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Global Compliance

Weekly Newsletter

57th Edition – 1st week of February 2016

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Cattle Ships are not the Solution

President Joko Widodo is checking the cattle aboard the Camara Nusantara 1 vessel. TEMPO/Subekti.

Jakarta (5/2/2016) -When the government tried to lower prices of local beef by providing ships to transport cattle, it showed a lack of knowledge on how markets function. The use of these ships may well reduce transportation costs, but this quick fix is not a long-term solution to the problem of high domestic beef prices.

The root cause of high meat prices is the combination of limited supply and high demand. This is a fundamental law of markets everywhere. Therefore, the Jokowi administration should be focusing on increasing the supply of beef in this country. This could be done by expanding domestic meat production by, for example, establishing large cattle raising centers in different regions. If this is seen as too time-consuming, opening the door to imports could be a temporary solution.

By understanding this problem, the policy of using cattle ships should be carried out only after the supply of cattle in the regions is assured. The assumption that supplies are always enough in the regions has proven to be a mistake, as evidenced by ships empty of livestock returning to Jakarta. Worse of all, consumers did not enjoy any lower beef prices.

The error of this assumption is apparent from the fact that since President Joko Widodo suggested these ships sail to eastern Indonesia and back, only one ship has returned to Jakarta carrying cattle. And this only came about as a result of some 'improvisation' by regional government officials who made farmers sell their livestock for much less than the market price.

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This week topics

INDONESIA THIS WEEK

The 'intervention' in the cattle market clearly resulted in losses for local farmers. They were hoping for a much higher price because of the extra costs involved. Besides the production costs, they also had to pay for permits, transportation to the port and illegal roadside levies. With the price set by the government, local farmers, most of whom only own small numbers of cattle, will continue to lose money, especially when market prices are high, as they are now.

These farmers' losses will affect their ability to provide more cattle. If they are unable to do this, production, which has fallen far behind domestic demand, will only continue to fall. It is this shortfall that forced the Jokowi administration to allow imports as a way to reduce domestic beef prices, which are now the highest in Southeast Asia.

The government has appointed several beef importers. Their licenses will specify their share of imports as well as the number of cattle they are allowed to import. Jokowi's government has had no choice but to repeat the policy of its predecessor. In the past, these licenses were bought and sold, and led to large-scale corruption.

If the government really wants to see affordable beef prices, it has no choice but to increase domestic production. Empowering local farmers and establishing large production centers in the regions are two options. In the short term, tightly controlled imports can be considered. Only when stocks are sufficient will Jokowi's cattle ships return to Jakarta with livestock on board. *(tempo.co)*

Japanese companies cater to beef-hungry consumers

TOKYO/SYDNEY/JAKARTA (6/2/2016) - As incomes rise in Indonesia, the heavily Muslim population's growing taste for beef has gotten Japanese businesses like restaurant operators and meat processors salivating.

Hearty appetites

An outpost of the Gyu-Kaku barbecue chain in the Aeon Mall shopping center outside Jakarta is consistently packed with families and couples. An all-you-can-eat option priced around 400,000 rupiah ($29.36) for adults, featuring cuts such as short ribs and beef tongue that are pricey by local standards, is particularly popular.

Gyu-Kaku operator Colowide opened a Shabu-Shabu Onyasai hot-pot restaurant in Surabaya last fall. The eatery took in as much money in its first two weeks as it had been expected to make in a month, according to the Japanese company. Colowide plans to expand the two chains' Indonesian presence from six locations to 14 this year and is targeting 50 by 2020.

What's for dinner is starting to change in Indonesia, whose per-capita gross domestic product exceeds $3,000. Consumer tastes in emerging markets typically shift from chicken to pork and beef as incomes grow. With pork-averse Muslims constituting 90% of the Indonesian population, interest in beef is particularly high.

Beef consumption rose 10% to about 654,000 tons in 2015, nearly doubling over a decade, data from the Indonesian agriculture ministry shows. While this works out to around 2.6kg per person -- less than the Japanese figure of roughly 6kg -- the average is expected to reach about 4kg within 10 years. Given Indonesia's population of 250 million, its market will likely surpass Japan's.

Some restaurants feature "wagyu" beef -- tender, marbled meat from Japanese cattle breeds. Local steakhouse chain Holycow! offers Australian wagyu for between 140,000 rupiah and 300,000 rupiah. The meat is supplied by Anzindo Gratia International, whose head, Kuswandi Wangidjaja, reported that wagyu has become so popular among wealthy and middle-class consumers that the importer cannot keep up with demand.

Pepper Food Service, the company behind the Pepper Lunch steakhouse chain, is another Japanese eatery operator making headway in Indonesia. The company ran 43 locations there at the end of last year and aims to boost the tally to 60 by 2020. Yoshinoya Holdings' namesake beef bowl chain had 48 Indonesian restaurants at the end of 2015, having added 13 over the previous year.

Read more at : http://asia.nikkei.com/Business/Trends/Japanese-companies-cater-to-beef-hungry-consumers

VIETNAM THIS WEEK

Government preparing for extreme weather conditions

HA NOI (5/2/2016) - Prime Minister Nguyen Tan Dung has asked relevant agencies to bolster their preparations against extreme weather like typhoons, prolonged drought and massive floods, as they are forecast to hit Viet Nam heavily in the next five years.

The Central Steering Committee for Disaster Prevention and the National Committee for Search and Rescue (NCSR) are the two agencies in charge of managing collaboration between ministries and their provincial departments to draft responsive plans to such extreme weather.

Since last year, Viet Nam has been severely suffering from the impacts of El Nino – likely to be the longest one in the last six decades – with nearly 40,000ha of agricultural land rendered inadequate for production due to a massive drought across the central region, Central Highlands and southern region. The weather pattern also caused water shortages that affected tens of thousands of people.

El Nino was predicted to last until the end of this spring, and will possibly be followed by the La Nina phenomenon. La Nina often causes the opposite effects of El Nino, resulting in more rain and flooding as well as landslide risks.

The Prime Minister also directed the NCSR to modernise the vehicles and equipment used by rescue forces as well as promote rescue rehearsal drills and international co-operation in humanitarian aid and disaster relief.

The Ministry of Natural Resources and Environment (MoNRE), meanwhile, was urged to finalise the draft plan on constructing a monitoring system for hydro-meteorology forecasting, especially for rain and floods.

MoNRE is also working on the first-ever disaster alert map on a national scale that will predict natural disaster risks like storms, flash floods, landslides or salinisation across the whole country, serving as the decision-making basis for relevant agencies to carry out preventive measures.

A map specifically on flooding caused by higher seawater levels, and another one on flood risks posed by hydroelectric reservoirs, are being developed by the Ministry of Agriculture and Rural Development (MARD).

MARD and MONRE are expected to co-operate in guiding farmers on which crops and livestock to farm in accordance with the water level each locality will be able to provide.

The Prime Minister also asked MARD to quickly finish anti-drought and water supply projects while promoting the application of advanced farm sprinkling techniques that efficiently cut down on water usage.

The Viet Nam National Coal-Mineral Industries Group (Vinacomin) is tasked with reviewing the safety of coal waste dump sites, which could be seen creating piles resembling small mountains in Quang Ninh Province – the leading province of Viet Nam's coal industry. Non-stop rains in the province last July triggered a landslide from such coal sludge mountains, burying a 94-household community in Mong Duong Ward in Cam Pha City. *(vietnamnews.vn)*

Vietnam's economy has not overcome period of decline

Vietnam (7/2/2016) - VietNamNet Bridge - Economists said that Vietnam’s GDP growth of 6.68% in 2015 was impressive but the average growth rate of the past five years was still much lower than the previous periods. The growth model is still unsustainable, they said.

Analysis of the situation in 2015 by Dr. Tran Tho Dat and Dr. To Trung Thanh (National Economic University) at a recent seminar revealed many uncertainties in the model of economic growth of Vietnam.

In 2015, economic growth reached the highest level in the 2010-2015 period (6.68%) and this was considered a bright spot in the macroeconomic management. However, according to the analysis of this group of experts, Vietnam's economy is still in a declining trend and lacks motivation to overcome that trend.

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The reason cited by Dr. Trung Thanh is that growth in 2015 was high but the average rate for the entire five years was only 5.8%, lower than the average of 2006-2010 and far below 7.61% of the pre-crisis period of 2000-2006.

Dr. Trung Thanh said that the 2015 GDP growth rate was highest in five years but the quality of growth was still low. A clear evidence for that was that Vietnam's labor productivity was lagging far behind other countries in the region. He cited data showing that the added industrial value per worker (GDP per worker) of Vietnam is just half of the Philippines and a quarter of China.

Dr. Ngo Thang Loi and Dr. Tran Thi Van Hoa (National Economics University) argued that economic growth was not yet of a high quality as the economy still relies on processing.

"The trend of processing is common in industry but also spreads to agriculture. In agricultural production, now there is the trend of processing and importing fertilizers, pesticides, seeds, livestock and others," they said.

In addition, the growth structure is unreasonable as growth is mainly in industry and construction materials and tends to fall in the service sector; growth in the FDI sector increased rapidly while it was too low in the domestic sector.

Experts also discussed the dependence of the Vietnamese economy on China. According to Dr. Trung Thanh, even when Vietnam "escapes" from that dependence, Vietnam's economy will be still dependent on another country, probably South Korea or any other country because the economic structure relies on FDI businesses.

The contribution of FDI to the economy is huge, accounting for 18% of the output of the entire economy, but this group mainly focuses on the processing sector, not positively contributing to technology improvement. Currently, only 5-6% of FDI firms use high-tech in Vietnam. The majority (80%) still use the average technology. This sector creates only around 5% jobs for the economy.

Analysis of the experts from the National Economics University showed that import trends from China and South Korea will continue, not only because Vietnam's input materials depend largely from these countries. Indeed, Vietnam is participating in the global value chain, but only contributes to the last position in that chain.

The strategy called "China +1" or "Thailand +1" are being pursued by many multinational corporations to find a place outside these countries to base their factories to avoid the increasing labor costs in China. Also, the location is still close enough to export back to China or Thailand. With this criterion, Vietnam is the top choice.

"But Vietnam is only engaged in a specific stage, the end of this production chain - assembling imported parts and lack of participation of local businesses," said Dr. Trung Thanh.

At the seminar, experts recommended that the Government should have a mechanism to attract small- and medium-sized businesses from Japan, Taiwan, South Korea, and other countries to invest in supporting industries instead of focusing on luring capital from multinational corporations. *(vietnamnet.vn)*

VIETNAM Business In Brief

Vietnam - an attractive retail market: research

Vietnam - an attractive retail market: research, VN targets high growth to 2020, Hanoi eyes 3.76 million international visitors in 2016, SBV to offer $404m of treasury bills, Lending rates seen likely to rise in '16. Research conducted by Germany's Statista Market Research Company showed that the scale of Vietnam's retail market could reach 100 billion USD in 2016.

With a young population and increasing number of people visiting commercial centres, the country's retail industry holds huge potential. Big retailers from Japan, Thailand, France and Germany have poured into the retail market, creating fierce competition.

The Economist Intelligence Unit also announced its report on the prospects of various sectors in 2016. It said the retail sector's revenue could see stable growth of 2.7 percent this year. It added that the liberalisation of the retail industry would help Vietnam become an extremely attractive market, especially in e-commerce.

Agro-fishery exports drop 3.1% in Jan

Agro-forestry-fishery exports are estimated to yield VND51,796 billion in January, an annual decrease of 3.1 per cent. According to the Ministry of Agriculture and Rural Development (MARD), major farm produce shipped overseas brought home VND25,787 billion in revenue, up 2.8 per cent year-on-year.

Rice exports saw the highest growth with 495,000 tonnes sold for VND4,846,140 million, increasing 56.7 per cent in quantity and 46 per cent in value from the same period in 2015. Cashew exports also did well with 24,000 tonnes worth VND4,068,090 million shipped overseas in the first month of the year, gaining 9 per cent in quantity and 15.6 per cent in value. Peppercorn exports fell by 30.2 per cent compared to January last year to an estimated 7,000 tonnes. Revenue reached VND1,489,410 million, down 31.5 per cent. The value of coffee and rubber products exported continued to drop despite larger shipments.

While the overall export turnover of agricultural produce rose, the figures for forestry and fishery products dropped.

Aquaculture exports were approximately VND10,114,650 million, a decline of 8.8 per cent from the same period last year. Forestry goods recorded export revenue of almost VND11,559,600 million, falling 15.1 per cent. In 2015, agro-forestry-fishery export revenue reached VND676,904 billion, just 0.2 per cent higher than the previous year.

Hoa Phat Group sets up new agricultural firm

Hoa Phat Group Joint Stock Company (HPG) has created the Hoa Phat Agricultural Development Joint Stock Company, with a charter capital of VND2.5 trillion (USVND2,467,530 million). The new company will be set up at Pho Noi A Industrial Zone in Hung Yen Province, and focus on raising animals, producing animal feed and other animal-raising support activities.

Hoa Phat Group also allowed Hoa Phat Agriculture to purchase all of Hoa Phat Group's stakes in other animal raising companies and animal feed producers, at a buying ratio f 1:1. AEON earns US$150 million exporting Vietnamese goods to Asian markets in 2015

A Japanese leading retailer in Asia had its business in Vietnam export goods worth millions of dollars last year, its executive has said. The total profit gained from shipping Vietnamese goods to Asian markets in 2015 was nearly US$150 million, Nagahisa Oyama, CEO of AEON Vietnam, said in a meeting with Nguyen Thanh Phong, chairman of the People's Committee of Ho Chi Minh City.

The profit is estimated to be much higher since more and more products of Vietnam have gained mass appeal in Japan. According to Oyama, with more than 10,000 AEON stores in Japan, Vietnamese goods will have great access to customers in every corner of the nation, especially clothes, processed food, and more.

The Japanese retail giant also plans to inaugurate the fourth mall in Tan Binh District, Ho Chi Minh City in early July, which will raise its total investment in Vietnam to US$500 million, the executive said. AEON has been present in Vietnam since 2009, in the form of a representative office from December 1, 2009 to July 10, 2012, according to its website.

On October 7, 2011, with approval from the Ho Chi Minh City People's Committee, AEON set up its Vietnam Company Limited to construct and operate modern shopping malls, general merchandise stores, and supermarkets, as well as carry out other business activities related to import, export, trading, and research.

The Japanese retailer now has three shopping centers in Vietnam: AEON Mall Tan Phu Celadon in Tan Phu District, Ho Chi Minh City, AEON Mall Binh Duong Canary in Binh Duong Province, and AEON Mall Long Bien in Long Bien District, Hanoi.

Vinamilk's profit rises 28 per cent

The Viet Nam Dairy Products Joint Stock Company (Vinamilk) posted an after-tax profit of nearly VND7.8 trillion (US$350 million) last year, an increase of 28 per cent year-on-year.

The company's total revenue in 2015 reached VND40.2 trillion ($1.8 billion), up 14 per cent against 2014.

Vinamilk reported revenue of VND11.1 trillion ($500 million) in the fourth quarter of 2015, an increase of 19 per cent year-on-year. The company earned VND1.9 trillion ($85 million) in after-tax profit, up 10 per cent compared with the same period last year.

Although a majority portion of Vinamilk's revenue comes from the domestic market (more than 80 per cent), the revenue earned from overseas markets has witnessed strong growth, increasing 39 per cent compared with 2014.

The company's expenditure in 2015 rose by 70 per cent to touch VND6.2 trillion ($280 million), of which advertising expenditures comprised VND1.8 trillion ($80 million), up 82 per cent.

MALAYSIA THIS WEEK

Federal development expenditure lays emphasis on Sarawak's people-centric programmes, projects

KUCHING (6/2/2016) - Despite the recent cuts in the budget allocation for 2016, the federal development expenditure continues to emphasise on projects and programmes that are rakyat-centric, and development spending for Sarawak Corridor of Renewable Energy (SCORE) creates economic multiplier for key sectors of the economy and enhances Malaysia's growth potential.

AmResearch Sdn Bhd (AmResearch) noted that SCORE is firmly established as one of Malaysia's five economic corridors. A slew of projects are in place to accentuate infrastructure development and investment in a prelude to socio-economic growth which is a catalyst for SCORE.

For the past five years, the progress and focus of SCORE has been on Samalaju Industrial Park (SIP).

The other nodes which are implemented concurrently with SIP in terms of infrastructure include Tanjung Manis, Mukah Smart City and Baram.

For Tunoh, Samarahan and other secondary growth nodes in the hinterland areas are now in advance stages of planning under the SCORE Hinderland Study, which awaits approval for funding.

Government funding is expected to account for 20 per cent of total investment while the remaining 80 per cent is private sector initiative.

"For Samalaju Industrial Park, total approved investments amounted to RM25.19 billion. SCORE promotes 10 priority industries within Sarawak, namely aluminium, glass, oil-based, steel, palm oil, fishing and aquaculture, livestock, timber-based, marine engineering; and tourism.

"In tandem with the economic development in SCORE, job opportunities within Sarawak are expected to grow, adding 667,238 new jobs in the next 15 years. Total workforce in Sarawak is likely to grow further to 1,088,026 persons by 2030," explained Amresearch.

"We gather that the state economy advanced by 4.3 per cent in 2014, contributing 10.1 per cent to Malaysia's total GDP value. At large, development spending for the state creates economic multiplier for key sectors of the economy and enhances Malaysia's growth potential.

"Despite the recent cuts in the budget allocation for 2016, the federal development expenditure continues to emphasise on projects and programmes that are rakyat-centric, with high multiplier effect and low import content. That said, the government had ensured that physical projects will remain a priority, which includes the implementation of major projects such as the Pan-Borneo Highway," it added.

Based on the Budget 2016 announcement last year, Sarawak Pan-Borneo Highway spanning 1,090km is expected to be completed in 2021 with an estimated cost of RM16.1 billion.

The research house gathered that for Phase 1 of Sarawak Pan-Borneo Highway, there will be 10 major Works Package Contracts (WPCs) that will be rolled out by November 2016.

Each WPC varies from 60 to 90km in length, with target completion by mid-2021. JVs or consortiums must be Sarawak-led, with a minimum 70 per cent Sarawak equity. Meanwhile, the federal government has yet to decide on the management for Phase 2. *(theborneopost.com)*

Malaysia's total trade up 1.2 pct to RM1,466 tln in 2015

KUALA LUMPUR (6/2/2016) - Malaysia's total trade for 2015 grew 1.2 % to RM1.466 trillion, with exports expanding 1.9 % to a new high of RM779.95 billion and imports, up a marginal 0.4 % to RM 686.65billion.

Following the better exports, the country's trade surplus registered a double-digit growth of 14.3 % to RM94.29 billion compared with the RM82.48 billion chalked .

This was the ninth year that trade exceeded the RM1 trillion mark and the 18th consecutive year that Malaysia had recorded a trade surplus, said Second International Trade and Industry Minister Datuk Seri Ong Ka Chuan. More at : http://www.theborneopost.com/2016/02/06/malaysias-total-trade-up-1-2-pct-to-rm1466-tln-in-2015/

CHINA THIS WEEK

China, Brazil shaking up international beef trade

SAN DIEGO (4/2/2016) - Global beef production and trade are becoming a complex web with new players vying for position and mature markets looking for ways to sustain themselves.

Brazil and China are two countries to watch, Rabobank agribusiness analysts Don Close and Matt Costello said during the National Cattlemen's Beef Association's Jan. 26-29 convention in San Diego.

Brazil is stepping up production of corn and livestock while China needs to import more to feed 1.4 billion people.

"We think the competition for global trade is going to increase," said Close, but the U.S. will retain an important position.

"Our expectation is that the U.S. market will continue to be the global centerpiece for high quality beef production."

Strong live cattle and beef prices in the United States in 2014-15 sent a signal around the world to in-crease production, particularly when the beef cut-out value reached a record $259 per hundredweight in July 2015.

However, the increase in beef prices was not all due to demand. It also rallied because of reduced competition as porcine epidemic diarrhea hurt U.S. hog barns and avian influenza struck poultry producers.

"We knew this big rally was coming and we were really quick to take the credit that it was all driven by food demand, and that really wasn't the case," he said.

"There was a decline in total animal protein domestically, not beef demand only. I think there was a bit of an exaggerated price signal sent to the U.S. and globally."

The repeal of country-of-origin labelling legislation in the United States will be positive in North America, and Mexico is expected to take advantage by exporting more feeders to the U.S. Canada has been slow to expand its herd, but some female retention appears to be happening.

Trade agreements are key to greater market access. New Zealand has been the benchmark for successful market access by achieving bilateral trade agreements with numerous countries. There were no tariffs on New Zealand beef shipped to China last year.

Australia has been able to successfully complete free trade agreements with Japan, South Korea and China, so tariffs have immediately started to come down.

The Trans-Pacific Partnership deal is critical for the agriculture sectors in North America, they said. The agreement will be officially signed in New Zealand Feb. 8, but the U.S. Congress must then agree, and that may not happen until after the November federal elections.

Exporters such as the U.S. need to look at the success of countries like Australia, which can offer traceability as well as hormone and ractopamine-free beef. When a new opportunity opens, Australia is there.

The country has been quick to take advantage of the growing Chinese taste for beef. Australian exports to China have increased by 360 percent since 2013.

Trade in this region can be a complicated proposition. Chinese beef imports are rising, with Uruguay and Australia the main beneficiaries of the new access, said Costello. Official imports were minimal from 2009-12, but Hong Kong and Vietnam imported considerable amounts of beef from a variety of sources, which was probably redistributed to China.

"When you look at how much they import, particularly from India, there is just no way they can eat that much beef," said Costello.

China has been more open to beef imports since 2013. Numerous cases of food fraud have scandalized the public, so imports are often viewed as safer. Most recently, it was discovered that rat meat was being sold as beef and mutton, said Costello.

Rabobank predicts China will be the largest beef importer within this decade, but it is not wide open. It imports 20 percent of its beef requirements with the majority coming from Australia Argentina, Brazil, Canada, New Zealand and Uruguay. Read more at : http://www.producer.com/2016/02/china-brazil-shaking-up-international-beef-trade/

Feeding China

China (5/2/2016) - Over the last four decades, the development of China's animal feed industry has mirrored the pace and tone of the development of China's economy as a whole. Today, the dramatic growth of China's feed industry has slowed to a more tempered pace, while internal/governmental initiatives and the growing demand for animal protein are driving the industry to modernize and find efficiencies in its structure and practices.

A recent U.S. Department of Agriculture Economic Research Service (ERS) report, "Development of China's Feed Industry and Demand for Imported Commodities," details a progression of steps taken in the 1970s, '80s, '90s and the opening decades of the new century with strategic purpose to ensure the food security for the Chinese people.

It is the increase over the last 40 years in animal protein demand and consumption that has driven the growth of the Chinese feed industry, which has in turn made China the world's foremost importer of soybeans, rapeseed, DDGS, sorghum, barley and fish meal. It has also helped to drive China's farmers to plant more raw ingredients to sell to the feed industry.

As the ERS report notes, today China is the world's largest consumer of feed ingredients, accounting for one-fifth of the total. China's commercial feed output of 194 million tonnes in 2012 outpaced the U.S. and E.U. feed industries.

According to the ERS, China's manufactured feed output grew to 198 million tonnes in 2014 from just 5 million tonnes in 1982. The industry's growth paralleled that of meat and egg production, which grew from about 15 million tonnes annually in the early 1980s to 114 million tonnes in 2014.

The foundation of this dramatic growth was built in the 1970s.

Launching a feed industry

A pivotal year for China's feed industry was 1978. This was a time when China's economy as a whole was strictly controlled by central planning. Before 1978, the Chinese government had purchased equipment from Eastern Europe to build the nation's first modern feed mills. The production of feed was limited.

At a meeting of China's central leadership where broad market-oriented reforms were announced, livestock production was prioritized. The leadership determined that feed mills could transform raw materials into animal proteins more efficiently.

In 1979, the Thai company Charoen Pokphand (known in China as Zhengda) and U.S.-based Continental Grain became the first foreign ventures allowed in China. That these two companies were the first foreign companies allowed to operate in China was an indication of how important the feed industry was to China's political elite.

As the ERS report noted, in the early 1980s a series of events critically important to launching the industry took place.

In 1980, technical experts were convened to develop strategies for expanding the livestock industry, and in 1982, Deng Xiaoping — China's most important leader at the time — endorsed feed milling as a priority industry. It was in 1984 that China's State Council formulated a strategic plan for the feed industry's growth through 2000.

The ministries and bureaus of China were ordered to set up feed mills. The 1984 plan called for a series of moves to grow the feed industry. These included tax waivers, low tariffs and special allocations of foreign exchange to encourage imports of feed milling machinery and equipment.

The plan also called for utilizing non-grain feed resources, pasture, and marginal lands to support livestock, but it also recommended lowering tariffs on imports of feed ingredients with high protein content.

Early years

The earliest feed mills served state-owned farms and as the 1980s and 1990s progressed, village-based feed mills proliferated as small-scale livestock production began to grow. These small family farms had traditionally used on-farm feed materials for their animals. The growth in the number of livestock outpaced commercial feed production.

The ERS report noted that in 1995 China liberalized imports of non-grain feed materials including the elimination of import quotas for soybean meal, meal ….

Read more at : http://www.world-grain.com/articles/news_home/Features/2016/02/Feeding_China.aspx?ID=%7B67AF2025-DF7A-4FD0-AD30-B6BEB7CA38DC%7D

ASIA PACIFIC THIS WEEK

Coming Back to a Grill Near You: Argentine Steaks

Buenos Aires (3/2/2016) - Argentina could reclaim a strong presence on dining tables worldwide by exporting up to twice as much beef in the next two years, after the new center-right government cut export taxes and quotas on the red meat, industry groups said.

Exports of world-famous Argentine steaks have tumbled, largely due to the trade controls imposed by the former left-leaning government which designed to keep local butchers well supplied and suppress prices.

A decade ago, Argentina was the world's third biggest beef exporter, with annual shipments of about 771,000 tonnes.

Argentina's Meat Industry and Trade Chamber (Ciccra) estimated beef exports will increase to 300,000 tonnes in 2017 from 200,000 tonnes last year, while the Aacrea association of meat producers forecast 350,000 tonnes. Agriculture consultancy group Tonelli & Associates put the figure at 400,000 tons.

The groups spoke to Reuters last week.

"Argentina is returning to the market," Mario Ravettino, president of the Consortium of Meat Exporters ABC, declared.

Argentina lifted restrictions on beef in the second week of January, a month after center-right Mauricio Macri took office on a platform to liberalize the spluttering economy.

Ricardo Negri, secretary for agriculture, livestock and fisheries said in a telephone interview that Argentina hoped to start shipping beef to the United States and Canada after both lifted their own restrictions on Argentine beef. It would also increase shipments to established markets such as Russia and China, he said.

An increase in exports could prove a boon for foreign meat packers operating in Argentina, including Brazilian firms JBS and Marfrig Global Foods.

A rural worker herds livestock into a corral inside a cattle feedlot in Magdalena, south of Buenos Aires, Jan. 14, 2016. (Reuters Photo/Enrique Marcarian)

"There's a change of mood in the industry," said Miguel Schiariti, president of the meat packers Ciccra chamber. "Expectations are running high, prices are improving and producers are betting on increased activity."

In South America, Argentina lags behind Brazil and its much smaller neighbors Uruguay and Paraguay in beef exports.

Argentina's decline as a meat exporter underlines the impact of former President Cristina Fernandez's protectionist policies since 2008 on the country's external beef trade as farmers switched to cash crops such as soy.

The U.S. Department of Agriculture estimated that in 2016 Argentine beef exports will increase 15 percent to 265,000 tonnes.

Victor Tonelli of Tonelli & Associates forecast Argentina's herd would in five years grow to 58 million head of cattle, its highest since 2008, from the current 51.5 million.

Meat industry chamber Ciccra said a dip in the number of heifers slaughtered in December from a year earlier could suggest farmers were taking the first steps toward increasing their cattle stock. *(Reuters)*

RSPCA fires LGAP proposal warning

Australia (3/2/2016) - RSPCA Australia has warned the Federal government against watering-down live export industry regulations via the new Livestock Global Assurance Program (LGAP) proposal, saying industry self-regulation has failed.

But the LGAP Standards Committee's Independent Chair Dr David Kennedy says the new compliance regime is not a form of self-regulation. And if implemented, he believes it can potentially achieve more for animal welfare globally than any quality assurance program, currently in existence.

LGAP is being pitched as an alternative to the Exporter Supply Chain Assurance System (ESCAS) that was rapidly implemented after the 2011 Indonesian live cattle export ban.

ESCAS aims to address public concerns about animal welfare standards through to the point of slaughter but has been resisted by some key export markets amid concerns about sovereign political interference.

But the Farmer review that also followed the Indonesian cattle crisis recommended the live export industry consider a supply chain quality assurance scheme to complement the ESCAS regulatory compliance regime.

The live export industry has subsequently advanced the LGAP project that started in 2014 to design a new system that maintains ESCAS animal welfare standards but remedies its perceived flaws.

However, in its submission to a 60-day comment period on the LGAP project, which closed last Friday, RSPCA Australia maintained its attack on the live export industry which it also wants banned.

RSPCA Australia's Senior Policy Officer Dr Jed Goodfellow said his group's submission to the LGAP Standards Committee raised deep concerns over the industry's "government hands-off proposals".

Mr Goodfellow said the LGAP process was industry-driven and and funded and promoted as being independent of government, to appease foreign markets that oppose ESCAS.

He said if LGAP didn't remove Australian government regulation from the oversight process, why would it re-open markets like Saudi Arabia that have opposed ESCAS?

"History has shown that when the industry is left to its own devices, animal welfare is neglected and cruelty ensues," he said. "The industry does not have the confidence of the Australian community to self-regulate."

But in an open letter released last week, Dr Kennedy said the invitation for public comment on the LGAP project was an inappropriate forum to voice general opposition to the livestock export trade and "Other channels are available to voice such concerns".

He said LGAP wasn't proposed to be a form of self-regulation and would not dilute ESCAS.

"LGAP has been developed to strengthen the assurance sought under ESCAS and strengthen the commitment, oversight and management of welfare along the supply chain," he said.

Dr Kennedy said LGAP's certification rules were intended to follow international guidelines like those of the World Organisation for Animal Health's (OIE) Terrestrial Animal Health Code (Code), guidelines and standards published by ISO and the World Trade Organisation.

He said the system was being designed not just for Australian exported livestock but to certify any livestock facility "anywhere in the world" regardless of the country of origin, so long as the system's standards are met.

"As such, LGAP, if implemented, has the potential to do more for animal welfare on a global basis than any program currently in existence," he said. "The standards development process is based on animal welfare science."

Dr Kennedy said the LGAP development process was "far from a cynical exercise" with the Standards Committee being managed separately from the livestock export industry "and the industry respects the process".

He said more than 30 organisations were directly invited to comment, including the OIE, the Australian Veterinary Association, Animal Health Australia, the Chief Veterinary Officer, World Animal Protection (WAP), RSPCA Australia and Animals Australia.

Read more at : http://www.farmweekly.com.au/news/agriculture/general/politics/rspca-fires-lgap-proposal-warning/2751429.aspx?storypage=2

Trans-Pacific Partnership trade deal signed, but years of negotiations still to come

NZ (4/2/2016) - The Trans-Pacific Partnership, one of the world's biggest multinational trade deals, was signed by 12 member nations on Thursday in New Zealand, but the massive trade pact will still require years of tough negotiations before it becomes a reality.

The TPP, a deal which will cover 40 percent of the world economy, has already taken five years of negotiations to reach Thursday's signing stage.

The signing is "an important step" but the agreement "is still just a piece of paper, or rather over 16,000 pieces of paper until it actually comes into force," said New Zealand Prime Minister John Key at the ceremony in Auckland.

The TPP will now undergo a two-year ratification period in which at least six countries - that account for 85 percent of the combined gross domestic production of the 12 TPP nations - must approve the final text for the deal to be implemented.

The 12 nations include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam.

Given their size, both the United States and Japan would need to ratify the deal, which will set common standards on issues ranging from workers' rights to intellectual property protection in 12 Pacific nations.

Opposition from many U.S. Democrats and some Republicans could mean a vote on the TPP is unlikely before President Barack Obama, a supporter of the TPP, leaves office early in 2017.

U.S. Trade Representative Michael Froman has said the current administration is doing everything in its power to move the deal and on Thursday told reporters he was confident the deal would get the necessary support in Congress.

In Japan, the resignation of Economics Minister Akira Amari - Japan's main TPP negotiator - may make it more difficult to sell the deal in Japan.

There is wide spread grassroots opposition to the TPP in many countries. Opponents have criticized the secrecy surrounding TPP talks, raised concerns about reduced access to things like affordable medicines, and a clause which allows foreign investors the right to sue if they feel their profits have been impacted by a law or policy in the host country.

In New Zealand on Thursday more than 1,000 protesters caused traffic disruptions in and around Auckland and police said a large number of police have been deployed.

Chile's Foreign Minister Heraldo Munoz predicted "robust democratic discussion" in his South American nation.

Australian Trade Minister Andrew Robb said the agreement would be tabled next week in parliament. Opposition to the deal in Australia has been building, but Robb was confident it would be approved, despite the government not control the Senate.

Canada's new government signed the deal on Thursday, but Trade Minister Chrystia Freeland has said "signing does not equal ratifying."

She emphasised that the government committed itself to a wide-ranging consultation on the TPP during its election campaign and that process was currently underway.

Secretary of the Economy for Mexico, Illdefonso Guajardo, said the TPP would be voted on before the end of 2016, while Malaysia said the deal had already been approved, although some legislative changes were still needed. *(cattlenetwork.com)*

Historic TPP trade agreement signed: What does it mean for red meat exports?

By Jon Condon, 04 February 2016

This morning's signing of the Trans-Pacific Partnership in New Zealand is a big step forward towards advancing opportunities for Australian agriculture and food exporters in a landmark regional trade agreement covering some of the world's largest economies. But what doers it mean for our beef and sheepmeat exports?

http://www.beefcentral.com/trade/historic-tpp-trade-agreement-signed-what-does-it-mean-for-red-meat-exports/

INDONESIA

Indonesia to allow beef, cattle imports from disease-free zones

[05 February 2016] Amid soaring beef prices, Indonesia's government announced at the end of January its ninth economic stimulus package, which included measures to stabilise beef supply and prices by diversifying beef import sources and deregulating logistics. Darmin Nasution, Coordinating Economic Minister, said that under the new package, the Agriculture Minister will introduce a zoning system within a cattle-importer country, instead of using a country-based criteria, to help reduce dependence on a single country. "A country can have disease-free zones and we can import from these zones," Mr Darmin added.

Indonesia encourages sustainable aquaculture

[05 February 2016] Indonesia's Ministry of Fisheries and Marine Affairs continues to encourage sustainable aquaculture and has begun fish restocking as part of its efforts to maintain the sustainability of the environment and fishery resources. Slamet Soebjakto, Director General of Aquaculture, said: "The development of aquaculture must support the sustainability of nature and fishery resources." On the fish restocking program, the ministry is pushing hatcheries to produce quality seeds. "Our aquaculture production target for 2016 is 19.5 million tonnes, for this some 101 billion seeds will be needed," said Mr Slamet.

Bulog buys corn detained at Indonesian ports

[04 February 2016] Around 353,000 tonnes of imported corn from Latin America that arrived in Indonesia in January and was detained at five seaports namely Belawan, Cilegon, Semarang, Lampung and Surabaya, has been bought over by Bulog. Thomas Lembong, Indonesia's Trade Minister, said Bulog has bought the corn from the importers for USD 0.22-0.23 per kg, and then sold it to poultry and livestock farmers and feed millers at a price of USD 0.26. Bulog and Indonesia's Agriculture Ministry has also stabilised corn price in Blitar, East Java by distributing around 200 tonnes of corn to layer farmers in the largest egg production region in Indonesia.

North Atlantic plans major expansion in Indonesia

[04 February 2016] US-based fish importer, processor and distributor North Atlantic is planning to expand operations at its Indonesian subsidiary to improve sustainability, traceability and social impact. By building four processing plants in the country the company hopes to reduce waste in the supply chain. That waste occurs from product degradation primarily due to a lack of cold chain infrastructure. Construction of the first, near a traditional fishing village on the south-central island of Sumbawa, is expected to begin in March and to be operational by the end of the year. "The plant will produce fish products including individual vacuum packed (IVP) portions in retail bags, bulk IVP portions and bubble wrapped loins," said Bill Stride, North Atlantic CEO.

Indonesia's February corn harvest predicted to reach 3mt

[03 February 2016] Corn harvest yield in February in several corn producing regions in Indonesia is expected to reach 3 million tonnes, according to Amran Sulaiman, Agriculture Minister. "The yield is expected to normalise the price of corn to USD 0.23 per kg. If the corn price returns to normal, this will stabilise the price of feed, and the price of chicken (dressed bird) will also return to around USD 2.3 per kg," Mr Amran said. Previously the price of local corn skyrocketed to more than USD 0.5/kg, pushing the price of poultry feed and chicken up.

Indonesia's Bulog to stabilise beef prices in Greater Jakarta

[03 February 2016] Anticipating the increasing price of beef in Greater Jakarta, Indonesia's state procurement agency Bulog will distribute its cattle stock to slaughterhouses in the region. Fazri Sentosa, Bulog Commercial Director, said the agency will distribute 200 cattle per day. In addition, "we also have frozen boxed beef stocks," said Mr Fazri. "We expect the price of beef in the region to contract to USD 6.5-6.9 per kg. Currently the price is around USD 8."

Chicken price escalates in Indonesia

[02 February 2016] The price of dressed birds in big cities in Indonesia, especially in Greater Jakarta, is skyrocketing due to the increase in feed prices. Based on the Indonesian Poultry Slaughterhouses Association (Arphuin) data, the average price of live birds in the last week of January was around USD 1.51/kg. "The price of dressed birds was around USD 2.67/kg. By calculating the body weight shrinkage of around 4% and transportation and processing costs, the price is fair," said Achmad Dawami, Arphuin Chairman. Before the increase in feed prices, the average price of live birds was around USD 1.29/kg.

Fast Food Indonesia to build 40 new KFC outlets

[02 February 2016] Fast Food Indonesia, the operator of Kentucky Fried Chicken (KFC), has targeted a 10% business growth this year. Justinus D Juwono, Financial Director, said the company targets an income of USD 369 million this year. Last year it booked an income of USD 335.5 million. "Consumer purchasing power is still weak so we anticipate moderate growth for this year," Mr Justinus said. To reach the target, Fast Food plans to add 30-40 new outlets. It has allocated a capital expenditure of USD 22 million – of this, the majority will be used for the new outlets, while the remainder would be for renovation of existing outlets. "Of the new outlets, 60% will be built outside Java, in central and eastern Indonesia," said Mr Justinus.

Indonesian feed millers turn to wheat due to corn scarcity

[01 February 2016] The Indonesian government's decision to halt corn imports for the private sector has raised the price of local corn to USD 0.43/kg from the normal price of USD 0.21. In addition, supply is limited. This has led to feed millers competing to secure local stock. Sudirman FX, Chairman of the Indonesian Feed Millers Association (GPMT), said to overcome the situation some feed millers have turned to using wheat at around 15-20% in their formulation.

Salted fish from Thailand, Taiwan flood markets in Sukabumi

[01 February 2016] Cheap imported salted fish products have flooded the traditional markets in Indonesia particularly in Sukabumi, West Java. Trader Dani Supriyadi said the imported salted fish products are popular due to scarcity of local fish supplies. Traders opted for imported products to meet market demand for salted fish. Sadly, domestic salted fish has been in short supply lately. The quality of local salted fish products in the country is better than the imported stock, but it has a shorter shelf life as it is processed traditionally without the use of chemical preservatives.

MALAYSIA

Malaysia's DBE Gurney eyes export market

[03 February 2016] Malaysia's DBE Gurney Resource Bhd, which started supplying poultry to KFC restaurants in two states last month, is also looking at exporting its premium poultry products to China, Japan and Kazakhstan. "Our chicken has reached export standards. We are waiting for approvals from the authorities," Managing Director, Alex Ding said, adding that DBE Gurney would be the first Malaysian company to export chicken to China if it gets the green light. The integrator operates a 114,000-tonne per year feedmill and a 60,000-bird per day slaughterhouse. The company has six breeder farms with a total capacity of 100,000 birds per year, 11 broiler farms which can supply 10 million birds per year, and a hatchery with six sets of incubators that can produce up to 12 million eggs per year.

INDIA

Corn imports stabilise market price in India

[03 February 2016] Indian corn prices have remained stable across all markets as the tender to import tender has received support. Amit Sachdev, USGC Representative for India, Bangladesh and Sri Lanka said that there were 15 bids and the prices ranged from a low of USD 192/tonne to a high of USD 245/tonne. "It will now be in the hands of the exporter to mobilise supplies and also the end users to make payments for their requirements," he said. The tender as quoted for 265,000 tonnes of maize is to be supplied in February/March 2016.

THAILAND

Thaifoods Group to see turnaround in Q2

[05 February 2016] Bualuang Securities anticipates Thaifoods Group's (TFG) earnings to reach a bottom line break-even in Q1 2016 before a turnaround in Q2 and a strong recovery in H2 of 2016. TFG's improved performance will be led by a recovery in chicken and live-pig prices, capacity gains and its cost efficiency programs. Moreover, it plans to set up a chicken sausage facility, which will likely be operational in Q2 2016. The firm also aims to add a production line at its Kabin Buri plant in Q2, which will increase its slaughterhouse capacity by 25% and feed production capacity by 60%.

Thai Union expects lower profit for Q4 2015

[04 February 2016] Thailand's Thai Union is expected to post a net profit of USD 16.86 million for Q4 2015, down 14% compared to 2014. Bualuang Securities attributed this to extra expenses tied to the abandoned Bumble Bee deal and fishing fleet impairment. Bualuang Securities also estimates that TU's Q4 sales will be at USD 915 million, down 9% over 2014. However, it will likely see sales in baht term to stay flat in Q4. Meanwhile, the mean price of raw skipjack tuna peaked at USD 1500/ tonne in August last year before plunging to USD 1000/tonne in November-December 2015, due to supply growth. The low tuna price is expected to continue through Q1 2016 before rising modestly in Q2.

VIETNAM

Vietnam's Hung Vuong to invest in Russian fish company

[04 February 2016] Hung Vuong Corporation, a processer and exporter of fishery products has announced plans to invest USD 15 million for a 51% stake in the Russian Fish Joint Stock Company. Duong Ngoc Minh, Chairman and CEO, said the company, a global exporter of the Alaska Pollak, produces animal feed and operates cold storage plants in Vietnam and Russia. It also imports and distributes fisheries products from 18 markets around the world. He said there was an opportunity for catfish exporters from Vietnam to sell tra and basa fish in Russia. He said, the co-operation between his company and the Russian firm would auger well for Hung Vuong.

CHINA

Tech firms fined for spreading KFC 'mutant chicken' rumours

[05 February 2016] KFC has won a court battle in China against three local tech firms that spread false reports saying KFC's chicken comes from mutant birds with six wings and eight legs. The companies were ordered to apologize and pay a combined USD 91,300 fine for damaging KFC's reputation. The Chinese rumours picked up on hoaxes that have been spread on the worldwide web since 1999, according to the myth buster website Snopes.com. KFC's parent, Yum Brands, has always strongly denied the reports, calling them "ridiculous." On Wednesday, Yum also reported that its China KFC same-store sales were up 6% in Q4 2015, recovering from 2014 lows.

OSI to appeal 'unjust verdict' in Shanghai Husi case

[03 February 2016] The OSI Group has come out strongly against a Chinese court's verdict that its subsidiary sold expired chicken and beef to McDonald's, KFC and other QSRs in China. The Group said it was an "unjust verdict" by a Shanghai court on Monday to fine two of its Chinese units and sentence 10 employees to prison. Sensationalised media reports from Dragon TV led to a raid on the Shanghai Husi plant in July 2014. Dragon TV made false and incomplete accusations that ignored facts and Chinese law. After an actual investigation was completed, all authorities involved have recognised that this case has never been about food safety. The distortion of facts and evidence by Dragon TV and the general media clearly influenced the verdict", the company said in a media release.

ASIA PACIFIC

Marel concludes acquisition of MPS

[04 February 2016] Marel recently announced that it has closed its acquisition of MPS meat processing systems (MPS). In November 2015 Marel announced that it had entered into an agreement to acquire MPS for USD 414.5 million on a debt and cash-free basis. United, the two companies will be at the forefront in developing full-line solutions and equipment for the meat processing industry.

ND threatens in Philippine poultry industry

[03 February 2016] An outbreak of virulent Newcastle's Disease (ND) has hit several key poultry production areas in the Philippines, particularly in Central Luzon, threatening the country's poultry industry. Agriculture Secretary Proceso Alcala said the Department of Agriculture is closely monitoring the situation to prevent further spread of the highly contagious disease. Some industry observers told Asian Agribiz that the problem was first noticed in mid-December, with the gamefowl sector and native chickens being most affected. There is some debate as to the type of the ND virus currently affecting chickens, with some saying that it is a new strain similar to that found in Malaysia. However, Agriculture Undersecretary Jose Reaño told Asian Agribiz that there is no indication yet that it is a new genotype, however samples have been sent to the OIE for genotyping. He said supply of chicken meat and eggs remain stable.

Bairaha raises stake in feedmilling project

[02 February 2016] Sri Lanka's leading poultry producer Bairaha Farms PLC and its associate Farm's Pride (Pvt) Ltd have decided to increase their stake in an USD 11.4 million billion feedmilling project coming up in Kurunegala district in the country. In a stock exchange filing, Bairaha said that the project will now be a 50:50 joint venture against the planned 45:45 with 10% planned for a foreign shareholder. Both the companies have raised their stake in the project as the expected foreign investment has not come through. Against the earlier plan, the joint venture will now undertake both stage one and stage two of the project simultaneously.

Nuscience officiates new base in Singapore

[02 February 2016] Partners and clients of Nuscience in Asia can expect 'focused attention' now that the group has a regional office in Singapore. "This means better real time response and support," Graham Wong, Commercial Director in Asia, told Asian Agribiz. The Singapore office, he said, is a pivotal footprint for the group in Asia. Initially, it will focus on sales and customer support for the products of the Nutrition4U business unit which focuses on young animal nutrition, mineral feed, premixes and concentrates.

Australia's Sunny Queen exports 21k eggs to Taiwan

[01 February 2016] For the first time, a shipment of fresh Australian eggs has been cleared for sale in Taiwan. More than 21,000 eggs from exporter Sunny Queen were cleared by Taiwanese quarantine authorities last week, after Australia and Taiwan earlier agreed to rules for eggs and egg product exports. While that shipment is small, the company hopes Taiwan could prove to be an important new market. John O'Hara, Sunny Queen Managing Director, said it marks a promising start in a region rich in potential for export opportunity, and an exciting new direction for the business.