of ChemChina.

The transaction will enable expansion of Syngenta's presence in emerging markets, Syngenta said on its website.

Syngenta's existing management will remain in place following the deal, which is expected to be completed by the end of the year.

Last month, ChemChina bought German machinery maker KraussMaffei and took a 12-percent stake in Swiss energy trader Mercuria.

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Wanted: one careful Chinese owner

[FT, 07-02-2016] ChemChina's \$43.8bn bid for the Swiss chemicals group Syngenta is Beijing's most ambitious venture yet in a new wave of outbound investment. It will come under scrutiny from US regulators — who have powers that many European countries lack to block acquisitions on grounds of national security — but it is hard to see why they should do so in the case of Syngenta.

The deal does, however, raise questions over how to ensure fair competition and good governance.

For China, the strategic value of Syngenta's seeds and crop protection business is enormous: food security is a huge sensitivity in a country with experience of famine and a shortage of arable land. If the deal helps it to be more self-sufficient, it will also have a big effect on global commodity markets.

US regulators have blocked some previous seemingly innocuous deals but Chinese ownership of Syngenta's US-based business does not threaten America's own food security.

Syngenta's board no doubt also sees attractions in ChemChina's pledge to keep management in place and avoid a break-up of the group. Hands-off ownership must seem appealing to chief executives who have endured the relentless demands of activist shareholders or private equity investors.

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Syngenta denies \$43bn deal is a Chinese nationalisation

[BBC, 03-02-2016] The chairman of Syngenta has denied that the proposed \$43bn (£30bn) takeover by ChemChina amounts to a Chinese nationalisation of the Swiss agribusiness giant.

The deal would be the biggest foreign purchase by a Chinese company.

State-owned ChemChina has offered 480 Swiss francs a share in Syngenta and the stock rose 5.8% to 415 Swiss francs in Zurich.

The Swiss company said it was unanimously recommending the offer.

"This is absolutely not a China nationalisation," Syngenta chairman Michel Demare told CNBC.

"ChemChina has a fantastic track record of having not only bought companies outside of China, but also having kept investing in them and developing them and keeping the culture and values in place and I'm absolutely convinced that the same will happen here."

Mr Demare told analysts that ChemChina was "very interested in securing food supply for 1.5 billion people and as a result, knows that only technology can get them there".

The company would remain based in Switzerland, reflecting its attractiveness as a corporate location, he said.

Syngenta is a key producer of genetically modified seeds and that expertise could help China increase food production and reduce pesticide use. However, that depends on the government winning over a public known to be concerned about potential health risks from GM crops.

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Syngenta deal could pave way for biotech acceptance from China users

[Reuters, 12-02-2016] ChemChina's purchase of Syngenta could remove some of the suspicion around genetically modified crops and ultimately lead to more rapid user acceptance of biotechnology in food production in China, Syngenta's Chief Operating Officer Davor Pisk told Reuters.

The \$43 billion all-cash deal is the largest foreign acquisition ever by a Chinese firm, and marks a massive upgrade to China's crop production potential.

The deal would also give Swiss-based Syngenta unrivalled access to China's massive, yet fragmented and underdeveloped, crop market. China is the world's largest grain producer, and is a major grower of vegetables, oilseeds, cotton and sugar.

Syngenta is already the market leader in the fungicides and insecticides industry within China, with a roughly 6 percent share.

"Our crop protection market share in China is significantly below our market share in other parts of the World," Pisk said, adding that the company's average share in Asia is around 12 percent, and nearly 20 percent globally.

The Syngenta executive noted that while cultivation of GM food crops remains illegal in China, there are indications that the government wants to move toward adopting more use of GM technology, but to do so in a very cautious way, as it recognizes a lot of consumer uncertainty and anxiety about the question of GM foods.

"One of the benefits of ChemChina acquiring Syngenta is to hopefully remove some of the suspicion around modern technologies as they relate to agriculture amongst Chinese consumers," Pisk said, adding that Chinese consumers had been reluctant to accept GM technology as long as it appeared controlled by foreign companies.

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Chinese consumers spending more on foreign food, especially for the New Year

[Global Times, 15-02-2016] During the 2016 Spring Festival holidays, a wide range of overseas food has appeared on the tables of Chinese families. China's food imports have been growing for years, and the period just before the Chinese New Year has become the peak season for overseas food purchases. According to one online retailer, with sales during this time accounting for about one-third of total sales for the year, China's growing demand for overseas food products offers a good opportunity for foreign exporters. For example, Australian cherry growers could ship eight times more fruit to China if they had greater access to the country's market, one industry representative said.

With Chinese people buying more foreign food, domestic retailers, especially the more trendy online platforms, pushed out promotions before this year's Spring Festival holidays to spur sales of foreign products.

Recent data on Chinese food imports are hard to come by, but fruit and nut imports jumped 16.8 percent year-on-year to \$5.9 billion in 2015, according to China Customs. In January 2016, fruit and nut imports rose another 1.8 percent from the previous year.

Sales of overseas food gift boxes also jumped in the run-up to 2016 Spring Festival.

Fresh food also won many Chinese buyers. During Tmall Global's New Year's sale, fresh food sales were seven times higher than the corresponding period in 2015.

According to a report by Tmall Global, spending on overseas food in China during the Spring Festival holidays was almost the same in big cities and rural areas.

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China's 'zombie commodities' haunt the market

[Nikkei, 08-02-2016] China has a record-breaking stockpile of farm commodities that has been languishing in warehouses for years, declining in value. Officials are afraid to let the crops out, fearing the havoc they could cause if released.

In this past January, the government held weekly auctions offering to sell over 2 million tons of that same early-season rice they had stored for over two years in warehouses scattered around southern provinces. Reports described the auctions as proceeding "smoothly," yet none of the rice found buyers. It remains piled in warehouses with another subsidized crop due to be planted this month.

Also in January, the government tried to auction six-year-old vegetable oil that failed to sell in the market. Over 10,000 tons of five-year-old wheat described as breaching safety standards for poisonous mycotoxins was offered and some of it sold at a substantial discount.

The authorities also tried to auction American wheat they had held in storage for more than two years. While flour millers usually are eager to get foreign wheat, there was almost no interest in this case, partly because fresh wheat imported in December was available for nearly 20% less.

China's zombie cotton has also been haunting the world market for several years. The government has a two-year supply of cotton jamming its warehouses which was purchased in 2011-13 as authorities tried to push prices above the global level. Last year, they tried to auction off about 2 million tons of this cotton, but few buyers were interested.

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China's cotton yield continues declining in 2015

[Xinhua, 09-02-2016] China's cotton yield continued to decline in 2015 as the growing area decreased, official data showed.

Cotton yield in the world's second largest economy decreased 574,000 tonnes, or 9.3 percent, year on year to 5.6 million tonnes, according to the National Bureau of Statistics (NBS).

Last year, the cotton growing area went down 423,400 hectares, or 10 percent, to 3.799 million hectares, in China, said Hou Rui, senior statistician of the NBS.

The Yangtze River Basin and the Yellow River Basin went down by about 17.8 percent and 14.8 percent, respectively, according to the NBS.

The relatively low profitability of cotton and the government's abolishment of its "temporary purchasing policy" to prop up prices were to blame for the declining cotton growing area, said agronomist Pan Xiufen.

China will remain a big consumer of cotton due to its large population, growing income and increasing export demand, the ministry of agriculture said, adding that the shrinking growing area would result in a supply gap in the cotton market.

While most parts of China saw cotton growing area and yield down, northwest Xinjiang Uygur Autonomous Region was growing more.

In 2015, Xinjiang, home to half of the country's cotton growing area, produced 3.5 million tonnes of cotton, accounting for 62.5 percent of China's total, compared to 59.5 percent in 2014, NBS data showed.

Cotton yield per hectare in Xinjiang stood at about 1,840 kilograms, 24.6 percent higher than the national average.

China's cotton yield peaked in 2012 at 6.84 million tonnes, more than 2.2 times than that of 1978, official data showed.

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Economic slowdown in China won't affect its investments in Africa

[Xinhua, 20-02-2016] African countries will continue to benefit from Chinese investments despite an economic slowdown in the world's second largest economy, according to executives.

Mark Smith, Head of Infrastructure & Capital Projects, Deloitte East Africa, said that China's status as the biggest lending and trading partner with Africa will not be altered by its current economic slowdown.

"The issue of economic slowdown in China is more about perception than reality. China's economy is growing at an average of 6-7 percent, and the country's outbound investments in Africa and the rest of the world are still high," according to Smith.

African countries will benefit from Chinese investments in strategic areas like infrastructure, agriculture, tourism and energy production, according to the report.

Smith noted that diversification of Africa's economies, market reforms, political stability and a rising purchasing power among middle classes has attracted investments from China and a host of middle income economies.

He added that China will remain a major source of affordable credit and technology to hasten modernization of Africa's infrastructure alongside development of the nascent manufacturing sector.

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Australia approves Chinese purchase of country's biggest dairy

[FT, 23-02-2016] Australia has approved the sale of the country's largest dairy to a Chinese investor in a bid to end a controversy that risked souring Sino-Australian relations and dividing communities on the remote island of Tasmania.

The sale of Tasmanian Land Company, which has a 30,000 strong dairy herd across 25 farms, to a company controlled by Lu Xianfeng in the latest in a series of purchases by Chinese investors of agricultural land and assets — part of a wider move to secure food supplies in the Asia-Pacific region. This has prompted controversy in Australia and New Zealand, where regulators are toughening scrutiny of proposed deals while attempting to remain open to foreign investment that boosts agricultural output and rural jobs.

Scott Morrison, Australia's Treasurer, said he had approved the TLC sale to Moon Lake Investments subject to tax transparency conditions — a reform to foreign investment rules introduced by Canberra this week amid simmering public concern about the rapid pace of Chinese inflows.

Lu Xianfeng controls Moon Lake Investments and is also founder and largest shareholder of Shenzhen-listed Ningbo Xianfeng New Material, which has a market capitalisation of \$1.5bn. He recently wrote an article for a local newspaper in Tasmania explaining that Moon Lake Investment's business strategy would mean "growth for all".

Will Hodgman, Tasmania's premier, also backed the deal, telling the Financial Times that if local objections blocked the deal it risked alienating future Chinese investors.

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Chile expands trade in agricultural products with China

[Xinhua, 13-02-2016] China has now become the main destination for Chilean farm products, with fruit, wine and salmon among the main items of Chilean agricultural exports to China, data from the Agriculture Ministry and other government agencies show.

The sustained growth of the Chinese economy has led to a constant need for foodstuffs. This demand has increased now as China is changing its economic model to favor domestic consumption.

In 2014, the commercial exchanges between the two sides topped 34 billion U.S. dollars. China is now the third-largest market for Chilean foodstuffs, after the U.S. and Japan.

The free-trade agreement between Chile and China, signed in 2005, has facilitated exports to China. Chileans sold foodstuffs with a value of 78.4 million U.S. dollars in 2003, and the number rocketed to 1.273 billion U.S. dollars in 2014.

Now, 11 percent of all Chilean fruit exports goes to China, along with 17 percent of processed foods, 4 percent of wine and 3 percent of salmon. China is now the third-largest market for Chilean fruit, the fifth for wine and the sixth for salmon.

A total of 646 Chilean companies were doing business with China in 2015, including 274 small and medium-sized enterprises, which employ a large portion of the Chilean work force.

The great challenge now is to diversify farm exports, so that fresh products can reach cities across China in good condition.

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