Global Compliance

# Weekly Newsletter

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# Industry welcomes new foreign investment ruling

## This week topics



Indonesia is the largest economy in Southeast Asia and is one of the emerging market economies of the world. Photo : indonesianembassy.ae

Jakarta (22/2/2016) - Following the government’s announcement of a new investment list that includes the opening up of the cold-storage industry to foreign investors, sector players have welcomed the policy, predicting that the ruling will help woo related investors to develop the cold-storage business.

The Indonesia Cold Storage Association (ARPI) said as most cold-storage components were imported, the government should follow up on the regulation up by obliging investors to open component manufacturing plants in the country.

“I agree with the policy, but suggest the government require investors to use more local components and workers,” Indonesia Cold Storage Association (ARPI) chairman Hasanuddin Yasni said over the weekend.

According to ARPI data, cold-storage capacity in Indonesia currently stands at 7.2 tons of fisheries products, 1.9 million tons of chickens and 400,000 tons of beef, far below the country’s production, which reaches 14 million tons in fisheries, 3.7 million tons of chickens and 580,000 tons of beef.

“Currently, there are only five manufacturers operating, with low-capacity machines. The government needs to grant tax incentives to attract others,” Hasanuddin said.

Maritime Affairs and Fisheries Minister Susi Pudjiastuti was reported by local media as saying that 12 investors from several countries in Europe, including Denmark and Norway, had expressed interest in entering the cold-storage business.

The presence of private investors, especially foreigners, is considered crucial, since the government last year allocated only Rp 235 billion to build 58 cold storage facilities and 38 ice factories countrywide last year. *To the next page..*

## INDONESIA THIS WEEK

Hasanuddin added that cold storage required investment of between US$500 and $600 per million cubic meters, with a minimum average retail storage capacity of 1.1 billion cubic meters CBM and wholesale storage of 3 billion cubic meters.

"Foreign investors need to build their own electricity sources using alternative energy to support the cold storage industry," he said, adding that the government also needed to direct investors to develop plants in remote areas where cold storage facilities remained rare.

Remote areas of the archipelago nation face numerous difficulties, ranging from lack of electricity and fuel supply to poor transportation infrastructure and connectivity. Under the administration of President Joko "Jokowi" Widodo, remote areas, especially in the eastern part of Indonesia, are seeing a renewed chance for coastal and maritime development thanks to the reinstatement of the "maritime axis" doctrine. The development of mega infrastructure, such as seaports, power plants and maritime highways, is the government's priority program to address problems in the long-neglected and underdeveloped regions.

Voicing similar support for the new policy, the Indonesian Employers Association (Apindo) noted that the government needed to ensure sufficient supply of fish for exports to benefit from the newly expanded cold storage facilities.

Apindo head of fisheries Thomas Darmawan said the latest ban by the Maritime Affairs and Fisheries Ministry on the operation of large vessels to catch fish in Indonesian waters could threaten the supply of fish for export.Thomas estimated that fish exports fell to $4 million in 2015 from $4.64 million in 2014. In a tenth economic stimulus package announced on Feb. 11, the government revised the country's negative investment list (DNI), covering sectors in which restrictions on foreign investment apply.

Under the revision, cold storage is among the 35 business sectors opened up completely for foreign investors. In the previous DNI regulation, foreign ownership of cold storages was limited to 33 percent in Sumatra, Java and Bali and 67 percent outside those regions. *(rbk/thejakartapost)*

## Indonesian Government to invest in more livestock ships to transport cattle from outer islands to Java

Jakarta (18/2/2016) - The Indonesian Government is pushing ahead with its domestic cattle shipping program, ordering another seven ships to be built this year.

The government launched the nation's first subsidised cattle ship late last year. Named the Camara Nusantara 1, the ship has since made three voyages, bringing cattle from outer islands into the main island of Java.

Speaking to local media as 500 head were unloaded in Jakarta this month, Agriculture Minister Amran Sulaiman, confirmed more ships would be built.

"We have ordered seven ships," he said.

"From what I have heard, a ship costs about 50 billion rupiah, (AUD$5.2m) [which will be] paid by the transportation ministry.

"We have sent a letter to the ministry. It will be completed in sequence, seven ships."

Business editor for the Jakarta Globe, Dion Bisara, told ABC Rural the first two voyages by the Camara "were a bit of a disaster" and that "traders suffered hefty losses".


PHOTO: Indonesian Government's first livestock ship, the Camara Nusantara, unloading cattle in Jakarta from East Nusa Tenggara. (Youtube: Jakarta Globe)

"They say the local farmers in Nusa Tenggara, when they bring the cattle to port, they have to pay several fees along the way to local authorities," he said.

"They go through checkpoints, and it can sometimes be up to 15 checkpoints, and they have to pay certain fees at each, so when the farmers get their cattle to port and sell to traders the price is already inflated.

"Some of the farmers [in Nusa Tenggara] say the ship is not helping much with their selling price, because the traders ask for the lowest price possible.

"But they're hoping that if there are more ships [built], they'll have more bargaining power. "Jakarta needs something like 700 to 900 cattle per day, but the Camara can only deliver 500 head maximum each month. So they need more ships to supply more cattle to Jakarta."

Mr Bisara said the government's domestic livestock shipping program had so far not impacted the price of beef in Jakarta. Christmas beef was selling for over Rp130,000/kg (AUD$13.50/kg) and had dropped slightly to around Rp115,000/kg. (AUD$12.00/kg)

He said around Christmas beef was selling for over Rp130,000/kg (AUD$13.50/kg) and had dropped slightly to around Rp115,000/kg. (AUD$12.00/kg).

"It's not a big drop in price and the government aims to have the beef prices drop to about Rp85,000/kg (AUD$8.80/kg)," he said."They sell the cattle from the Camara at Rp85,000/kg, but the supply is just too small to have an impact on the overall market."

He said the new livestock ships set to be built this year were expected to take different routes than the Camara, sourcing cattle from areas such as Sulawesi and Kalimantan.

*(ABC Rural)*

## Chopping Down the Chicken Cartel

Jakarta (19/2/2016) - Skyrocketing prices of poultry in recent weeks is a clear indication that the government is powerless against the cartel. A handful of poultry breeders have deliberately controlled supply to rake in more profits, without considering the effects on consumers.

Ironically, the state even helped facilitate this shameful practice. The directorate-general of livestock and animal health openly supported the agreement among 12 poultry breeders to cull 6 million parent stock broilers. In the deal signed on September 14 last year, the breeders also agreed to destroy 40 percent of hatching eggs.

The agriculture ministry's support was obvious when Livestock and Animal Health Director-General Muladno participated in determining the amount of chicken to be destroyed by each company. Moreover, through the memo, Muladno ordered all companies to carry out the decision without condition. This is a strange attitude that should be investigated by both internal and external auditors.

This conspiracy has caused the decline in the supply of day-old broiler chicks in the market. As a result, the price of young chicks doubled, from Rp3,000 per head to Rp6,000 five times higher than the price of chicks in Malaysia and the Philippines. This triggered a hike in the price of live chickens at poultry farms and finally the retail price of a whole butchered chicken, which now hovers around Rp40,000.

The outcome of these price hikes benefits only a handful of major players that control upstream and downstream businesses, among them Charoen Pokphand Indonesia and Japfa Comfeed Indonesia, which control over 50 percent of young chicks and poultry feed supplies. Both were also among the 12 that signed the agreement.

In the meantime, distraught small-scale breeders are unable to get one day-old chicks. The supply and demand imbalance not only disrupted their production but also caused them to lose money.

The deal violates Article 11 of Law No. 5/1999 on anti-monopoly and unhealthy business competition. The article stipulates that businesses are banned from making deals with other businesses to manipulate prices. The business competition supervisory commission should be lauded for its initiative in ordering the breeders to stop the culling. It will also take the case to court.

The government has never managed to resolve cases involving commodity cartels. Such a practice is also rampant in other food industries such as beef, garlic, rice, corn, sugar and flour. Lacking executive power, the commission is often undermined and defeated in court.

The government and the House of Representatives must amend the anti-monopoly law, particularly the part relating to the commission's authority and ruling. We need to learn from a similar institution in Japan, which is authorized to do on-spot investigation and to order companies to hand over relevant documents as necessary. This effort is needed to curb cartels that are detrimental to public interest. *(Tempo.co)*

## VIETNAM THIS WEEK

### Year's first live export shipment of buffalo leaves Darwin bound for Vietnam

Vietnam (19/2/2016) - The year's first live export shipment of buffalo will leave the Darwin Port today bound for Vietnam.

More than 200 head of buffalo are being shipped out, along with a large consignment of cattle.

Ian Bradford from South East Asian Livestock Services (SEALS) said the buffalo were in good condition having been sourced from Swim Creek and Woolner Station on the floodplain country near Darwin.

He said while the price of live export cattle had reached record highs, the price for buffalo was still modest.

"If we pay anymore than $1.55 a kilogram, it's not worth putting them on the boat to be fair," he said.

"Because at the moment, Vietnam has the option of getting chilled buffalo out of India and that's what our buffalo meat is competing against.

"Buffalo meat is just a cheap[er] source of protein and if they can't use fresh buffalo meat they'll just go and use the chilled buffalo meat out of India."

Last year there were more than 5,000 buffalo exported from Darwin, which was one of the trades' biggest years on record.

Mr Bradford said this year was "looking promising" and he was expecting more wild buffalo would be sourced from Indigenous lands in the Northern Territory.

He said there was more than one exporter dealing with buffalo this year, which was a good thing for the overall industry.

PHOTO: Buffalo in yards near Darwin Port, ready for export to Vietnam. (ABC Rural: Matt Brann)

"It's really good. It's not going to be an issue price-wise. But it will certainly give volume and hopefully with the other exporter, they might be able to utilise some of the other lines of buffalo [other than just large male buffalo], like females and a few lighter ones, because their client is developing that way, which is good for an industry as a whole."

Mr Bradford expected Vietnam to once again be the main market for Australian buffalo, along with the usual few hundred head that are delivered to Brunei each year. *(abc.net.au)*

### Immunity for cattle from foot-and-mouth disease by 2020

HA NOI (19/2/2016) — More than 3.8 million cows and buffaloes, equal to 80 per cent of their numbers in high-risk areas across the country, are expected to be immune to foot-and-mouth disease by 2020.

The high-risk areas include 26 provinces stretching from the north to the Cuu Long (Mekong) Delta. They encompass Quang Ninh, Lang Son, Cao Bang, Ha Giang, and Thanh Hoa, in addition to Nghe An, Ha Tinh, Quang Binh, and Kon Tum. The other high-risk areas are Gia Lai, Kien Giang and Dong Thap.

It was one of the main goals set up under the National Programme on foot-and-mouth disease prevention between 2016 and 2020 signed by Minister of Agriculture and Rural Development Cao Duc Phat on Wednesday.

Phat said, as scheduled, the cows and buffaloes would receive injections twice a year. The State budget and local budget would be used to support breeders and farmers for the injections, he said.

According to the Ministry of Finance, the State budget financing for the programme during 2016-20 was about VND269 billion (US$12 million). *Read more at : http://vietnamnews.vn/society/282565/immunity-for-cattle-from-foot-and-mouth-disease-by-2020.html*

# VIETNAM Business In Brief

## Vietnam enjoys US$760 million trade surplus in January

Vietnam unexpectedly enjoyed a trade surplus of US$760 million in the first month of 2016, equivalent to 5.7% of the total export revenue, announced the General Department of Vietnam Customs.

According to the latest statistics, Vietnam earned an export revenue of US$13.36 billion in January, down 2.7% compared to the previous month. Of which, foreign direct investment (FDI) enterprises reported an export revenue of US$9.04 billion, a slight decrease of 0.2%.

The export of phones and components posted the highest revenue at US$2.27 billion, up 31.4% compared to the previous month. Despite a decrease of 9.3% over the previous month, the export revenue of garments and textiles came in second, reaching over US$2 billion.

In the meantime, the nation's import revenue was recorded at US$12.6 billion in January, down 11.9% against the previous month. The FDI sector saw an import revenue of US$7.17 billion, down 6.3% over the previous month.

In 2015, Vietnam reported a trade deficit of US$3.54 billion after three consecutive years with a trade surplus.

## Tuan Loc to run Nghe Tinh Port

Tuan Loc Investment and Construction JSC has purchased 51 per cent of the Nghe Tinh Port in Nghe An Province from Vietnam National Shipping Lines (Vinalines).

Local media reported that the company, which already held an 18.1 per cent stake in the port, was referenced by Vinalines as a suitable investor for the whole package of shares in a document sent by Chairman of the People's Committee of Nghe An Nguyen Xuan Duong to the Ministry of Transport last month.

Earlier, Prime Minister Nguyen Tan Dung had allowed Vinalines to divest the whole package of nearly 11 million shares, or 51 per cent of the stake, in the port.

So far, Nghe Tinh Port is a national general port acting as the main hub in the central areas, including the Cua Lo and Ben Thuy ports. The Nghe Tinh Port, covering 230,000sq.m of storage space, was the largest port in northwestern Viet Nam, located 12 km from Cua Hoi Beach and spanning well into the northeast, east of Vinh City.

In particular, Cua Lo Port, which is a Type 1 seaport located along the international maritime route, connects the province with the central northern provinces and Laos.

Cua Lo Port has 6 terminals, including 4 active terminals that were designed for vessels with a capacity of 10,000 tonnes. Terminals 5 and 6, which were constructed by Tuan Loc, were designed for vessels with a capacity of 30,000 tonnes.

According to the Dau Tu (Investment) newspaper, Vinalines has also completed a divestment plan for Nghe Tinh Port JSC, wherein it will sell the whole package of shares in a lot. The plan was said to be awaiting the MoT's approval.

Under the plan, investors must have minimum equity capital of VND500 billion (USVND498,372 million), with no accumulated losses. The investor must commit to buying all the shares of other shareholders (if required by these shareholders) after purchasing the shares of Vinalines. At the same time, investors must maintain and develop the core business of the port.

If the deal had been struck, Vinalines would have received at least VND110 billion (VND109,508 million) to serve its own financial restructuring efforts. Nghe Tinh Port has charter capital of VND215.2 billion (VND214,546 million).

So far, Tuan Loc JSC, with charter capital of VND1.6 trillion (VND1,593,448 million), was expected to meet the conditions to seal the deal. Established in 2005, it has expanded its operations in the construction industry across Viet Nam. In Nghe An Province, it was charged with constructing water plants for Vinh City, as well as the infrastructure of the industrial zone in Dong Nam Economic Zone and Terminals 5 and 6 of Cua Lo Port, with a total investment of VND1.4 trillion (VND1,394,546 million).

Previously, Tuan Loc JSC had also struck a deal with the MoT to buy a stake in the Civil Engineering Construction Corporation 4 JSC (CIENCO4), which is one of the leaders in road construction in Viet Nam, with annual sales of more than VND10 trillion (VND9,971,901 million). Currently, it holds a 51.5 per cent stake in CIENCO4.

Shares of Nghe Tinh Port (NAP) have been traded in the UPCoM market in the northern bourse since last October. The port is expected to officially list its shares this June after the deal is completed.

## Foreign meat flooding onto Vietnam market

Imported meats from India, Australia, the US and the Republic of Korea (RoK) are flooding the domestic retail market and can be found in barbeques and kitchens across the nation, reports the Vietnam Husbandry Association (VHA).

Housewives are opting for the premium quality (but less expensive) foreign cuts of meat saying they particularly like the fact that expiry dates are clearly marked on the label and they know the product is safe to consume. They also prefer the labeling of the foreign meats because the country of origin is clearly listed on the label.

According to the VHA, the production cost of meat in the US and Australia is on average 25-30% lower than that of Vietnam, which allows for it to be sold at a much lower price than domestic meat that has been selling for about VND200,000 per kilo as of late.

Last year, the Ministry of Agriculture and Rural Development (MARD) reported that Vietnam imported 4,000 metric tons of pork and 80,000-90,000 metric tons of chicken, said the VHA. Live cattle import also surged to more than 200,000 head from Australia, Cambodia, Laos, Myanmar and Thailand in 2015.

Given the number of free trade agreements that are set to come into effect over the next couple of years, it will be hard to close the floodgates now that the market has opened up, said VHA Chairman Nguyen Dang Van. Van said last year the country spent more than US$400 million purchasing foreign meats and it all seems very unnecessary and wasteful, given the country's agricultural advantages.

President Le Ba Lich of the Vietnam Animal Feed Association echoed Van's view saying the livestock industry must develop an effective strategy to compete with the larger-scale foreign farms.

Currently, Lich said Vietnamese smallholder farmers aren't equipped either financially or technologically to compete, nor do they have appropriate management techniques to produce the quality of meat of the foreigners. The unfortunate reality however, is that farmers have been trying for the past decade to develop an effective strategy to compete with their foreign counterparts but have failed— and may never do so.

## Firms propose improved investment mechanism in agriculture

Businesses recommended the Ministry of Agriculture and Rural Development improve the investment mechanism in order to attract more investment in agriculture, during a meeting in Hanoi on February 19.

General Director and President of Intimex Import Export JSC Do Ha Nam said the processing industry requires large investment, which discourage domestic companies. When some companies do make investment and reap some success, foreign partners are willing to pay high price to acquire their business. Nam proposed that the ministry should encourage and facilitate investment in specific products to increase their values.

Director of the Nafoods Group – a leading brand in the field of production, packaging and distribution of vegetables in Vietnam, Nguyen Manh Hung, said proper planning and strategy will help orient businesses and localities. Minister of Agriculture and Rural Development Cao Duc Phat took note of the aforesaid proposals and asked relevant departments to improve the investment mechanism.

## SCIC's subsidiary buys many Vinamilk shares

SCIC Investment One Member Co Ltd (SIC), a subsidiary of State Capital Investment Corporation, has registered to buy 790,000 shares of Vietnam Dairy Products JSC (VNM), with 210,000 shares already acquired.

SIC said in a statement sent to the Hochiminh Stock Exchange that 210,000 VNM shares were acquired between mid-January and February 5 as a finance investment and that it failed to meet the purchase target due to volatility on the local stock market. SIC now holds 210,011 VNM shares, equivalent to 0,016% of Vinamilk' shares.

SIC chairman Le Song Lai is the representative of the firm's stake in VNM. Foreign investors currently hold a combined 46% stake in VNM and SCIC a 45.08% stake. In October last year, Prime Minister Nguyen Tan Dung allowed SCIC to withdraw all capital from 10 enterprises including Vinamilk.

Nguyen Son, head of the Market Development Division at the State Securities Commission, told reporters on January 19 that Vinamilk is among the enterprises from which the Prime Minister has permitted SCIC to divest all capital. SCIC must report the procedure and method of its divestment to ensure transparency and benefits for the State.

The dairy firm on Tuesday announced it will seek shareholders' approval to withdraw from seven business sectors such as husbandry, cultivation and printing, and adjust its investments in two other sectors. The deadline for collecting shareholders' comments is end-March. The withdrawal from the sectors is to pave the way for raising foreign ownership in Vinamilk.

## MALAYSIA THIS WEEK

## Farm's Best to reduce loans from sale to CAB Cakaran

KUALA LUMPUR (16/2/2016) - Poultry producer Farm's Best Bhd is planning to reduce bank borrowings with the funds arising from the disposal of three of its units to CAB Cakaran Corp Bhd, another poultry producer.

However, the company said on Monday no binding contract for the sale of the three units has been made with CAB Cakaran.

To recap, Farm's Best had earlier this month received and accepted separate letters of intent from CAB Cakaran to purchase several of its subsidiaries – Farm's Best Food Industries, Sinmah Breeders and Sinmah Livestock – for a total indicative purchase consideration of RM242mil after granting the latter the exclusive right to carry out feasibility studies for nine months.

The company said should the disposals materialise, part of the sum from the disposal would go towards reducing bank borrowings, which stood at approximately RM250mil as at Sept 30, 2015.

As the bank borrowings incurred about RM20mil interest costs per annum, the reduction in borrowings would result in interest savings and improve the company's future financial results.

Additionally, the businesses of the subsidiaries had been incurring losses or generating only small profits in the last two years, hence the disposals would provide an opportunity for the company to unlock the three assets' value, which in aggregate would be higher than their total net book value of approximately RM93mil as at Sept 30, 2015.

"Part of the proceeds from the disposals can be utilised as working capital for the company's other existing businesses such as feedmill and property development, and reduce the company's dependency on bank borrowings," it said.

Farm's Best had made headlines last April when the Securities Commission (SC) rejected its application for a series of corporate proposals, including a reverse takeover by a Chinese poultry player. The regulator said it was unable to form an informed view of Farm's Best's application as it contained numerous inconsistencies, mistakes, omissions and poor quality disclosures as well as in its response to the SC. *(thestar.com.my)*

## Ageing agro-workforce could trigger food crisis, says deputy minister

KUALA LUMPUR (15/2/2016) - Young Malaysian workers' continued avoidance of agri-food industries could push the country towards a food crisis, Agriculture and Agro-based Industries Deputy Minister Datuk Seri Tajuddin Abdul Rahman warned today.

The Pasir Salak MP said 60 per cent of the current workforce in the agro-based industry are already over 60 years old, and the problem could further worsen the country's dependence on imports and ultimately government spending.

"It's like a car. If you don't have the engine, the car cannot move. Then? I don't have to say it. You can say it on your own," Tajuddin told reporters here when asked by the press if the young labour shortage could trigger a food crisis.

Only 15 per cent of the agro-food sector workforce are below 40.

Tajuddin in his speech to the Farmers Authority Organisation (LPP) here noted that the government is already spending billions of ringgit yearly to import basic food products like rice and beef.

The import costs of the goods has also shot up by 30 per cent due to ringgit's sharp drop, and that there is a possibility that Putrajaya could be forced to spend more if the country's agri-food industry fails to confront its problems.

"Another thing is technology. That is another matter. If we have the technology then we could at least reduce dependency on labourers," Tajuddin said. *To the next page….*

The deputy minister said most farmers have yet to adapt to the technological changes in agriculture while some have refused to work with machines. Manual harvesting and planting are more labour intensive and time consuming.

Putrajaya is targeting zero-dependency on food imports by 2020. For over a decade the government has been pushing farmers to adopt "tech-farming" but the policy has yet to pick up speed.

Tajuddin said today Malaysia has what it takes to meet that target but "poor attitude", an ageing workforce and technological lax has created setbacks.

"The old ones, what do they do? They don't even go down to the fields and work harder. They just hang around the coffee shops instead of doing work," the deputy minister said.

At the same time, Tajuddin noted the plantation sector is reliant on foreign labour, despite acknowledging the opposition to Putrajaya's migrant labour policy.

"You tell me, what can we do? What can the government do? The youth don't want to work in this sector," he said.

Despite objectios, the Najib administration is expected to bring in 1.5 million workers from Bangladesh in phases that could stretch up to five years.

Deputy Prime Minister Datuk Seri Ahmad Zahid Hamidi defended the move recently, saying the intake was necessary to meet market demand.

He said Putrajaya had to import the workers as Malaysians tend to avoid employment in hard labour industries. *(themalaymailonline.com)*

## Fera Science enters into partnership with Malaysia on halal proficiency

Malaysia (19/2/2016) - UK-based research company Fera Science has signed a deal with Malaysia which sees it become a world leader in halal proficiency testing.

Based in York, Fera Science has signed a memorandum of understanding (MOU) which will see the two work in partnership on the future of halal proficiency testing.

The agreement recognises Fera Science as “the world authority in this area, and promises to further advance the future role of halal proficiency testing, as world demand for this service continues to increase”.

“The world population is predicted to be 9.4 billion in 2050, an increase of 2.4 billion. To put that into perspective, it is expected that we need to produce between 60-110% more food,” said Mark Sykes, scientific advisor at Fera Science. “This population is expected to be wealthier, eating more and eating differently.

“As a result, the demand for halal products throughout the world is expected to significantly increase and, as such, food authenticity testing will become ever more important,” he added. “The two major concerns of halal consumers are the contamination of products by either alcohol or pork.

“It’s also important to remember halal foods include a wide range of products, not just meat and ready meals, but also anything which includes gelatine, such as confectionery, desserts and even cosmetics. And, as the number of products increase, so does the number of products claiming to be halal.”

Innovative test

Sykes added: “The Middle East, particularly, imports a large proportion of their food, and confidence in food authenticity is now demanded by consumers. Fera Science were early to recognise this, and using state-of-the-art research laboratories in York, invested significantly in technology to develop an innovative test to determine the species of origin to meet the requirements of the halal market. Further developments in technology will allow us to increase the ways in which we test and the sensitivity levels at which we can test.

“There are new and exciting developments in the testing methods, and it’s a privilege and honour to work in Malaysia leading this opportunity for the global market.”

The MOU was signed by Dr Andrew Swift, acting CEO of Fera and, for Penang International Halal Hub (PIHH – Halal Penang), by the Honourable Haji Abdul Malik Kassim, Penang State Minister for Cultural and Religious Affairs and chairman of PIHH. *(globalmeatnews.com)*

## CHINA THIS WEEK

## Chinese investors likely to sign off on northern abattoir project if region can prove cattle supply

China (16/2/2016) - A Chinese investor is ready to bankroll a new northern meatworks if the Australian proponents of the project can guarantee cattle supply.

Hughenden wants to be the first town in Queensland to build a new competitive processing facility to kill and quarter cattle for consumers in China.

A meatworks in Hughenden would need to process 180,000 cattle a year to stay profitable.

Under a memorandum of understanding with Chinese company DSCY Investments, Queensland lobby group North Beef must guarantee it can consistently source stock before an agreement is formalised.

Meat and Livestock Australia has predicted low herd numbers in Queensland will linger for another two years, and established east coast processors are already struggling to find enough stock to turn a profit.

North Beef chair Rob Atkinson said a new abattoir would not be built for a number of years, and was hopeful supply will recover by then.

"This plant won't open its doors for three years so we need to stay positive the drought is nearing its end and we'll have some good periods to rebuild our heard numbers," he said.

"Once that happens I don't think supply will be an issue at all."

Mr Atkinson said the proximity of Hughenden's "unique" meatworks to northern producers would make it an attractive place for producers to sell cattle.

"It's a quarter beef plant so we're only talking about quarters exported out of Townsville," he said.

"Straight away that's different to what's happening at the moment where all the east coast plants send their product out of Brisbane," he said.

"The Hughenden plant will offer graziers a huge saving in transport costs of live cattle so even if the same price is offered in Hughenden and Townsville, freight savings alone will make producers look at the Hughenden option."

PHOTO: Xinning Wang and Miao Wang from DSCY Investments met with North Beef chair Rob Atkinson, Flinders Shire mayor Gregory Jones and local graziers to discuss the community's meatworks proposal in Hughenden this week. (Supplied: Flinders Shire Council)

Under the memorandum of understanding with North Beef, DSCY Investments needs to find an operator to run the meatworks.

Mr Atkinson said a formal agreement could be finalised in two to three months if everything went to plan. The communities of Townsville, Charters Towers, Julia Creek and Emerald also have abattoir proposals in place, and have all courted foreign investors.

### Graziers to influence new pricing model

The pricing grid Hughenden's meatworks will use if its gets the all clear has been heavily influenced by northern graziers.

North Beef chair Rob Atkinson said there was widespread discontent over the prices paid for cattle over the last three years. He said this new grid would address a number of gripes producers have had with the system used at larger meatworks.

"There's quite a few things there producers have been unhappy with for a long time and we're trying to address them in this new grid," he said.

"The weight increments are 20 kilograms on most grids, we want to stretch that out to 50 kilograms. "The sides are weighed and not the whole carcasses so you get different pricings on sides, we want the whole carcass weighed. "For cattle with four teeth or less we want the same price for heifers as steers, per kilogram." *(abc.net.au)*

## Aussie beef needs to watch the competition in China

Australia (18/2/2016) - EVEN with a slower economy, Chinese demand for beef, both in quantity and quality, continues to grow, which will present big opportunities for Australia in the next few years.

However, competition from the likes of Brazil, New Zealand, Argentina and Uruguay is ramping up and that means Australian beef exporters will need to be strategic in order to secure the most on offer from what is a huge and diverse market.

That's the word from Meat and Livestock Australia's general manager of international markets Michael Finucan, who is based in Beijing's Chaoyang District.

"China is one country, many markets and for Australia, it's about identifying the ones we should tackle - we need to be aiming at the higher end," he said.

"It comes down to getting the right product in and forging the right partnerships."

Mr Finucan, who oversees seven international offices around the world, was in Sydney last week with many of his fellow overseas-based business managers.

China is Australia's fourth largest export market, both in volume and value, and is worth a billion dollars.

Export volumes from Australia have grown a phenomenal 2,500 per cent in just five years to 2015.


Premium Australian beef, sold under the label First Cut Pure Australian Beef, from meat exporter Bindaree Beef Group and its meat sales and marketing business,Sanger Australia, is being sold online in China.

With the medium to long-term demand for beef predicted to be strong - China's total beef consumption is expected to reach around 8 million tonnes in 2020 - it is a market of increasing strategic importance to Australia, Mr Finucan said.

Consumer spending is still expected to grow by $2.3b over the next five years and demand for beef is growing faster than domestic supply alone can meet," he said.

Domestic supply currently accounts for 70 per cent of consumption. Read more at : http://www.farmweekly.com.au/news/agriculture/cattle/beef/aussie-beef-needs-to-watch-the-competition-in-china/2751585.aspx

## Namibia set to be main distribution hubs for beef in the region

Namibia (18/2/2016) - Windhoek – Plans to develop a beef processing facility, feed lot and tourism centre at the Kavango Cattle Ranch in northern Namibia that can serve regional and international markets are gaining momentum, according to Dr Michael Humavindu, Deputy Permanent Secretary at the Ministry of Industrialisation, Trade and SME Development.

Humavindu says that if everything goes according to plan, construction of facilities at the ranch, which stretches over 200 000 hectares of land, could be completed within the next two years and make Namibia one of the biggest distribution hubs for beef in the Southern African region.

Growth at Home concentrates on three strategic intervention areas, which are supporting value addition, upgrading and diversification for sustained growth; securing market access at home and abroad and improving the investment climate and conditions.

The Kavango Cattle Ranch (KCR) project is aimed at creating jobs, wealth and export opportunities and create additional niche export products for new markets.

In the meantime, meat producers in Namibia are eagerly waiting for the chance to export beef to the lucrative and enormous China market since the Namibian Government announced last year in August that the country could now export its beef to China.

This also includes the importation of bone-in-beef from the Foot and Mouth Disease (FMD) Free Zone, which could hopefully allow farmers to send bigger volumes of beef at lower processing cost.

Read more at : http://southernafrican.news/2016/02/18/namibia-set-to-be-main-distribution-hubs-for-beef-in-the-region/

## ASIA PACIFIC THIS WEEK

## CME: US Beef Imports Expected to Decline Over 2016

US (15/2/2016) - US beef imports are off to a slow start and there is broad expectation that import volume will decline sharply in 2016, write Steve Meyer and Len Steiner.

This is expected to offset in part the increase in domestic production. USDA forecasts domestic beef production in 2016 to increase 3.7 per cent from 2015 levels and yet per capita consumption is forecast to increase just 0.7 per cent.

The decline in imports is expected to limit the expansion in beef availability (higher exports are also expected to play a role). The last USDA WASDE report forecast US beef imports at 2.845 billion pounds, down 525 million pounds (-15.6 per cent) compared to 2015 levels.

This may appear like a very dramatic decline, especially considering the strength in the US dollar and a deterioration in economic conditions across the world. But, as we have mentioned in the past in this report, one needs to recognise what has been driving the expansion in US beef imports in the last few years and whether such growth is sustainable in the next two years.

The charts provide a summary of US monthly beef imports from all major importing countries.

Australia is by far the largest supplier of imported beef in the US. In 2015, imports of Australian beef were 1.258 billion pounds (carcass wt. basis), 16.2 per cent more than the previous year.

But what is even more impressive is that Australian beef imports last year were some 604 million pounds larger (+92 per cent) compared to just three years ago.

As we have noted before in this report, the increase in Australian beef shipments to the US was due, for the most part, to the rapid liquidation of the Australian cattle herd. In 2013, the Australian cattle herd hit a 30 year

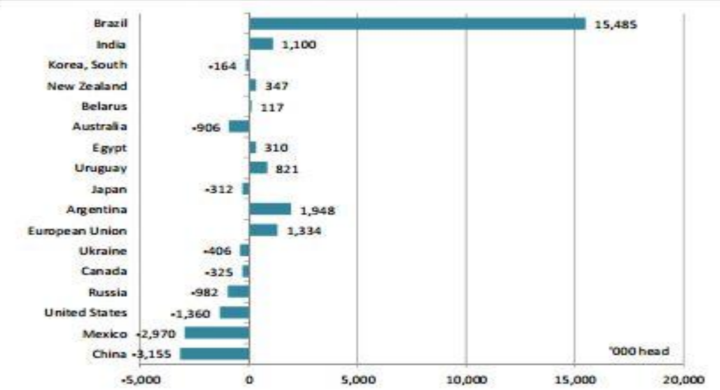
**US Annual Beef Imports. Mil. Lbs. Carcass Wt. Basis**

Data Source: USDA/ERS.

| | 2012 | 2013 | 2014 | 2015 | since 2012 | % ch. vs 2012 |
|---|---|---|---|---|---|---|
| Australia | 654.5 | 623.9 | 1,082.7 | 1,258.3 | 604 | 92% |
| N. Zealand | 495.3 | 526.0 | 597.1 | 661.3 | 166 | 34% |
| Canada | 537.5 | 538.1 | 602.2 | 628.4 | 91 | 17% |
| Mexico | 242.3 | 251.6 | 310.2 | 391.9 | 150 | 62% |
| Brazil | 75.6 | 97.2 | 81.5 | 149.6 | 74 | 98% |
| Uruguay | 72.1 | 82.6 | 91.9 | 136.9 | 65 | 90% |
| Nicaragua | 100.6 | 91.4 | 139.0 | 103.8 | 3 | 3% |
| Other | 39.6 | 34.6 | 40.6 | 39.0 | (1) | -1% |
| Argentina | 2.2 | 4.3 | 1.9 | 1.3 | (1) | -42% |
| **Total** | **2,220** | **2,250** | **2,947** | **3,370** | **1,151** | **14%** |

Growth/Decline in Bovine Inventories (includes water buffalo): **2015 vs. 2012**

Source: USDA/FAS. January 1 Inventories. '000 Head




high of 29.291 million head.

The Australian cattle inventory is projected by Meat and Livestock Australia to be down to 26.179 million head by the middle of 2016, a 10.6 per cent decline in inventories in just three years. This would be as if the US cattle herd dropped by 10 million head over the course of three summers - a truly devastating event precipitated by extreme drought conditions.

Australia has gone from having the highest inventory in 30 years to having the lowest inventory in more than 20 years. In this context, expecting a notable reduction in Australian beef imports in 2016 does not seem so far fetched.

Will Australian beef shipments fall back to the levels we saw in 2012 and 2013? Probably not.

It is likely that Australia will face stiffer competition from Brazil in the Chinese market, especially with more and more Brazilian plants certified to ship into China. *To the next page…..*

Also, US beef prices remain at some of the highest levels in more than 15 years, thanks to the shift in the exchange rates. This is particularly the case for lean grinding beef.

Australian beef shipments to the US in January were down 34.7 per cent in January and based on current shipments we expect February exports to also be down 31.3 per cent.

Projecting further out (based on their expected slaughter) we would expect their exports to the US in March and April to be down anywhere between 28 per cent and 35 per cent.

A 25 per cent decline in Australian shipments to the US in 2016 would imply a 315 million pound reduction compared to 2015 levels. This would account for about 60 per cent of the current USDA projected decline in US beef imports.

Imports from other markets may also face headwinds. Imports from Mexico have increased dramatically at a time when the Mexican cattle herd continues to decline.

The pace of imports from Mexico is expected to decline as well. The same can be said for Canada, New Zealand and Central American countries. There is one major wild card in projecting imported beef volumes - Brazil.

At this point Brazil is allowed to ship fresh/frozen beef to the US but the equivalency process has yet to be completed. The Brazilian cattle herd has expanded sharply in the last three years (and will continue to grow). If Brazil comes in later this spring or summer, it could dramatically change the dynamics in the US imported beef market. *(thecattlesite.com)*

## Major cattle price indicator soars to new record high as supply continues to tighten

Australia (18/2/2016) - Tightening supply has seen Australia's major indicator of cattle prices soar to a new record level.

The Eastern Young Cattle Index (EYCI), a rolling average of prices, has jumped to 605.25 cents per kilogram carcass weight, fuelled by strong demand at saleyards in Queensland and New South Wales.

EYCI eligible cattle, which includes vealer and yearling cattle over 200 kilograms, fetched 631 cents per kilogram in Roma and 615 cents per kilogram in Gunnedah on Tuesday. Much of the price rise is being driven by re-stockers looking to boost their herd numbers after recent rain.

### 'Precarious' position says MLA

Meat and Livestock Australia (MLA) market analyst Ben Thomas said that despite the new record high, the EYCI had had one of its "flattest" starts to the year.

Want Rural news delivered to your inbox?

Subscribe to our daily Rural newsletter for the national headlines of the day. "I think that highlights how almost precariously poised it is," he said.

"On the one hand, you do have those expectations of much tighter supplies, but then on the other hand, we've got a few things that we really need to keep our eye on."

Namely, that is the increased competition from Brazil in the global beef market and the slow down in demand from the United States for Australian meat.

Two major customers for Australian beef, China and Saudi Arabia, have removed bans on beef from Brazil, with the South American powerhouse moving quickly to re-establish trade.

### Current highs still below 1970s peak

Australian red meat processors are certainly feeling the squeeze, with the major players JBS and Teys Australia announcing production cut-backs in recent weeks. "There are tighter supplies, not just through the saleyards but coming forward for processing," Mr Thomas said.

In the past week, there were only about 134,000 head of cattle processed, down 23 per cent on the same time last year. "The beginning of last year was when we were at our record Australian processing rates, so we are comparing one extreme to the other," Mr Thomas said.

While the EYCI may suggest "excellent" prices for producers, Mr Thomas said in real-dollar terms, the current highs are still below the peak of the late 1970s.

"If you were to convert those prices to 2015 dollars, the EYCI equivalent would have been 750 cents," he explained.

Mr Thomas said he was confident the strong start to the year would see the EYCI average higher than its 2015 level of 510 cents per kilogram. *(ABC Rural)*

## INDONESIA

### Indonesia's agri, fishery exports increase in January

[19 February 2016] Indonesia's Statistic Centre Agency (BPS) recently released data of agriculture & fishery exports in January 2016. Some commodities showed an increasing trend including pig, shrimp, freshwater fish and crab. The export of pigs in January 2016 reached USD 5 million or a 12.84% increase compared with January 2015's export value. Meanwhile, the export of shrimp, freshwater fish and crab reached USD 5 million (a 7.01% increase), USD 2.4 million (a 12.6% increase) and USD 3.2 million (a 101.67% increase), respectively. BPS said that exports were to the US, Japan, China, Asean and EU.

### Japfa challenges price-fixing allegation

[17 February 2016] Three Indonesian subsidiaries of Singapore-listed Japfa are caught up in investigations over alleged price fixing and cartel activities in the beef and poultry industries in Indonesia. Two of the units involved in the beef industry are due to appear before the country's Competition Commission (KPPU), Japfa said in a statement to the Singapore Exchange. "Japfa Comfeed Indonesia, together with the other 16 poultry companies, was directed by the Director General of Animal Husbandry to cull six million poultry parent stocks in 2015," the statement said. "The company does not, therefore, expect an allegation report on any violation of the law for complying with the direction." The company added that for "completeness", it was disclosing that two other subsidiaries – Santosa Agrindo and Austasia Stockfeed – would be appearing before KPPU, to answer similar allegations over the restriction of the distribution and sales of beef.

### Live cattle demand in Jakarta, West Java to reach 850k heads

[17 February 2016] Indonesia's Ministry of Agriculture has predicted that live cattle demand in Jakarta and West Java will reach 850,000 heads this year. Of the demand, 645,341 heads will be supplied from eight provinces in the country while the remainder will be from imports. Fini Murfiani, Director of Livestock Processing & Marketing, said: "50% of the local supply is targeted from West & East Nusa Tenggara and will be transported by special livestock vessels. West & East Nusa Tenggara are able to supply 128,289 heads and 214,788 heads, respectively." The Ministry of Agriculture is optimistic that local supply can help stabilise the price of beef in Jakarta and West Java.

### Indonesia to have Brahman breeders association

[16 February 2016] Indonesia is looking to Australia for breeding heifers as part of its food security. According to Shane Bishop, President of the Australian Brahman Breeders Association (ABBA), the Brahman forms the base of Indonesia's breeder herd, "and Indonesia is always keen to secure both breeder bulls and semen from Northern Territory genetics." Mr Bishop said ABBA will support the Indonesian government's plan to import productive heifers to help achieve self-sufficiency. "We will work closely with Indonesia's Directorate General of Animal Health and Livestock in the formation of an Indonesian Brahman Breeders Association. This will include providing technical support and sourcing suitable Australian genetics," said Mr Bishop.

## Changing consumer lifestyle drives demand

[15 February 2016] Driven by greater awareness for food safety, growing incomes, and changing lifestyles and family size, Asian consumer preferences continue to evolve. There is now a clear trend towards portioned meat cuts to meet convenience and cooking preferences. Teddy Margamulia, Category Manager of Indonesia's leading wholesaler Save Max, said: "In Indonesia families are now smaller. They buy meat portioned and weighed to fit their family size," he said. The same is observed in Thailand. Kanop Sujikara, Deputy Managing Director of Tanaosree Group, said: "Large households are fast disappearing and the family size is shrinking. We portion our products in response to this changing consumer lifestyle." Mr Kanop added that sales of whole chicken has been shrinking in the last few years.

## Horeca contributes to growth of portioned meat category

[15 February 2016] According to Joanna Asterlita Kristanti, Chicken Processing Plant Supervisor of CJ Indonesia, the Horeca (hotel, restaurant and catering) sector has also been contributing to the growth of the portioned category. The number of hotels, restaurants, including QSRs, and caterers in Asia continue to increase and their demand for chilled portioned cuts will push category growth further.

## Portioning according to demand

[15 February 2016] CJ Indonesia through subsidiary Super Unggas Jaya (Suja) does chicken portioning to meet the needs of supermarkets and QSRs. By portioning, Joanna Asterlita Kristanti, Chicken Processing Plant Supervisor, said Suja gains a premium of around 10%, compared to sales of dressed birds. Suja produces a variety of regular cuts such as whole leg, thigh, drumstick, breast, wing and offal. The products are sold chilled and frozen. She said the drumstick and wing are popular at supermarkets. Another Indonesian chicken processor Batam Inti Pangan Sejahtera (BIPS) that operates plants in Bogor, West Java, and Batam Island produces fresh chilled boneless legs, boneless breasts and fillets to meet demand from local and Japanese restaurants in Greater Jakarta and Batam city.

# MALAYSIA

## Farm's Best will remain in agribusiness despite proposed sale of assets

[18 February 2016] Malaysian integrator Farm's Best Bhd said its proposed asset disposal to CAB Cakaran Corp Bhd would not result in the group having insignificant business or operations. Its feedmilling activity, for instance is expected to continue to generate significant revenue. The asset disposals would help pare down part of its USD 60 million debt and save USD 4.8 million in annual interest expenses. CAB had announced that it was keen to take over some assets which have either been incurring losses or generating small profits in the last two years. Among the assets are a poultry processing plant, six breeder farms and 28 broiler farms totalling USD 59 million.

## Lay Hong buys OCR's asset in Thailand

[17 February 2016] Malaysian poultry integrator Lay Hong Bhd said it is paying USD 2.1 million to O&C Resources Bhd (OCR) for a property in Songkhla, Thailand. According to Lay Hong the acquisition is part of its business expansion in chicken processing and further food processing overseas. "Currently there is no urgent need but there is a possibility to expand into backward integration in broiler farming in the future should demand reach a significant volume," the company said. Last month Tokyo Stock Exchange-listed NH Foods Ltd acquired 10% of Lay Hong. Both companies have plans to set up a joint venture company manufacturing further processed foods. NH Foods produces fresh meats, processed foods and dairy products.

## Portioned popular in Malaysia

[15 February 2016] Supermarket and hypermarkets in Malaysia offer varied choices of portioned cuts. They get their chicken – whole and in parts – from suppliers and processors, said Jessie Ker from the Meat Department of GCH Retail (M) Sdn Bhd. “For chicken we do not do the cutting in-store. However, we offer free butcher services for customers who buy whole birds. “Lamb and beef, on the other hand, are delivered in blocks. We have bandsaws and slicing machines to produce leg and shoulder chops, cubes, spare ribs and thinly sliced meat for shabu-shabu. These are sold frozen and chilled,” Ms Ker said. Chicken drumsticks and wings are popular among end users in Malaysia at around USD 2.50 per kg. Food stall operators such as fried noodles, fried rice, satay and tom yam stalls, meanwhile, opt for breast meat.

# VIETNAM

## Vietnam's seafood producers push for BAP certification

[19 February 2016] Minh Phu, Vietnam’s largest shrimp producer and exporter, will pursue four-star Best Aquaculture Practices (BAP) Certification through a partnership with National Fish and Seafood. According to the Global Aquaculture Alliance (GAA), approximately 800 Vietnamese shrimp farms will be encouraged to obtain BAP certification. National Fish will assist producers with education, support and funding to enroll in the GAA’s iBAP program. "This announcement demonstrates our commitment to making third-party certification available to the majority of aquaculture constituents,” said Peter Redmond, BAP’s Vice President of Market Development. National Fish also pledged to market the shrimp from the farms that earn and retain BAP certification.

## McDonald’s opens 8th outlet in Vietnam

[17 February 2016] McDonald’s Vietnam opened its eighth outlet in Ho Chi Minh City early this month, two years after starting up in the country. The QSRs growth has doubled every year since it first opened in February 2014, according to Henry Nguyen, Managing Director of Good Day Hospitality, which owns and operates the franchise in Vietnam. Nguyen targets 100 outlets across the country in the next 10 years. The company currently uses around 15% domestic ingredients. This year the chain aims to raise the ratio to 30%, but the main ingredients such as beef, pork and fish are imported from the US, Australia and Thailand.

# THAILAND

## Thai authorities register 70,000 foreign workers in seafood industry

[19 February 2016] Thai authorities have registered more than 70,000 previously undocumented foreign workers in its fishing industry, part of an effort by the government to avoid a European Union ban on its seafood exports, AFP reported. The EU delegation visited Thailand last month to inspect its progress in combating illegal, unreported and unregulated (IUU) fishing. Navy, fisheries and labour officials insisted the clampdown on illegal fishing was yielding results. The government said that documenting foreign workers, many of whom illegally enter Thailand from Cambodia and Myanmar and are easily exploited, will help end the cycle of abuse. More than 8,000 fishing vessels have also had their registrations revoked in the last year.

### CPF focuses on food safety, specialised foods

[16 February 2016] Thailand's Charoen Pokphand Foods (CPF) is focusing on food safety and specialised foods such as food for patients in hospitals and food for older people, Viroj Kampeera, Executive Vice President of CPF said. The firm has special technology to make liquid food last longer, from one day to 2-3 months. CPF is now seeking medical food status with the Food and Drug Administration (FDA). Moreover, it will expand healthy and specialized foods to Asean countries, Mr Viroj said. CPF's r&d spending now accounts for 1-2% of its local sales, or around USD 28.37-56.74 million each year.

## CHINA

### China's first welfare code for feed lots and slaughterhouse due in June

[19 February 2016] The Chinese Veterinary Medical Association (CVMA) is working with 30 local breeding and slaughtering companies to draft the country's first animal husbandry and slaughtering standards code. The code is expected to be ready by June. According to CVMA the code will set technical standards on how animals are housed and fed on farm. The slaughterhouse section will cover stunning and bleeding of animals. It will also offer guidelines on livestock stocking density as well as temperature, humidity and ammonia concentration levels in farm houses and feedlots. There will also be standards for feed and water quality and cleanliness. The new standards are driven by a demand for better meat quality and food safety, and better treatment for farm animals.

### Syngenta buy gives China access to GMO technology

[17 February 2016] China National Chemical Corp's proposed USD 43 billion purchase of global Swiss agribusiness Syngenta AG has important implications for the seed sector. While both companies are major agrochemical producers, the purchase will also give ChemChina access to Syngenta's seed technology, which is heavily oriented to GMO crops. China has been slow to adopt GMO technology directly, and slow to approve GMO imports, but the acquisition, due to be finalised by the end of the year, will create a powerful advocate for GMO technology in the Chinese agricultural sector.

### USDA: China grain policy will lead to high meat prices

[16 February 2016] China's high grain support prices will lead to artificially high prices for meat and dairy products in 2016, according to a report by the USDA's Beijing office. That would be good news for meat exporters in Australia, Brazil, the US, and Germany, because high prices lead to larger imports. China is once again expected to produce record corn, wheat and rice crops, despite already having 250 million tonnes in storage, the report said. The government subsidises production with high support prices, and farmers switch crops to collect a guaranteed pay out. The government then suppresses low-priced grain imports to maintain high domestic feed prices, raising the cost of producing meat.

## INDIA

### India’s ITC to enter branded shrimp segment

[19 February 2016] India’s multi-business conglomerate ITC Limited is looking to expand its portfolio into the branded shrimp segment, according to its Chairman YC Deveshwar. “While we are exporting shrimp now and could become a branded player in the frozen shrimp market by marketing West Bengal shrimp across India,” he said. ITC is targeting to reach USD 14.6 billion turnover from its fast moving consumer goods category in the next 15 years.

### Gradual growth in India

[15 February 2016] Portioned cuts are slowly gaining ground among consumers in India. However, this is largely confined to consumers opting for special cuts according to their taste preferences. “Whole carcass still dominates the fresh meat segment and majority of the consumers still depend on traditional markets for their meat supplies,” said Karumuthu Manickam, Director of Kaveri Chicken in Thanjavur. “We have to view things in this light. Only when fresh meat is made available in supermarkets, portioned cuts will gain popularity,” he said..

## ASIA PACIFIC

### S Korea to sell old rice as feed

[18 February 2016] South Korea will sell old rice in its stock to feed domestic animals as a means to handle rising inventory and to save costs on feed raw material imports. The country’s Ministry of Agriculture, Food and Rural Affairs said it will start by offering 99,000 tonnes of brown rice harvested in 2012 to local distributors later in February. The rice will be sold at USD 0.17 per kg. Farms will be required to mix about 5% of rice into corn-based forage for pigs, cows and poultry. The ministry said using rice as cattle feed will reduce stockpile management expenses, by about USD 1.1 million per 10,000 kg, and cut costs on corn imports.

### Denmark re-enters Japan by-products market

[18 February 2016] Denmark has confirmed that it will export diaphragm muscle, cattle tongue and other by-products to Japan after a 15-year trade embargo was lifted. “The Japanese have a high food safety standard and the move is an endorsement of Denmark as a food producer,” said Eva Kjer, Denmark’s Minister of Environment and Food. “It is an important step in our plan to increase exports of Danish quality food to Asia.” She said while the export of tongue and muscle to Japan showed that Danish companies are good at getting the best out of the raw materials, the diaphragm muscles, a delicacy in Japan, demonstrate how Danish food is able find new markets.

### Japan’s farm, seafood products to gain export fast track

[18 February 2016] Japan’s government will work with wholesale markets to streamline procedures for exporting farm and fishery products, aiming to reach a USD 8.64 billion annual goal ahead of its 2020 target date. The new one-stop service will halve the time needed to complete the process to about three days. The idea is to create opportunities even for small-scale producers to reach foreign markets. Starting in fiscal 2016, all of the procedures for shipping produce and seafood overseas, including quarantine inspections and certificate issuance, will be conducted at a single location for each of the three major airports – Haneda, Narita and Chubu in cooperation with nearby markets.

## Pakistan's beef exports to UAE increase

[17 February 2016] Pakistan's beef exports to the United Arab Emirates has reached USD 43.61 million from 2014-15, registering a 24% increase compared to the previous year. Industry sources said that the growth is mainly due to a 50% increase in the number of accredited Pakistani slaughterhouses since 2013. At present, around 12 meat processors from the country export beef to UAE.

## Online grocery shopping in Asia to see double-digit growth

[16 February 2016] The market for online grocery shopping in Asian countries could see double-digit growth to USD 13 billion by 2020, driven by the rise of the young, working class population in urban areas. This is according to grocery shopping smartphone app operator HappyFresh, which operates in Indonesia, Malaysia, Thailand and Taiwan. "We are seeing an 'uberisation' of the retail industry in Asia. The outlook is promising," Markus Bihler, CEO, said. "Opportunities abound in this region. The continued increase in mobile adoption and broadband penetration has helped boost our online grocery sales." HappyFresh noted that working mothers currently outnumber all other customers in terms of online grocery shopping.

## Variety of cuts

[15 February 2016] Today portioned cuts sold at meat shops, supermarkets and hypermarkets in Asia are available in a variety of choices offering convenience to customers. For poultry, breasts, legs, wings and offal (liver, paws and gizzard) are the basic cuts found in supermarkets across the region. But with adventurous consumers preparing different cuisines at home, we find speciality cuts such as chicken cubes, ribs, tulip or lollipop, ground meat, boneless and skinless parts and fillet. In the beef category, there are prime cuts like sirloin, tenderloin and ribeye, secondary cuts, as well as offal. These cuts are weighed and packed.

## Making the cut

[15 February 2016] Rodrigo de la Peña, who runs a meat shop in Quezon City in the Philippines, believes that at the start, it was retailers that created demand for portioned meat by making them available, but now growing demand from consumers is driving sales up. "When retailers first began to offer cuts, consumers responded well. So the same concept was applied to pork and beef, and it worked. Now it is the consumers themselves who are driving demand for cuts. There are many cuts in the market that are now the result of that," Mr de la Peña said, adding that the trend towards portioned cuts will continue to grow as more people find cuts convenient for meal preparation.

## Value adding

[15 February 2016] In the Philippines some retailers, particularly in supermarkets and meat shops, are adding value to portioned cuts by marinating them for barbecue and frying at home. These are sold either by weight or by piece. "We began selling marinated meats because we felt that our customers would want the additional convenience of ready-to-cook products," said Rodrigo de la Peña, owner of a meat shop in Quezon City in the Philippines. Marinated chicken parts in Malaysia is a category that has potential to grow, said one supplier. Ready-to-cook portioned chicken legs and other parts marinated in honey and black pepper, as well as skewered kebab chunks, offer retailers wider margins and consumers greater convenience.