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Global Compliance

Weekly Newsletter

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Welcome to the next sweet spot: Indonesia

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Illustration : Joyful New year celebration, 2016. Photo : JakartaPost

Jakarta (24/2/2016) - Indonesia could be as sweet as Vietnam for many investors in the near future if all the stimulus packages aimed at providing a better investment climate are smoothly implemented.

Korean Chamber of Commerce and Industry in Indonesia (Kocham) chairman CK Song said on Tuesday that Indonesia was already on the right track for becoming as competitive as Vietnam in attracting foreign investment, but that it would take time for Southeast Asia's largest economy to fix numerous problems.

"I have a very strong positive feeling about future Indonesia. Even now it's quite difficult, but I think they'll get over the situation very quickly," he said on the sidelines of Kocham's 2016 business dialogue.

Everyone now wants to go to Vietnam because it started providing incentives for foreign investors earlier, treating them like kings, he said.

Vietnam is a sweetheart for most investors willing to invest in Southeast Asia, ranked 90th in the 2016 World Bank's ease-of-doing-business index.

Foreign direct investment (FDI) flowing into the country of 90 million people hit a record high of US$14.5 billion last year. Indonesia recorded a higher FDI of Rp 365.9 trillion ($27.3 billion), but it was ranked 109th in the index due to an unfavorable investment climate.

Recognizing the weakness, President Joko "Jokowi" Widodo has launched 10 economic stimulus packages over the last six months to boost investment and the business climate in the Southeast Asia's economic giant.

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INDONESIA THIS WEEK

Song emphasized that communications and synergy among ministries would be the key to implementing all the stimulus packages.

Both the Indonesian Chamber of Commerce and Industry (Kadin) and the Indonesian Employers Association (Apindo) have lauded all the packages and expressed an expectation that they will be well-implemented and create jobs for many.

The stimulus packages address many different things, ranging from licensing procedures to the "negative investment list" (DNI), which covers sectors in which restrictions on foreign investment apply.

"The purpose of deregulation is not liberalization but modernization. We need to analyze how developed countries achieve their success [...]," said Trade Minister Thomas Lembong in his opening speech at the event.

He said in front of dozens Korean business players attending the event that Indonesia was among the countries with the least number of trade agreements, and it aimed to increase its number to gain greater market access.

Having joined the ASEAN Community, Indonesia is now in the process of resuming talks on the Indonesia-European Union (EU) comprehensive economic partnership agreement (CEPA) and is reviewing benefits and drawbacks of joining the US-led Trans Pacific Partnership.

The TPP is expected to expand the country's market access to the 12 Pacific Rim countries also in the partnership.

South Korean Ambassador to Indonesia, Choi Tai Young, said that many Korean businesses were now also looking at whether Indonesia would eventually join the TPP. Korean FDI to Indonesia increased by 8 percent year-on-year to $1.2 billion last year, while its investment through other countries or through joint-ventures with other countries surged by 26 percent to $1.6 billion, according to data from the Investment Coordinating Board (BKPM). *(thejakartapost.com)*

Indonesia to import 200,000 cattle

Jakarta (26/2/2016) - The Indonesian government is preparing to import cattle in Q1 2016 in an effort to keep inflation within its three to five per cent target, according to Darmin Nasution, coordinating minister for economic affairs

The government has decided on a quota of 600,000 head of cattle, or 238,000 tonnes of beef, Darmin said. "The plan is to bring in 200,000 head in Q1 and 150,000 in Q2. For the third and fourth quarters, import will depend on developments in the previous quarters," he explained. According to some reports, the government is steering clear of quarterly permits and will instead, allocate permits every four months.

ALEC CEO Alison Penfold said, "This is a step forward from quarterly permits and that is certainly progress. Ultimately what we have been pushing for is for the annual numbers to be announced several months before the start of the permit year. That gives us an opportunity to plan the logistics around the export year to Indonesia." Indonesia's annual beef consumption stands at about 675,000 tonnes, while local farmers can only produce 416,000 tonnes of beef. However, Australian federal minister for agriculture Barnaby Joyce said the Indonesian government is expected to import 600,000 heads this year. "Our live cattle trade is a big contributor to the economies of both nations, as well as the livelihoods and wellbeing of Indonesians and Australians. Australia's relationship with Indonesia in the live cattle export industry is becoming stronger by the day. This is a win-win situation for both those in Indonesia who value add and for farmers in Australia who it supports," said Joyce.

However, the trade capacity to supply this order between now and April depends largely on rainfall. "Given that there was a huge monsoon trough, access to cattle is restricted and supply, challenging," said Stuart Kemp, Northern Territory Livestock Exporters' Association chief executive.

"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. *To the next page…..*

"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)*

News Highlight

40 Indonesian foods we can't live without

Jakarta (25/2/2016) - At a poll CNN did a few years ago, our readers voted rendang the most delicious food in the world. It's time to give Indonesia's culinary credentials some time in the limelight. Here we run through a mouth-watering array of broth-soaked noodles, fiery curries, banana-wrapped fish and vegetable salads with sweet peanut dressing. Sambal, Satay, to Indomie *See more at : http://edition.cnn.com/2016/02/24/foodanddrink/40-indonesian-foods/*

Camara Nusantara I Unable to Supress Market Price of Beef

Jakarta (26/2/2016) - Cattle transport ship Camara Nusantara I had delivered 500 cows as efforts to meet demands in Java, but sellers complained it has not been able to meet market demand in several cities.

See more at : http://jakartaglobe.beritasatu.com/indonesia-highlights/camara-nusantara-unable-supress-market-price-beef/

Japanese seasonings suit Indonesian tastes just fine

TOKYO (25/2/2016) - Japanese seasonings producer Ajinomoto is stepping up production in Indonesia to meet growing demand from middle-class consumers. The market is promising, given that the country has a population of about 250 million and an average age of 29.

Ajinomoto, Japan's largest nonbeer food- and beverage maker, considers Indonesia, Vietnam and Brazil to be key markets, where it can expect to ride waves of population and economic growth. For the year ending March 2021, Ajinomoto sees its food division booking 500 billion yen ($4.43 billion) worth of sales in Southeast Asia and South America. That would be more than what the food division now makes in Japan.

See more at : http://asia.nikkei.com/Business/Companies/Japanese-seasonings-suit-Indonesian-tastes-just-fine

Indonesian cattle professionals awarded australian scholarships

Jakarta (28/2/2016) - Following the success of last years inaugural Red Meat and Cattle program, a further 65 industry professionals from across Indonesia will undertake five months of study and practical work placements in outback Queensland and in universities around Australia.

The participants from across the cattle industry in Indonesia have been awarded Australia Awards Scholarships under the Indonesia-Australia Partnership on Food Security in the Red Meat and Cattle Sector, according to the Australian Embassy here on its official website. *See more at : http://www.antaranews.com/en/news/103382/indonesian-cattle-professionals-awarded-australian-scholarships*

VIETNAM THIS WEEK

New standards to be set for raw milk

HA NOI (26/2/2016) — The Ministry of Agriculture and Rural Development will soon issue a national technical standard for raw milk, an official said.

Cao Duc Phat, Minister of Agriculture and Rural Development, said at a meeting with TH True Milk Corporation in Ha Noi on Tuesday that he had asked the Department of Livestock Production to submit a national technical standard for raw milk for approval by June this year.

Phat said the issuance of the standard will not facilitate the school milk programme but also promote domestic dairy production.

The school milk programme is meaningful as it helps in improving and enhancing Vietnamese children's stature and intelligence.

The agriculture ministry will co-ordinate with the Ministry of Health and relevant agencies in issuing mechanisms to push up the programme with a pilot programme in Nghe An Province and then expanding to other provinces and cities.

At the meeting, participants addressed obstacles relating to mechanism and financial resource for school milk programme implementation and proposed solutions to push up the programme.

Thai Huong, chairwoman of TH True Milk Group, suggested that it was necessary to make clear the difference between the concept of sterilised fresh milk and reconstituted milk.

Cao Duc Phat, Minister of Agriculture and Rural Development asks the Department of Livestock Production to submit a national technical standard for raw milk for approval by June this year. — Photo Vnexpress

This would not only benefit consumers a lot and improve the stature of Vietnamese children in the future but also create favourable conditions for enterprises when investing in the agricultural sector in general and the dairy industry in particular.

Nguyen Quang Thao, head of Food Security and Hygienic Department, under the Ministry of Commerce and Industry, urged the Ministry of Health to clarify the concepts so that consumers can choose the right products. *(vietnamnews.vn)*

Ministry urges stiffer penalties to tackle animal husbandry violations

VietNamNet Bridge – The Ministry of Agriculture and Rural Development (MARD) is proposing to stiffen administrative punishments for both the use of banned substances in animal husbandry and for slaughtering and processing animals containing banned substances.

Violators will be subject to a fine of up to VND100million (US$4,450). The change follows a series of recent violations discovered by authorised agencies.

According to the ministry, current regulations are not strict enough for food safety violators. Supplements and amendments to the current administrative punishments are necessary.

The new Criminal Code approved by the National Assembly last year takes effect on July 1 this year. It stipulates that individuals, organisations or enterprises using banned substances in food production will be considered criminals as of July. This is a big change from the previous Criminal Code, which made it difficult to prove this kind of violation was a criminal act.

MARD's draft proposal suggests that the penalties for slaughtering and processing animals which contain banned substances increase to between VND15million ($667) to VND20million ($889) from the current fines of VND10million ($445) to VND15million ($670).

If farm households use banned substances and if the chemical levels then present in the animals do not -

exceed legal levels, violators will be subject to a cash penalty equal to 80 to 100 per cent of the animals' value at the time of the violation.

A fine equal to 100 to 120 per cent of the animals' value will be applied to breeding farms committing similar violations.

The highest fine will be up to VND100million in such cases. Violators will also need to dispose of all banned substances and feed products containing these illegal substances, if they wish to continue their business operations.

Only animals uncontaminated by banned substances can be sold or slaughtered. If the violation is repeated, tainted animals will be destroyed, according to the draft proposal and MARD.

Sellers of animal feed products not legally authorised as food by Vietnamese law and State agencies will pay a fine of VND10million to VND15million.

The ministry also proposed more severe punishments for those intentionally injecting or feeding water or anything illegal to animals before and after slaughtering, aiming to increase animals' apparent weight. Governmental resolution No 119/2013/ND-CP authorises a penalty of VND5million ($222) to VND6million ($267) for this kind of violation.

The amended draft proposes a fine of 40 to 60 per cent of the animals' value at the time of the violation, with a cap of VND50million ($2,220).

The detailed draft proposal on the issue is currently open for public opinion on the ministry's website at mard.gov.vn.

Viet Nam Television (VTV) conducted short interviews with experts and customers about these issues. Most people interviewed are not totally satisfied with the changes. They said that penalties should be stricter.

Nguyen Dinh Tuong, head of the Animal Breeding Department of Hung Yen's Department of Agriculture and Rural Development, says that any level of chemical contamination must be banned. His comment addresses current regulations which allow certain percentages of these otherwise banned substances in animals.

Le Huong Lan, a housewife in Ha Noi's Dong Da District, says that the use of banned substances helps farmers to shorten breeding times from eight or nine months to only three or four months. This increases their profits by up to hundreds of millions of dong each day. A fine of VND100million is nothing, compared to such profits.

Nguyen Thi Mai Hang from Dong Da District also agrees on the need for stricter penalties. Using banned substances is poisoning customers on purpose, she says, adding the business licences of such violators must be revoked and they must face criminal charges.

Unannounced inspections

In a related development, MARD will increase unannounced inspections to crack down on the use of banned antibiotics and substances in animal husbandry and aquaculture.

This was announced by Nguyen Van Viet, MARD chief inspector, at a meeting on inspection work. The move aims to improve the quality of Viet Nam's exports and ensure food safety for customers.

He said the sector would expand inspections to discover gangs that buy and sell fake or poor-quality fertilisers and illegally imported pesticides.

Fertiliser and pesticide samples would be taken and a list of violating factories and production bases would be published, he said.

Regarding aquaculture inspections, Nguyen Ngoc Oai, deputy head of the Directorate of Fisheries, said occasional inspections were not effective. This year, the directorate will receive reports from the public through a hotline and petitions, and conduct surprise inspections to ensure positive changes. *(vietnamnet.vn)*

Ha Noi acts to prevent bird flu outbreak

HA NOI (26/2/2016) - Ha Noi authorities have been taking drastic measures to ensure food safety and prevent the outbreak of bird flu since the beginning of this year, an official said. Doan Hong Phong, deputy head of Ha Noi's department of animal health, said the department would intensify inspections on the use of chemicals, and the quarantine, trading and transportation of animals in the city.

It will also focus on the cleaning and sterilisation of breeding farms, markets, slaughter houses and transport vehicles, besides poultry products. See more at : http://vietnamnews.vn/society/282873/ha%C3%B8-no%C3%A4i-acts-to-prevent-bird-flu-outbreak.html

VIETNAM Business In Brief

Vietnam sees rise in export of breeding products

Vietnam shipped 39,000 tonnes of frozen meat from suckling pig to China and Hong Kong (China) in 2015, reaching a turnover 103 million USD, nearly doubling those of the previous year.

According to the Ministry of Agriculture and Rural Development's Department of Livestock, the country exported 31 million salted duck eggs worth 4.9 million USD to Malaysia, Singapore and China, representing a year-on-year increase of 22.6 percent.

Meanwhile, around 13,000 tonnes of unpasteurised fresh milk were sold in foreign markets, mostly in Cambodia, China, and Taiwan (China), raking in 19.6 million USD. Vietnam also exported about 300,000 tonnes of animal feed during the year with a turnover value of nearly 97.7 million USD to Laos, Cambodia, India, Japan, the Republic of Korea, and Taiwan (China).

Under the Prime Minister's Decision No. 50/2014/QD-TTg on assisting animal husbandry between 2015 and 2020, Vietnamese farmers will be supported with high-quality cattle sperm to hybridise their livestock. Cutting-edge fodder-producing technology will also be transferred to make the best use of agricultural residues.

The sector aims to raise the proportion of hybrid cattle to 70 percent and increase beef output to 319,000 tonnes (equivalent to nearly 5.6 million heads) by 2020. It will also develop small- and medium-sized livestock areas in suitable grassy regions such as in northern mountainous areas, northern and central coastal areas, and the Central Highlands .

In 2014, Vietnam had about 5.16 million heads of cattle with a beef output of 297,400 tonnes – a 4.2 percent increase from a year earlier. It imported roughly 300 million USD worth of live cattle and 50 million USD worth of frozen beef.

Fatherland Front leader fosters safe agricultural production

A cross-sector delegation led by President of the Vietnam Fatherland Front (VFF) Nguyen Thien Nhan on February 23 visited the northern province of Ha Nam to encourage safe agricultural production. During a field trip to several agricultural production models with high safety ratings, the VFF President stressed the need for the agricultural sector to apply advanced technology in production to boost its exports.

Provincial Party Committee Secretary Mai Tien Dung highlighted the significant role of clean agricultural development in building new-style rural areas. The locality has taken numerous efforts to facilitate agricultural development, with a focus on clean agricultural production and environmental protection for public health, Dung said.

According to Dung, thousands of households have engaged in safe agricultural production while growing mushrooms, raising dairy cows and feeding animals. Additionally, the province has put investment into building a safe pig supply market in Boi Cau, Binh Luc district, providing nearly 4,000 pigs per day for nearby areas, including Hanoi. Land and tax incentives have been offered in a bid to draw foreign investors, particularly those from Japan.

They are expected to invest in key agricultural production areas, involving local residents in the production chain and providing safe products for export and local consumption, Dung added. VFF President Nhan hailed local efforts to involve all people in building the new-style rural areas and producing safe agricultural products.

He urged the locality to develop brand names for local agricultural products and strengthen its supervision of the local products' quality in a bid to win consumers' trust. Communication work should be enhanced to raise awareness about safe food and agricultural products among farmers and consumers, he said.

Efforts to boost exports, reduce trade deficit

The Ministry of Trade and Industry (MoIT) has undertaken numerous measures to boost exports and reduce imports, helping decrease the trade deficit. The sector's 2016 goals are to increase export value by 10 percent and keep the trade deficit at no more than five percent of the total import-export value.

To realise the targets, the ministry has actively worked with relevant ministries and sectors to remove difficulties for exporters and expand markets. The sector also plans to improve goods quality and establish brand names for agricultural products for export.

In January, Vietnam saw a trade surplus of 765 million USD, with exports achieving 13.4 billion USD and imports 12.6 million USD.-

HCM City cow raisers suffer as milk products cannot sell

Lots of cow farmers in Ho Chi Minh City are struggling after their only partner has put a halt to buying their dairy products, with their predicament worsened by imported milk selling at cheaper prices.

Those in Cu Chi District, 80 percent of whose products are sold to a sole trading partner, Vinamilk, which is the biggest dairy firm in Vietnam, are now suffering many hardships since the state-owned company has decided to stop sourcing their milk.

Nearly 40,000 cows are raised in the district, and about ten thousand have been sold due to milk products having no buyers.

Such issues prompted Dinh La Thang, Secretary of the Ho Chi Minh City Party Committee, to press for solutions on February 18.

In a meeting with Cu Chi officials, Thang urged the district’s chairman to discuss with Vinamilk the reasons for such a decision and to take appropriate measures to support local farmers.

After the event, attempts have been made to dig deep into the cause for the firm’s refusal to purchase milk from Cu Chi raisers, Nguyen Huu Hoai Phu, chairman of the Cu Chi People’s Committee, said on Friday.

A report on the total amount of such milk must be submitted by competent agencies for consideration, Phu underlined.

It appears that most of the products which could not be sold were from those who did not sign trading contracts with the firm, he added.

But the cheap prices of imported milk are also to blame, according to a cattle raising expert.

Prices of milk shipped from Australia, New Zealand, and European countries have dropped consecutively in recent times, which are now about VND8,000-10,000 (US$0.4-0.45) per kilo, equal to 60-80 percent of the current milk quote in Vietnam, the expert elaborated.

It is expected that dairy companies will be invited by local authorities to find ways for supporting and guiding these farmers to grow qualified cows and help them sell their products.

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.

Australian food exporters look to Vietnam

Australian trade officials are calling on food exporters to step up promotions in Vietnam to benefit from the growing market, reported Australian Associated Press (APP) on February 22. The news agency quoted Janelle Casey, Australia 's acting senior trade commissioner for Vietnam , as saying that a burgeoning middle class in Vietnam with a higher disposable income is increasingly looking for quality food and healthy, safe options.

She said retailers and food outlets in Vietnam need high-quality international products to meet the demand. Vietnamese consumers are increasingly aware of health and wellness issues and are paying greater attention to the quality and safety of food - key factors that are driving change in consumption patterns, Casey added. She said local restaurants and importers are keen to access more Australian-grown food and imported beverages, and that Australian products have a high-quality reputation in Vietnam .

Australia 's exports to Vietnam last year were led by metal imports, wheat and coal. Tech products imported from Vietnam to Australia are also on the rise. Trade data showed that Australia has become a key target market for the country's fast growing mobile phone exports, with sales growth of more than 30 percent in 2015.

Trade turnover between the two countries reached 4.93 billion USD in 2015, according to statistics from Vietnam ’s General Department of Customs. Vietnam recorded a trade surplus of approximately 900 million USD with Australia.

MALAYSIA THIS WEEK

Kazakhstan keen to strengthen bilateral trade with Malaysia

Malaysia (23/2/2016) - Kazakhstan is determined to continue and strengthen its bilateral trade with Malaysia despite global economic challenges.

In fact, several areas of cooperation in both the diplomatic and economic fields have been explored between both countries since the start of its official relationship in 1992, according to a spokesperson from the Kazakhstan Embassy in Malaysia.

These include the agreements signed during the visit by Prime Minister Datuk Seri Najib Razak to Kazakhstan in May 2014 for the construction of a methanol plant and a liquefied natural gas plant, as well as, farm development involving cattle breeding in the country.

"From January until October, 2015, mutual trade between Kazakhstan and Malaysia stood at US$76.6 million (RM320 million) with total exports to Kazakhstan worth US$76.2 million and imports valued at US$396,300," she said.

Hence bilateral trade was largely in Malaysia's favour, having registered exports of US$122.7 million to Kazakhstan in 2013 and US$105.2 million in 2014.

The main items imported by the country from Malaysia included electrical and electronic products, appliances and parts, palm oil, lubricants, rubber products, clothing and furniture. On the other hand, Kazakhstan exported ferrous metals, surveying and measuring equipment, tools and pipe-fittings to Malaysia. In terms of foreign direct investment flow, Malaysia invested US$0.6 million in Kazakhstan in the first half of 2015.

After gaining independence in 1991, following the dissolution of the Soviet Union, Kazakhstan started to build the nation by studying the experiences of other countries including Malaysia.

With the similarity of having a majority of Muslims, Kazakhstan, which is the ninth largest country in the world, has conveyed its interest to emulate Malaysia's socio-economic development.

The spokesperson said Kazakhstan was excited to welcome more people to invest in the country including from Malaysia. (*Bernama/themalaysianinsider.com*)

Connecting SMEs within the AEC ecosystem

Malaysia (28/2/2016) - The launch of the Asean Economic Community (AEC) is set to open up many business opportunities especially for small and medium enterprises (SMEs). With a population of more than 600 million across Southeast Asia and growing, the smart move for SMEs is to tap into this wider market access to commercialise their products and boost their revenues and earnings.

According to the Secretariat of the Association of Southeast Asian Nations, (Asean), Asean economy remains the seven largest in the world and third largest in Asia.

Total trade rose by nearly US$1 trillion between 2007 and 2014, it observed, with intra-Asean trade making up the largest share of Asean's total trade by partner.

The contribution of SMEs to economic growth, employment and development in the Southeast Asia region and believed they play an important part in achieving equitable economic development and regional economic integration.

"SME development in Asean is a key strategy, focusing on supporting SME access to finance, markets and global opportunities, human resources development, information and advisory services, technology and innovation.

"These objectives have given birth to the successful implementation of a number of initiatives which include the Asean Benchmark for SME Credit Rating Methodology, the SME Service Centre, the Asean SME Policy Index and the Asean Common Curriculum for Entrepreneurship.

"Moving forward, apart from information dissemination and promotion activities, efforts will be targetted at further improving SME capacity to participate effectively and proactively in regional and global value chains, it said. Read more: http://www.theborneopost.com/2016/02/28/connecting-smes-within-the-aec-ecosystem/#ixzz41q7pdZmb.

CHINA THIS WEEK

Mining to dining: Australia becomes China's land of milk and honey

SYDNEY (28/2/2016) - Asian consumers determined to improve their lifestyle are boosting the fortunes of Australian producers of premium baby milk formula, vitamins and honey, as the region's burgeoning middle class jumps on the health food bandwagon.

With their expanding wallets, middle class consumers are fueling a sharp increase in sales of high-quality products from Down Under, sending the profits and share prices of health foods companies — particularly producers of infant milk formula — into unprecedented territory.

They are led by Chinese consumers fearful of lax food safety standards at home, where cost-cutting by producers have resulted in deaths and health scares.

"You've had almost three decades of incredible GDP growth (in China) and that has brought a huge amount of spending power to the Chinese consumer," IG Markets' analyst Angus Nicholson told AFP.

"And given the fact that there has been some questions around — particularly food, health and medical products — in China, there has been an increase in demand for foreign, top quality brands."

The growth is being described as a shift from "mining to dining" as Australia transitions away from supplying China with key metals such as iron ore and coal towards feeding Asia's consumption boom.

While much of the focus has been on soft commodities like beef and dairy, smaller Australian-listed firms that produce infant milk powder, vitamin supplements and honey are also benefiting from the increased appetite.

Supplements maker Blackmores last year had the Australian stock market's highest share price, jumping 534.03 percent to Aus$217.98.

Its net profit for the six months to end-December soared 160 percent compared to the previous period, driven by sales to Chinese consumers, which made up 40 percent of revenue.

Bellamy's Australia, whose organic baby milk powder is nicknamed "white gold", saw its share price leap more than 700 percent last year as its net profit spiked by 325 percent in the second half. Rival formula producer a2 Milk Company is also enjoying strong demand.

A firm tapping into the growing Asian craze for honey is Australia's largest producer Capilano, which recorded a 52.9 percent surge in 2015 second half net profit.

Brands like Bellamy's and a2 are seen as trustworthy by the Chinese as they are sold in Australia's dominant supermarket chains Coles and Woolworths, Benjamin Sun of digital marketing consultancy ThinkChina said.

"What they are thinking is if the milk powder is being drunk by Australian babies, it should safe for Chinese babies," Sun told AFP.

But the baby powders' popularity has overwhelmed the two supermarket giants, which have imposed two or four-tin limits for each purchase. Even souvenir shops that usually stock stuffed toys and sheep skins now make room for formula, propolis and royal jelly supplements — honey products believed to boost health — as well as manuka honey.

'One kid with six pockets'

The empty racks are the result of a burgeoning grey market where purchasing agents known as "daigou" help Chinese customers secure products in Australia and ship them to China, raking in a tidy profit in the process.

There are between 5,000-10,000 daigou — who can range from entrepreneurs to international students — in Australia, Sun estimated, adding they could make an average of Aus$100,000 (US$71,600) each year.

Likewise, shipping firms charging some Aus$5 per kilogram are easily found in suburbs such as Sydney's Burwood and Hurstville, which are popular with Chinese.

The daigou market their services through popular messaging app WeChat, with some establishing stores on Alibaba's consumer-to-consumer platform Taobao.

Although buying via diagou could see items marked-up by 100 percent, Chinese customers seem happy to pay up, partly due to the now-relaxed one-child policy, which was introduced some three decades ago.

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"People who were born in the 1980s now have a baby, so what's happening now is not an only child but also an only grandchild," Sun said.

"That's the whole family including the grandparents supporting the one kid. That's why we call them one kid with six pockets."

Peter Barraket, who heads up "Mr Vitamins", a chain of supplements outlets in Sydney, said he noticed Chinese customers' behaviour change over the past two years, with shoppers becoming more organised and brand aware.

He is now planning to grow the business by shipping directly to China.

A flagship store on Alibaba's business-to-consumer platform Tmall Global is being considered, although Barraket is careful not to market too heavily while stock levels remain low.

"We've only got enough to cater for our current demand," Barraket, Blackmores' former chief financial officer, told AFP.

"I'm actually trying to do a deal with a manufacturer (for baby powder) because once we start to advertise, we want to make sure we've got stock." – *(AFP/freemalaysiatoday.com)*

Chinese coal giant turns to Australian beef in search of growth

China (23/2/2016) - In a back to the future moment reminiscent of the 1990s tech boom, Chinese coal miner Yankuang Group is establishing an e-commerce platform focused entirely on selling high-end Australian products into fast-growing markets on the mainland.

As a tonne of coal in China remains cheaper than the equivalent amount of water, Yankuang is looking to diversify beyond the resources sector and into the retailing of beef, milk powder and vitamins.

Its Australian subsidiary, the ASX-listed Yancoal, will provide support for the new venture, which aims to be up and running by mid-year.

The move into e-commerce mirrors junior Australian miners during the 1990s dotcom boom, as they sought to profit from the fast-growing tech sector.

But Yankuang, which overpaid for Australian coal assets during the mining boom, may have also come too late to China's online retailing boom.

It will enter an already crowded market where fierce competition has led to thin margins and often elusive profits.

And its main focus on selling Australian beef, via a partnership with Bindaree Beef, may also be poorly timed.

SUPPLY AN ISSUE

While Australian beef exports to China rose 18 per cent over the first 11 months of 2015 and are set to top $1 billion for the calendar year, the industry is preparing for difficult years ahead.

"The next couple of years will be tough because we are going to be short of volume in Australia," said Michael Finucan, the general manager of international markets at peak body, Meat & Livestock Australia.

The tight supply is due to farmers rebuilding their herds after the recent drought. At the same time Australian producers are facing increased competition from Brazil, which has 11 plants licensed for export to China.

There are also rumours United States beef may be allowed back into China, after it was banned in 2003 following the discovery of mad cow disease.

"We have a stable position in the Chinese market. If we see a decline this year it won't be a reflection of Australia's standing in the market just the lack of supply," said Mr Finucan.

That could make it difficult for Yankuang, which plans to only sell Australian beef on its OzStar platform, which is a joint-venture with China's fourth-biggest pork producer, Shandong Delisi Food Co. Delisi paid $140 million for a 45 per cent stake in Bindaree Beef last October.

"This is an exciting new joint venture for the Yankuang Group and a significant opportunity to support Australian farmers, growers and producers in the sourcing and selling of local products into China at a time of unprecedented market growth and opportunity," said a Yankuang spokesman. More at : http://www.afr.com/business/agriculture/livestock/chinese-coal-giant-turns-to-australian-beef-in-search-of-growth-20160223-gn1ek0

ASIA PACIFIC THIS WEEK

US cattlemen need TPP edge against Aust

US (24/2/2016) - The American beef industry is pleading with the US Congress to quickly approve the mega Trans-Pacific Partnership trade deal so they can compete with Australia in key markets including Japan.

The National Cattlemen's Beef Association, in a letter to congress, said Australian beef producers currently have a 10 per cent tariff rate advantage over the US in Japan because of a bilateral trade agreement.

"The only way to level the playing field for US cattle producers is to implement TPP," NCBA president Tracy Brunner wrote.

Pro-TPP US groups fear congress will attempt to block passage of the trade agreement between 12 Pacific Rim nations until after the US presidential election in November.

If the TPP is delayed, US beef producers argue rival nations like Australia will continue to steal market share in key markets.

In 2015, US beef producers suffered a 19 per cent decline in sales to Japan, costing $US298 million ($A412.86 million).

"For example, our leading competitor in the Japanese market is Australia," Mr Brunner wrote.

"Australia and Japan have a bilateral trade agreement that was implemented on January 1, 2015 and as a result Australia has a 10 per cent tariff rate advantage over US beef.

" ... Our future success rests on our ability to compete on a level playing field in the Pacific Rim and TPP presents us with that golden opportunity."

The TPP nations are: Australia; the US; New Zealand; Japan; Canada; Malaysia; Brunei; Chile; Mexico; Peru; Singapore; and Vietnam.

Originally published as US cattlemen need TPP edge against Aust. *(news.com.au)*

Brazil's big surge into China beef market: What does it mean for Australia?

Australia (23/2/2016) - BRAZIL has made some big inroads into the imported beef market in China since first gaining access in May last year, muscling-in on Australia's dominant supplier status driven by two things: price, and improving market access.

China has always been a price-sensitive export customer, but Australia has up to now enjoyed a considerable 'front door' market access advantage over export competitors, including Brazil.

Brazil first gained access to China in mid-2015, but its capacity to supply the market has now substantially increased, as more Brazilian plants and cold storage facilities gain approval for export.

Recent reports suggest there are now 16 Brazilian beef plants eligible for supply – all located in major beef producing regions like São Paulo, Mato Grosso, Goias and Rio Grande do Sul.

According to a Chinese Government report seen by Beef Central, JBS's Brazilian operations now have 46 percent of Brazil's market share with seven plants, while Marfrig has a 20pc share with three. Six other plants share the remaining 30pc.

Brazil now has 65 plants approved for the Chinese market: 38 poultry, 16 beef and 11 pork. It is clear that Chinese authorities are looking to broaden and diversify their sourcing of animal protein and Brazil is the key target. Australia continues to have difficulty in expanding its current list of accredited facilities for China.

The Chinese government report forecast that Brazilian beef supply will grow this year to more than 20,000 tonnes per month, while Australia's monthly share may shrink to an average of 10,000t or less.

Such has been the pace of change that within the space of nine months, China now represents one of Brazil's single largest beef export destinations, along with Egypt, Hong Kong (proxy for China via grey channel) and Russia. *Read more at : http://www.beefcentral.com/trade/brazils-big-surge-into-china-beef-market-what-does-it-mean-for-australia/*

INDONESIA

Indonesia’s feed-grade wheat imports increase in January

[25 February 2016] Members of the Indonesian Feed Millers Association switched to wheat to substitute the use of corn in their feed formulations, due to the government's corn import limitation last year. Based on the Statistic Centre Agency’s data, wheat imports in January surged 86.35% compared with the previous year’s wheat imports. Fransiscus Welirang, Chairman of the Indonesian Wheat Flour Producers Association, said wheat imports for the feed industry has grown since Q4 2015.

Indonesia’s fishery industry ready for AEC

[25 February 2016] Indonesia’s Ministry of Fisheries & Marine Affairs is optimistic that the country’s fishery industry can compete in the Asean Economic Community (AEC). Nilanto Perbowo, Director General of Fisheries Competitiveness Reinforcement, said the ministry’s policies on moratorium, illegal fishing eradication and ban on transhipment have led to abundant local fish stock. “We are able to meet demand from local and regional markets,” he said. Mr Nilanto said his directorate has allocated USD 134 million for the development of cold chain and logistics systems, fish processing vessels, and live fish & frozen fish carrier vessels.

Low live bird price troubles Indonesian farmers

[24 February 2016] After spiking to USD 3.0/kg, now the price of chicken in Indonesia has contracted to around USD 2.4/kg. This has led broiler farmers into a difficult situation as live bird is priced at just USD 0.9-1.0/kg, far below the production cost of around USD 1.2/kg. According to the National Poultry Farmers Association (PPUN), this is due to excess supply. “Current broiler DOC production is back to 60 million birds/week, while demand is only around 48 million birds,” said Sigit Prabowo, PPUN Chairman. Hartono, Advisor of the Indonesian Poultry Farmers Association & Information Centre (Pinsar Indonesia), worries that this could be critical to farmers and hopes the government will continue the PS culling program.

Indonesia to build seven cattle ships

[23 February 2016] The Indonesian government is pushing ahead with its domestic cattle shipping program, with 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 East Nusa Tenggara into Java. Amran Sulaiman, Agriculture Minister, confirmed more ships will be built. “We have ordered seven ships,” he said. “A ship costs about USD 3.7 million.”

Indonesia’s broiler DOC production predicted at 4.1b birds

[22 February 2016] Indonesia’s potential production of broiler DOC this year is predicted at around 4.1 billion or 78 million birds per week, according to the National Poultry Farmers Association (PPUN). Sigit Prabowo, PPUN Chairman, said the demand for broiler DOC is only around 2.6 billion birds or around 50 million birds per week, if the current chicken consumption is at 9.5 kg per capita. “So there will be around 28 million excess DOC excess,” Mr Sigit said. He added that the numbers of broiler PS and GP are currently at around 32 million birds and 800,000 birds, respectively.

MALAYSIA

Salim ups stake in Malaysia's CAB Cakaran

[24 February 2016] The Salim Group has increased its stake in Malaysian poultry integrator CAB Cakaran Bhd with an additional 3.266% or 5 million shares in off market trading via subsidiary Plant Wealthy Holdings Bhd. On January 20, Anthoni Salim, Chairman, emerged as a substantial shareholder in CAB Cakaran via a 6.69% off-market transaction. To date, Anthoni holds 8.55% in CAB Cakaran through Plant Wealth Holdings Ltd, a company controlled by KMP Investments Pte Ltd, which in turn is 67% owned by Anthoni. This brings Anthoni's stake in CAB to 11.81%, excluding the agreement Plant Wealth made with CAB on January 18 for a proposed private placement of a 9.1% stake in CAB Cakaran, which is expected to be completed in Q2 2016. Once completed Anthoni will effectively own a 20% stake in CAB Cakaran, most likely giving him a board seat.

INDIA

CPF India to expand QSR network

[26 February 2016] CPF (India), a subsidiary of Thailand's Charoen Pokphand Foods plans to expand its quick service restaurant Five Star Chicken network in its core Indian markets. "In 2016 we plan to increase our network adding around 150 outlets. The focus will be mainly on the southern markets where we will be consolidating our presence before reaching out to other regions," said Rijoy Prabhakar, Assistant Vice President of CPF (India) and Head of the Five Star Chicken business. According to him, the company is looking at small towns, amusement parks and malls for housing the QSR.

Indian seafood exporter launches mobile app for home delivery

[25 February 2016] Leading Indian seafood exporter Baby Marine Group based in Kerala has launched a smartphone app for home deliveries. Customers can either place online orders at dailyfish.in or by downloading the Daily Fish India app. Alex K. Thomas, Managing Director and CEO of the company said that they started this concept of reaching out to customers in Kochi and have plans to reach other major cities in Kerala. "We have decided that our products will not be available in shops or mall counters," he added.

India is largest Asian surimi supplier to Japan

[24 February 2016] In the second half of last year surimi shipments from India to Japan reached 37,000 tonnes making it the largest supplier to Japan among Asian countries. This was likely caused by a drop in exports from Thailand due its labour issues. "The number of vessels acquiring fishing licences in Thailand declined by 50% compared to its peak," said a Japanese importer. Surimi output declined by 80% from its peak. "Only a few producers are actively exporting surimi to Japan," he said. Supply from Indonesia, where investments in production facilities are progressing, saw imports jump 20% last year.

India likely to import corn in 2015/16

[22 February 2016] India is likely to import corn in marketing year 2015/16 on tight domestic supplies due to the drought affected domestic harvest. The USDA Gain report estimates that India could import 400,000 tonnes based on the quota allocation of 290,000 tonnes of corn for imports under the tariff rate quota (TRQ), and the likelihood of additional allocation of 100,000 to 120,000 tonnes before the rabi corn arrivals begin in April. In January the government issued a tender for importing 320,000 tonnes of corn under specific conditions including that the cargo is non-GMO. Most of the qualify bids offered corn sourced from East European and Black Sea origins. "Assuming no major weather aberration from now through the harvest of the upcoming rabi corn in late March through July, the government may not be inclined to allow further imports of corn under TRQ," said the Gain report.

India dairy industry update

[22 February 2016]

India's milk production to reach 146.31 mt

India's milk production is estimated to increase to 146.31 million tonnes in 2015-16 while the per capita availability of milk has also increased to 302gm, Union Agriculture Minister Radha Mohan Singh said. “For the first time there is a record enhancement of milk production at 6.3% whereas on a global scale there is only an increment of 2.2%,” he said. According to him, even though the country stands first in global milk production, milk productivity per animal is far less than the average in developed dairy nations.

Hatsun Agro to acquire feedmill in Tamil Nadu

India’s largest private dairy Hatsun Agro has approved the acquisition of a feedmill owned by VKS Farms located near Coimbatore in Tamil Nadu. The acquisition is part of Hatsun Agro’s plan to expand its fast growing cattle feed business. The USD 2 million deal will be under a private equity agreement and the company’s board will meet shortly to finalise the deal with VKS Farms. Hatsun has brands like Arun Icecreams, Arokya Milk, and dairy products under the Hatsun brand.

India’s organised dairy market to grow

India’s organised dairy market is expected to perform better as consumers are rapidly turning towards branded dairy products, according to a report by ratings agency Crisil Ratings. Revenue from the share of organised dairy segment could rise to 25% by 2017-18 from 19% in 2014-15. “States in northern India, which are big on milk production but have low organised dairy penetration will witness the highest capacity addition,” the report said. Organised channel is expected to incur a capital expenditure of USD 2.2 billion by 2017-18 to raise milk processing capacity to 105 million litre per day.

Amma Pannai to increase feed production capacity

Amma Pannai Mahalir Kuzhu, a group of 20 women working towards the improvement of agriculture productivity, has gained the attention of the National Bank for Agriculture and Rural Development. The group produces 50 tonnes of animal feed per month at a rented facility. Feedback from their customers, all members of milk cooperative societies at Vallivalasu in Erode district, show that milk yield has increased by 15%-20% after feeding the animals with the feed produced by the group. At INR 15.80/kg (USD 0.23), the cost is about INR 3 lesser compared to other brands in the market. To maintain consistent quality the group regularly tests their product at the Namakkal Laboratory to validate the right proportion of raw material, namely rice bran, groundnut cake, minerals mixture, black gram husk, jaggery, bajra, corn, sorghum, palm cake, cotton seed, common salt, red gram husk and bengal gram husk.

THAILAND

Revenue drop of 7.64% for Thailand's GFPT

[26 February 2016] GFPT's total sales fell 7.64% to USD 460.74 million in 2015, driven by decrease in export volume of chicken meat products and lower prices of chicken meat and parts in domestic market. According to the company's filing to the Stock Exchange of Thailand, GFPT's export volume (chicken meat products) was 22,100 tonnes in 2015, down 15.65% from 2014, driven mainly from lower export volume of raw chicken products. Revenue from chicken processing represents 40.38% of the firm's total sales, while the remaining sales come from feed, farm and processed foods. GFPT's net profit in 2015 declined 32.85% to USD 33.44 million from the previous year. GFPT said it will place emphasis on the upstream expansion of chicken farm areas, with an investment of USD 22.39-27.98 million per year

CP Group partners with AG Processing for higher traceability

[25 February 2016] Thailand's Charoen Pokphand Group (CP) has partnered with USA's AG Processing Inc, the world's biggest soybean processing cooperative, to develop a sustainable soybean meal (sbm) supply. The project will reinforce sustainable and traceable sourcing throughout CP's supply chain and that of its business partners. Somchai Kungsamutr, President and CEO of CP Group's Feed Ingredients Trading Business said the 3-year partnership aims to develop a process whereby sbm can be traced back throughout the supply chain. The project will also ensure that sbm sold to CP will not originate from deforested areas. CP imports sbm mainly from the US, Brazil, Argentina and India. Mr Somchai added that CP used almost 1mt of sbm last year."

Thai Union launches new sustainability initiatives

[24 February 2016] Thailand's Thai Union (TU) has launched a new sustainability initiative called Sea Change, designed to deliver lasting changes in the way the firm operates in the Thai and global fishing industries. TU's Sea change program includes responsible sourcing, marine conservation, safe and legal labour and caring for its communities. It aims to have full traceability by 2020, reducing the risk of illegal, unreported and unregulated (IUU) fishing. TU also said that the initiatives are designed to provide every worker with safe and freely-chosen employment.

CHINA

Chinese sheep producers are reacting to price signals and could go into over production

[26 February 2016] Sheepmeat in China is threatening to go into over production as producers are attracted by the high prices, which has caused local production to be relatively competitive with imported products. "It is already happening. This is a threat to imports from Australia and New Zealand," Rich Herzfelder, a presenter at the Gira Asia Meat Club, said, adding that there has been significant increases in both large herd in confinement and marginal production. "These producers are reacting to the price signals they are seeing," he said. The market saw high prices in 2013-2014. North Asia is New Zealand's second largest market for New Zealand lamb.

H7N9 causes five more deaths in China

[25 February 2016] China's latest outbreak of H7N9 avian influenza has caused another five deaths, according to a report by the World Health Organization (WHO). WHO said China reported 28 additional human cases of H7N9 since December in six provinces, all in southern China. Twenty-five of the cases reportedly resulted from exposure to live poultry or live poultry markets; there was no clear exposure to live poultry in the other three cases. Four of the confirmed exposure cases died, as well as one of the unconfirmed cases, WHO said.

China reports new H7N9 cases, analysis ties death to longer incubation

[22 February 2016] Hong Kong health officials reported three more H7N9 avian flu infections last week, all of them in adults from Guangdong province in the southern part of China's mainland. Also, a new analysis of the disease found that longer incubation periods are associated with fatal outcomes. Nearly all of China's H7N9 cases have involved contact with poultry or their environments in live-bird markets. The new cases are part of a fourth wave of H7N9 activity in China, in which 53 cases have been reported so far.

ASIA PACIFIC

Philippine DA plans for food safety institute

[25 February 2016] The Philippine Department of Agriculture (DA), through its National Meat Inspection Service (NMIS), plans to put up a Food Safety Institute (FSI) that will serve as a venue for training and workshops for the country's food safety officers. The FSI, said DA Assistant Secretary for Regulations and NMIS Executive Director Minda Manantan, will be a training hub for NMIS trainers, meat control officers, food safety officers, meat inspectors, NMIS hazard auditors and even food business operators. She added that the institute is also planned to provide laboratory services and will serve as the national reference laboratory for all fresh or unprocessed meat.

New procedures for handling and use of MSM approved

[24 February 2016] The Philippine Department of Agriculture (DA) has issued new regulations for handling and use of mechanically separated meat (MSM). The new circular, which took effect on February 4, is expected to "ensure that MSM, as raw material for heat-treated meat products, will be hygienically handled throughout the entire production chain in order to ensure food safety and quality." The circular covers the composition, hygienic handling practices and use of both locally produced and imported MSM from pork and poultry.