Corn Products China News

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Headline

The SAG issued the 13th Five-year Plan for Grain and Oil Processing, which showed that the current domestic corn industry still suffers from oversupply. To offset the oversupply, China should increase corn consumption by the feed industry, as well as improve the raw material utilization rate in corn deep processing.

The MOC finalized the anti-dumping and anti-subsidy duties on imported DDGS from the US. This move will further reduce Chinese DDGS import volume, strengthen demand for corn and soybean meal and stimulate the supply of alcohol.

In 2016, the Chinese corn harvester industry was in bad shape. CCM predicts that, in part due to the upgrading of the Chinese GB emission standard for non-road diesel engines, that industry concentration will significantly increase.

In 2016, Chinese live pig farming saw many changes. For example, live pig prices showed ups and downs; and pig farming companies moved their businesses to inland areas due to government policies. As the industry moves forward, the Chinese government will have greater confidence in industry regulation, and the "pork cycle" could be restrained.

China's MSG price kept falling and hit a record low in 2016, mainly affected by the sliding corn price and increasing production capacity. The industry may embrace a new round of integration, along with Fufeng Group's and EPPEN Biotech's capacity expansion.

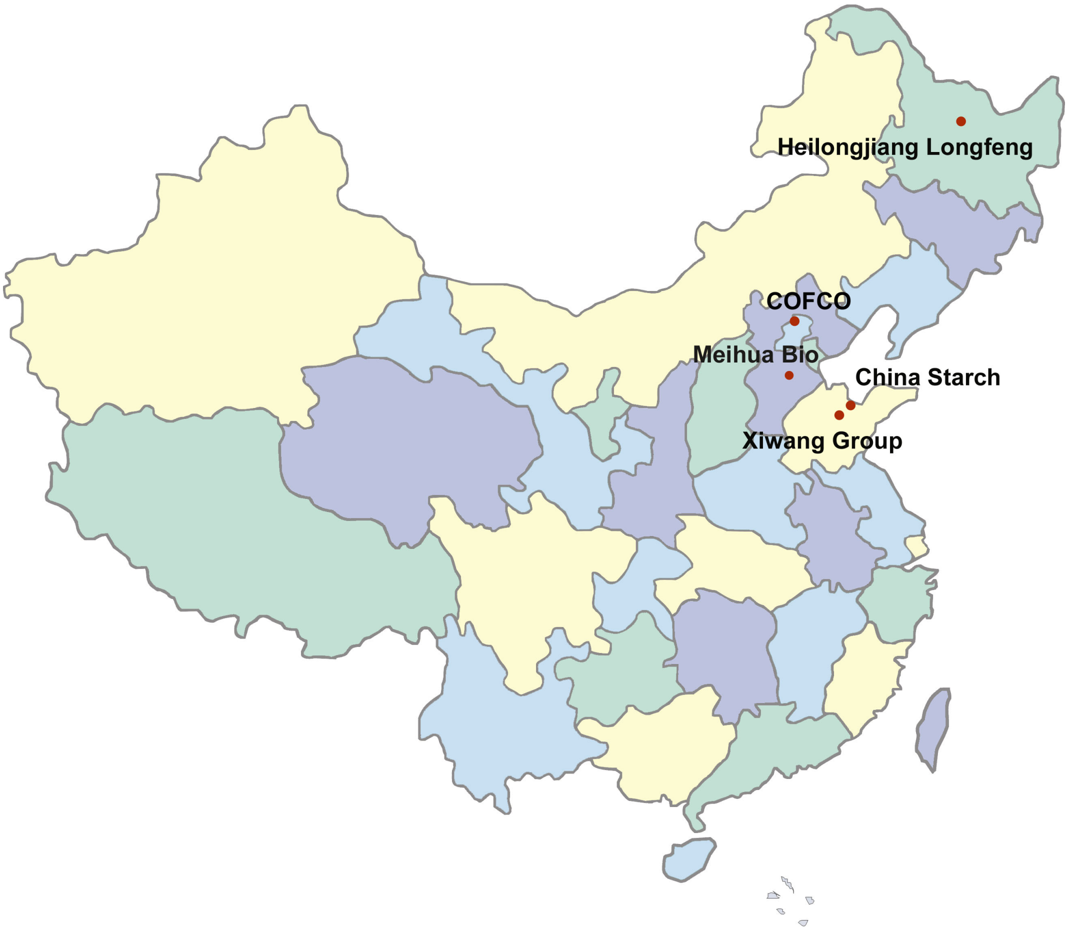
2016 witnessed many positive factors in Chinese corn industry. However, the continuously expanding production capacity will intensify the present overcapacity in the future.

Xiwang Group is promoting corn soft sugar by taking advantage of high priced cane sugar, hoping to generate USD143.89 million (RMB1 billion) in profits to help Xiwang Sugar go listed. Xiwang Group also plans to facilitate a public listing for China Recycling Xiwang. Together, this will let it grab a larger share of capital markets.

The slumping corn price in China reduced the import volumes of corn and its substitutes. Affected by policy and price factors, the long-ago promising import business of corn substitutes will no longer exist.

Affected by serious smog, North China Pharmaceutical suspended production for near 2 months. Recently, the company announced to resume production. Production suspension of VC companies not only affected their 2016 profits, but also pushed up domestic VC price. As environmental pressure mounts, prices of pharmaceuticals, including VC, may rise in the future.

Chinese feed enterprises should have cut feed prices at the end of 2016, but they delayed quotations until early 2017, in order to use up the corn stockpile that was purchased at high price, and improve their 2016 financial figures. It is predicted that feed price will drop once again if raw material prices continue to decrease.


Heilongjiang Longfeng
COFCO
Meihua Bio
China Starch
Xiwang Group

Editor's Note

In 2017, China's market price of corn continues the downtrend. The price averaged USD266.08/t (RMB1,571/t) in Jan., down 26.92% YoY.

The sliding corn price reduced the advantage of imported corn. In Jan.-Nov. 2016, corn import volume down by 33.8% YoY. So did the import volumes of corn substitutes. Affected by policy and price factors, the previous promising import business of corn substitutes will no longer exist.

The MOC finalized the anti-dumping and anti-subsidy duties on imported DDGS from the US. This move will further reduce Chinese DDGS import volume, strengthen demand for corn and soybean meal and stimulate the supply of alcohol.

Downstream corn starch sector was also benefited. Now, demand for starch mounts in China. Coupled with the corn deep processing subsidy and growth of export, the sector is in an uptrend. However, the falling corn price also reduced downstream product prices. For example, the MSG price hit record lows continuously. Meanwhile, the increase cpacity may trigger out an integration in the MSG industry again.

Besides, pig feed companies also made adjustments in their prices. In early 2017, leading pig feed companies cut prices in succession. Thanks to this, production cost of live pig farming reduced. Pig farming companies moved their businesses to inland areas due to government policies. As the industry moves forward, the Chinese government will have greater confidence in industry regulation, and the "pork cycle" could be restrained.

The USD/RMB exchange rate in this newsletter is USD1.00=RMB6.9498 on 3 Jan., 2017, sourced from the People's Bank of China. All the prices mentioned in this newsletter will include the VAT, unless otherwise specified.

Governmental Direction

SAG issues 13th Five-year Plan for Grain and Oil Processing

Summary: The SAG issued the *13th Five-year Plan for Grain and Oil Processing*, which showed that the current domestic corn industry still suffers from oversupply. To offset the oversupply, China should increase corn consumption by the feed industry, as well as improve the raw material utilization rate in corn deep processing.

On 26 Dec., 2016, the State Administration of Grain (SAG) issued the *13th Five-year Plan for Grain and Oil Processing (2016-2020).* The plan reviewed industry conditions and set goals for future development. In 2015, the total output value of Chinese grain and oil processing hit USD360 billion (RMB2.5 trillion), up 59.5% over 2010. Regarding the type of industry participants, private companies, foreign-funded companies and state-owned companies took up 91%, 3% and 6% of the total respectively.

By 2020, the plan envisions a modern grain and oil processing system that provides both safe and nutritious products and is environmentally friendly. The new system will enjoy a rational layout and harmonious development. It will also form a complete industry chain and provide strong economic benefits. In addition, there should be 30+ key grain and oil enterprises by 2020 whose main business revenue exceeds USD1.43 billion (RMB10 billion). At the same time, the industrialization ratio of staple food should increase to about 25%. The main business revenue growth rate of leading companies should be maintained at 9% every year, and the annual growth rate of industrial added value should reach 7%+.

Table 1: 13th Five-year Plan for Grain and Oil Processing, 2016-2020

Item	2015	2020
Main business revenue of the grain and oil industry (billion USD)	388	590
Number of enterprises whose main business revenue>USD1.43 billion	16	30
Raw material utilization rate of the corn deep processing industry (%)	97	98

Source: SAG

Notably, high output, high inventory and high import volume of grains in China will still be the main outstanding problems in the short term, especially the periodic surplus of corn. This is mainly because the purchase policy of corn for temporary storage, which had been implemented for 8 years, had previously pushed up the domestic corn price. As the policy was canceled, corn prices and corn import volumes started to decline. According to China Customs, in Jan.-Nov. 2016, China imported 3.03 million tonnes of corn, down 34.2% YoY. However, the corn industry still witnesses serious oversupply. In 2016, corn output hit 220 million tonnes, down 2.2% YoY, but the domestic demand was less than 190 million tonnes, according to the SAG. What's worse, 60 million tonnes out of the 230 million tonnes of stockpiled corn was produced before 2013, so the country is in urgent need of a corn stockpile reduction.

Given this, the plan places heavy emphasis on stimulating corn consumption.

- Increase corn consumption by the feed industry

In Oct. 2016, the Ministry of Agriculture of the People's Republic of China issued the *13th Five-year Plan for the Feed Industry (2016-2020)*, which also pointed out that the country should guarantee the supply of feed and encourage feed producers to consume more corn used for feed.

In China, about 60% of corn is used as raw material for feed. According to the *13th Five-year Plan for the Feed Industry (2016-2020)*, the total output of feed in the coming 5 years should rise by 10%. That means that demand for corn will strengthen. Besides, feed production's requirements for corn quality is not that high compared to other corn deep processing. The rise in feed output is also conductive to reducing the over-stockpiled, poor-quality corn.

- Improve the raw material utilization rate in corn processing

The utilization rate of corn in deep processing should reach 98%+. In addition, mergers & reorganizations, the elimination of outmoded capacity, and inspections on environmental protection and cleaner production of corn starch, starch sugar, alcohol, MSG, and citric acid should be further promoted in Jilin Province, Heilongjiang Province, Liaoning Province, Inner Mongolia Autonomous Region, and Huang-Huai-Hai Region. These measures will accelerate the transformation and upgrading of producers and the industry. Currently, the industrial concentration ratio of China's top 10 corn deep processing companies is over 45%. In the future, that figure will rise.

China finalizes anti-dumping and anti-subsidy duties on American DDGS

Summary: The MOC finalized the anti-dumping and anti-subsidy duties on imported DDGS from the US. This move will further reduce Chinese DDGS import volume, strengthen demand for corn and soybean meal and stimulate the supply of alcohol.

On 11 Jan., 2017, the Ministry of Commerce of the People's Republic of China (MOC) announced that the US was ruled to have dumped DDGS into China, which has caused substantial damage to the Chinese DDGS industry. Therefore, China decided to respectively impose 42.2%-53.7% and 11.2%-12.0% of anti-dumping and anti-subsidy duties on US DDGS for 5 years starting 12 Jan., 2017.

In 2016, China launched anti-dumping and anti-subsidy investigations into American DDGS:

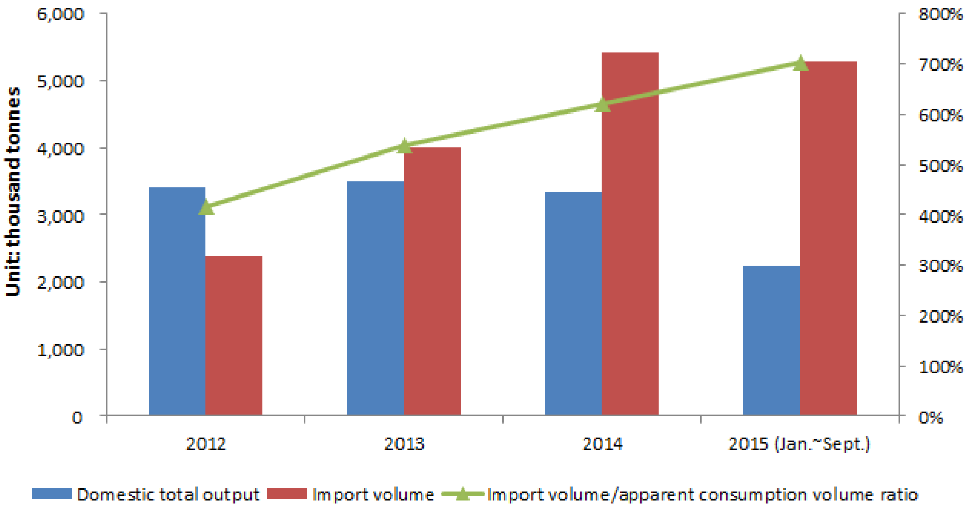
- 23 Sept. - The MOC made an initial ruling that the US has dumped and subsidized its DDGS into China. It subsequently required importers to pay an anti-dumping deposit and an anti-subsidy deposit at 33.8% and 10.0%-10.8% respectively. *Note: Deposit amount = (duty-paid value assessed by the customs * deposit rate) * (1 + import-related value-added tax rate)*
- 2 Aug. - The MOC held a hearing on whether to launch an anti-dumping and anti-subsidy investigation on DDGS, at which the US and China debated whether the US dumps DDGS into China
- 12 Jan. - The MOC announced that it had decided to conduct an anti-dumping investigation into American DDGS

Early in Dec. 2010, China had launched anti-dumping and anti-subsidy investigations into American DDGS. However, the investigations were terminated due to various factors. At that time, China didn't form a definite conclusion on whether the US dumps DDGS into China.

China is the largest DDGS importer in the world, and most of its imported DDGS comes from the US. Compared to made-in-China DDGS, American DDGS enjoys both a lower price and higher quality. Coupled with the surging domestic corn price in the past few years, import volume of DDGS rose significantly. According to China Customs, import volume reached 6.82 million tonnes in 2015, up 26.1% YoY. In addition, the proportion of apparent consumption volume of imported DDGS climbed 70.2% in Jan.-Sept. 2015 from 41.6% in 2012, according to the MOC.

DDGS is a byproduct of corn alcohol, which can be used as a raw material in feed to provide energy and protein. As a result, DDGS is a good substitute for corn and soybean meal. In 2016, China's corn price slumped and dragged down the domestic DDGS price, resulting in sharply falling import volume of DDGS. According to China Customs, the country imported about 3 million tonnes of DDGS in Jan.-Nov. 2016, down 46.8% YoY.

Figure 1: Output, import volume and apparent consumption volume of DDGS in China, 2012-2015 (Jan.-Sept.)



Source: MOC

Notably, since China made an initial ruling on American DDGS in Sept. 2016, many importers have slowed down their imports. Some feed enterprises said that they are now targeting domestic DDGS suppliers or homemade soybean meal for raw materials. It is predicted that the final judgment would further suppress DDGS import volume. This may help domestic industries in a number of ways:

1. Increase corn consumption and reduce corn inventory

At present, China holds a huge corn inventory – 230 million tonnes. Additionally, the cancelation in 2016 of the purchase policy of corn for temporary storage hurt corn sales in some producing areas, such as Heilongjiang Province.

2. Boost domestic soybean meal prices

The largely reduced DDGS import volume will strengthen demand for soybean meal. The domestic soybean meal price will keep rising.

3. Add to alcohol supply

The strengthened demand for domestic DDGS will stimulate domestic production. The supply of alcohol will further increase in the future.

Table 2: China's anti-dumping and anti-subsidy duties on American DDGS companies, Jan. 2017

Company	Anti-dumping duty	Anti-subsidy duty
Poet Research Center, Inc.	50.0%	11.2%
Poet Biorefining - Fostoria, LLC	50.0%	11.2%
Northern Lights Ethanol, LLC	50.0%	11.2%
Great Plains Ethanol, LLC	50.0%	11.2%
James Valley Ethanol, LLC	50.0%	11.2%
Sioux River Ethanol, LLC	50.0%	11.2%
Poet Biorefining - Leipsic, LLC	50.0%	11.2%
Poet Biorefining - Marion, LLC	50.0%	11.2%
Prairie Ethanol, LLC	50.0%	11.2%
Poet Biorefining - Alexandria, LLC	50.0%	11.2%
Poet Biorefining - North Manchester, LLC	50.0%	11.2%
Poet Biorefining - Portland, LLC	50.0%	11.2%
Ethanol2000, LLC	50.0%	11.2%
Northstar Ethanol, LLC	50.0%	11.2%
Pro-Corn, LLC	50.0%	11.2%
Agra Resources, LLC	50.0%	11.2%
Northeast Missouri Grain, LLC	50.0%	11.2%
Missouri Ethanol, LLC	50.0%	11.2%
Michigan Ethanol, LLC	50.0%	11.2%
TCE, LLC	50.0%	11.2%
Horizon Ethanol, LLC	50.0%	11.2%
Iowa Ethanol, LLC	50.0%	11.2%
Frontier Ethanol, LLC	50.0%	11.2%
Pinnacle Ethanol, LLC	50.0%	11.2%
Otter Creek Ethanol, LLC	50.0%	11.2%
Voyager Ethanol, LLC	50.0%	11.2%
Poet Biorefining - Cloverdale, LLC	50.0%	11.2%
Big River Resources, LLC	53.7%	11.5%
Marquis Energy LLC	42.2%	11.6%
Marquis Energy - Wisconsin, LLC	42.2%	11.6%
Absolute Energy, LLC	49.8%	11.4%
Ace Ethanol, LLC	49.8%	11.4%
Archer Daniels Midland Company	49.8%	11.4%
Elkhorn Valley Ethanol, LLC	49.8%	11.4%
Flint Hills Resources	49.8%	11.4%
Golden Grain Energy, LLC	49.8%	11.4%
Illinois River Energy, LLC	49.8%	11.4%
Louis Dreyfus Commodities Grand Junction LLC	49.8%	11.4%
Patriot Renewable Fuels, LLC	49.8%	11.4%
The Andersons Albion Ethanol LLC	49.8%	11.4%
The Andersons Clymers Ethanol LLC	49.8%	11.4%
The Andersons Denison Ethanol LLC	49.8%	11.4%
The Andersons Marathon Ethanol LLC	49.8%	11.4%
Valero Renewable Fuels Company, LLC	49.8%	11.4%
All Others	53.7%	12.0%

Source: MOC

Market Dynamics

Chinese corn harvester industry in reform era

Summary: In 2016, the Chinese corn harvester industry was in bad shape. CCM predicts that, in part due to the upgrading of the Chinese GB emission standard for non-road diesel engines, that industry concentration will significantly increase.

In 2016, the mechanical harvest level of China's industry was expected to reach 67%, vs. 30% in 2011, according to the Ministry of Agriculture of the People's Republic of China (MOA). Although corn harvesters were highly popularized that year, the Chinese corn harvester industry still remained depressed. In H1 2016, the output of self-propelled corn harvesters from Chinese key enterprises amounted to 14,046 pieces, down 42.7% YoY, according to data from the China Association of Agricultural Machinery Manufacturers. Although Q3 was the peak sales season, sales volume of various kinds of corn harvesters still declined by 22.6% YoY to about 36,400 pieces by the end of Aug. 2016.

Factors behind the sluggish 2016 corn harvester industry in China were as follows:

Chinese GB emission standard for non-road diesel engines up from II to III

China implemented a ban on the production, import and sales of Chinese Guobiao (GB) II non-road diesel engines. Instead, it put in place a requirement that all agricultural machinery, including corn harvesters, must meet the GB III emission standard. At the same time, the Ministry of Environmental Protection of the People's Republic of China permitted GB II diesel engines to be sold until 1 Dec., 2016, in order to let certain enterprises sell out 20,000+ pieces of stockpiled corn harvesters equipped with GB II diesel engines. Still, even though companies made price-off promotions, sales still remained flat. This was due to the upgrading of the emission standard and customers' psychology of "buy on the rises" (customers would like to purchase when the price is rising because they are afraid that the price will be much higher later).

Subsidy for corn harvester procurement declined

In the past 10 years, output of corn harvesters soared along with the expanding corn planting area in China. As well, government subsidies for corn harvester procurement greatly supported the development of the industry. In 2015, customers who purchased a 5-line self-propelled corn kernel harvester priced at USD34,533 (RMB240,000) could get a subsidy up to USD11,655 (RMB81,000). That represented nearly 1/3 of the price. However, the subsidy declined by 10% YoY in 2016, so sales volumes dropped.

Picture 1: Self-propelled corn kernel harvester

Source: baidu.com

Corn planting area decreased

Since Nov. 2015 when the MOA issued the *Structure Adjustment Plan on Corn Planting Area in Sickle-shape Region (2016-2020)* to cut 3.33 million ha (50 million mu) of corn planting area by 2020, various kinds of crop farming-related policies have been targeted at reducing the overall corn planting area. In 2016, the sowing area of corn was 36.76 million ha in China, down 5.6% YoY. This to some extent squeezed demand for corn harvesters.

Corn price dropped dramatically

The cancelation of the purchase policy of corn for temporary storage in 2016 greatly pulled down the corn price in China. That, in turn, dragged down the income of farmers. As a result, farmers chose to skip purchasing corn harvesters in order to save money.

In addition, the high quality of imported corn harvesters also threatens the domestic industry.

At present, Chinese corn harvester industry is in the era of reform – the industry has vast space for development but demand was weakened. CCM is of the view that the upgrading of the GB emission standard may become a opportunity for the industry – some companies will be eliminated, and as a result, industry concentration will further increase.

Changes come to Chinese live pig farming in 2016

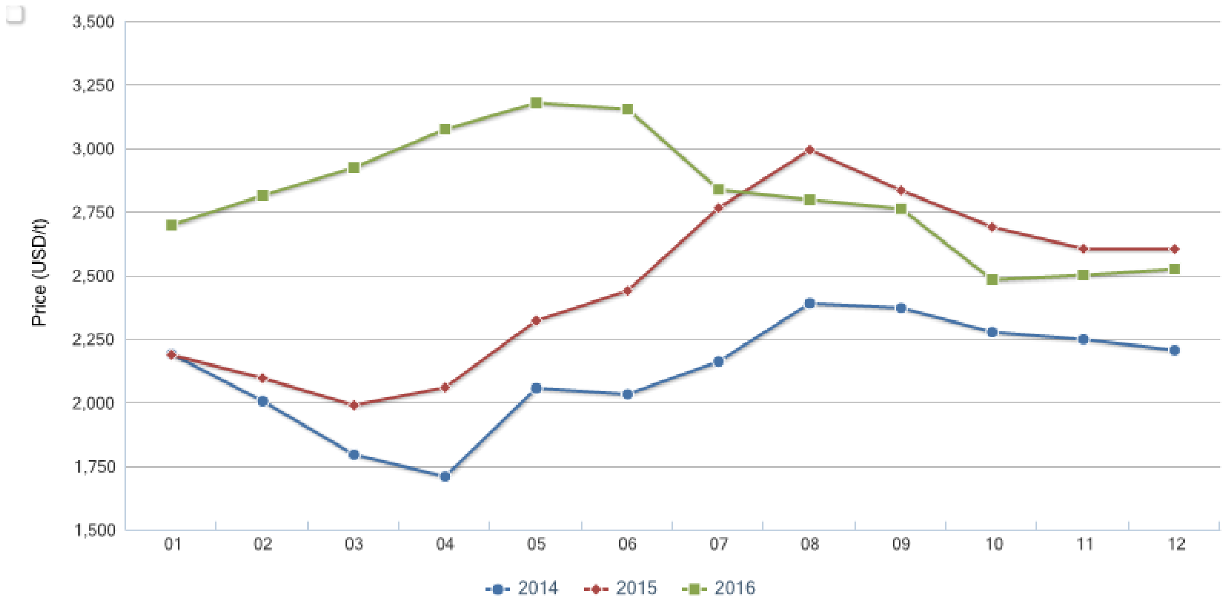
Summary: In 2016, Chinese live pig farming saw many changes. For example, live pig prices showed ups and downs; and pig farming companies moved their businesses to inland areas due to government policies. As the industry moves forward, the Chinese government will have greater confidence in industry regulation, and the "pork cycle" could be restrained.

In 2016, Chinese live pig farming embraced changes in prices, business relocation, policies, etc.

Fluctuating prices

In 2016, China's live pig price surged and hit a record high in May. According to CCM's price monitoring, the market price reached USD3,177.68/t (RMB22,084/t) in May, up 36.9% YoY. The price remained high in H1, but started to drop in H2. After Aug., the price was at a lower level than 2015. However, the annual average price still rose by 14.1% YoY to USD2,812.03/t (RMB19,543/t).

Figure 2: China's monthly market price of live pigs, 2014-2016



Source: CCM

Strict policies have been introduced for forbidden farming regions

In 2015, China issued the *Law of Environmental Protection of the People's Republic of China*. As part of this, the government introduced many policies to reduce live pig farming businesses in southern China and coastal areas. The designation of forbidden farming regions specially put that goal into effect. All provinces took actions to shut down all pig farms within the forbidden regions in 2017.

Since April 2016, China has introduced 5 policies to eliminate small-sized pig farms that caused heavy pollution. In the past, most of China's pig farms were small-sized and individually owned. That meant that these small farms lacked the funds to take the measures necessary to mitigate the serious pollution they caused. However, strict government policies will now compel the industry to transform and upgrade.

Table 3: Policies related to Chinese live pig farming, 2016

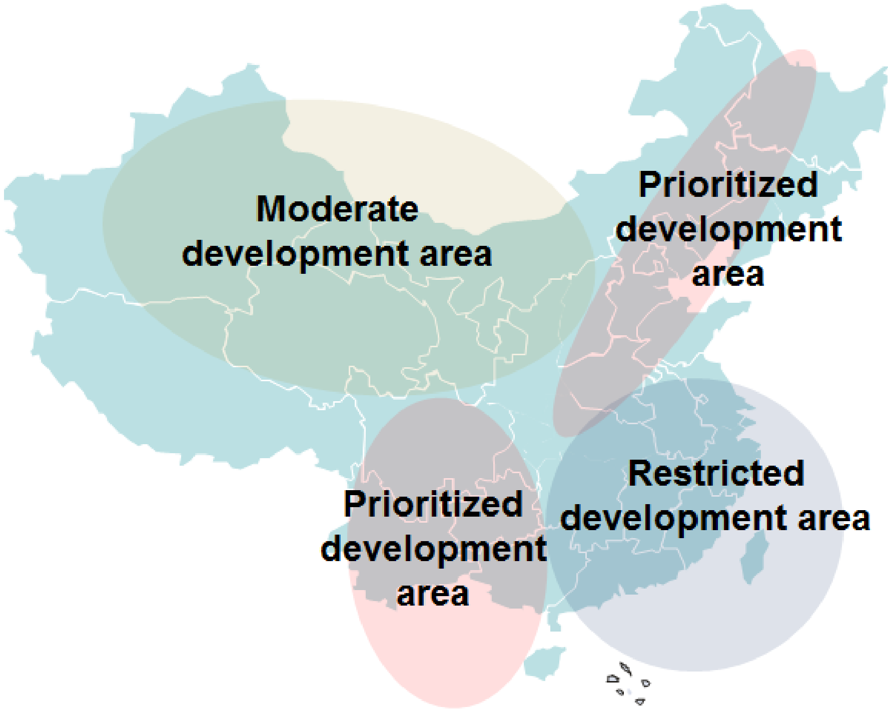
Time	Policy	Content
21 April, 2016	*National Production and Development Plan for Live Pig Farming (2016-2020)*	Restrain live pig farming development in 11 provinces/municipalities including Guangdong and Fujian; prioritize development in 7 provinces/municipalities including Guangxi Zhuang Autonomous Region and Hunan; subordinate development in 6 provinces including Yunnan and Heilongjiang.
28 May, 2016	*Action Plan on Soil Pollution Control*	Strengthen supervision of pollution sources, do a great job of soil pollution prevention and strengthen pollution control of livestock and poultry farming.
21 Nov., 2016	*Technical Guide of Delimiting Forbidden Areas of Livestock and Poultry Farming*	Unify delimitation requirements of forbidden areas of livestock and poultry farming.
5 Dec., 2016	*13th Five-year Plan for Ecological Environment Protection*	Vigorously promote pollution control of livestock and poultry farming, delimit forbidden areas of livestock and poultry farms, and require farmers/companies to remove their farms within the forbidden areas by the end of 2017.
25 Dec., 2016	*Environmental Protection Tax Law*	Change the current discharge fee system to an environmental protection tax system.

Source: China's State Council, Ministry of Agriculture and Ministry of Environmental Protection

Business shift from coastal areas to inland areas

In 2016, China's leading live pig farming companies started to shift their businesses to Northeast, Northwest and Southwest China. For example, Guangdong Wen's Foodstuff Group Co., Ltd. (Wens) signed a live pig farming project in Yunnan Province, and has raised 14 million heads of live pigs; New Hope Liuhe Co., Ltd. (New Hope Liuhe) invested USD800.02 million (RMB5.56 billion) to establish 9 pig farming enterprises in Shandong, Sichuan and North China. Currently, 17 companies have invested a total of USD21.21 billion (RMB147.40 billion) in new projects to raise 920.70 billion pigs. All these projects accelerated the inland movement of live pig farms in China, and filled the market gap left by the withdrawal of small-sized and individual farms.

Picture 2: Development trend of Chinese live pig farming, 2016



Source: CCM

Surging profits of pig farming companies

Thanks to the rising live pig price in 2016, pig farming companies enjoyed considerable profits. Take Wens's Jan.-Sept. 2016 financial performance as an example:

- Revenue: USD6.28 billion (RMB43.64 billion), up 27.6% YoY
- Net profit: USD1.56 billion (RMB10.84 billion), up 124.9% YoY

According to Wens's previous forecast of 2016 full-year net profit, the figure will reach USD113.55 million-USD126.58 million (RMB1.63 billion-RMB1.82 billion), up 83%-104% YoY.

What's more, feed companies also recorded rises in net profit in Jan.-Sept. 2016:

- New Hope Liuhe: USD304.18 million (RMB2.11 billion), up 19.1% YoY
- Guangdong Haid Group Co., Ltd.: USD126.62 million (RMB880 million), up 20.5% YoY

Table 4: Some Chinese live pig farming and feed companies' financial performance, Jan.-Sept. 2016

Company	Name	Revenue (USD million)	YoY change (%)	Net profit (USD million)	YoY change (%)
Live pig farming companies	Guangdong Wen's Foodstuff Group Co., Ltd.	6,279.89	+27.62	1,559.33	124.94
	Chuying Agro-pastoral Group Co., Ltd.	614.55	+92.78	15.40	566.95
	Muyuan Foodstuff Co., Ltd.	232.52	+96.70	99.28	196.99
	Hunan New Wellful Co., Ltd.	169.65	+26.13	29.64	2,212.43
Feed companies	New Hope Liuhe Co., Ltd.	6,379.75	-4.82	304.18	19.06
	Guangdong Haid Group Co., Ltd.	2,873.90	+13.40	126.62	20.47
	Beijing Dabeinong Technology Group Co., Ltd.	1,703.21	+1.60	85.61	51.00
	Tongwei Co., Ltd.	1,596.16	-8.04	50.22	6.29

Source: CCM

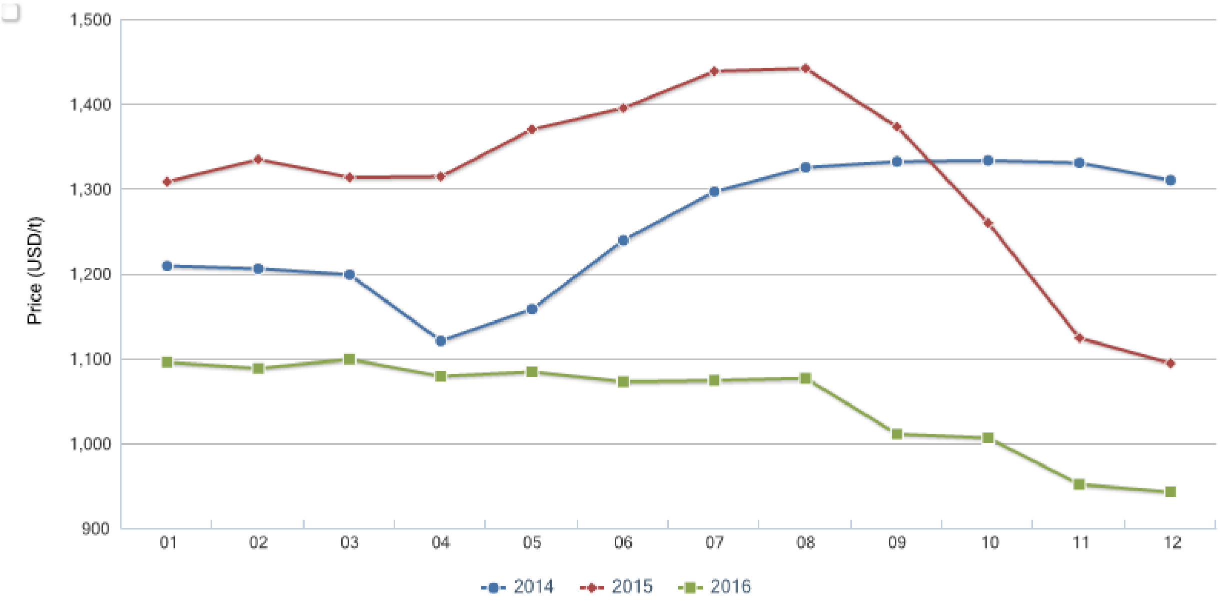
Of course, domestic live pig farming still faces many positives and challenges. For instance, the continuously falling corn price is cutting down production cost of farming; but at the same time, surging imports of pork may threaten the domestic industry. All in all, with the help of the aforementioned changes in Chinese live pig farming, the country has greater confidence in regulating the industry. This is conducive to restraining the "pork cycle" (= the phenomenon of cyclical fluctuations of supply and prices in livestock markets) and reducing environmental pollution.

Chinese MSG industry may embrace new round of integration

Summary: China's MSG price kept falling and hit a record low in 2016, mainly affected by the sliding corn price and increasing production capacity. The industry may embrace a new round of integration, along with Fufeng Group's and EPPEN Biotech's capacity expansion.

According to CCM's price monitoring, in Dec. 2016, the ex-works price of MSG dropped to USD942.60/t in China, hitting a record low. The price kept a down trend in 2016, averaging USD1,048/t, down 20.2% YoY.

Figure 3: Monthly ex-works price of MSG in China, Jan. 2014-Dec. 2016



Source: CCM

Reasons behind the slumping MSG price:

Sliding corn price

Without the support of purchase price set by the government (the purchase policy of corn for temporary storage was canceled in 2016), corn price slumped that year. The average market price was USD275.68/t in 2016, down 23.1% YoY, according to CCM's price monitoring. This pulled down the price of MSG as corn is a major raw material for it.

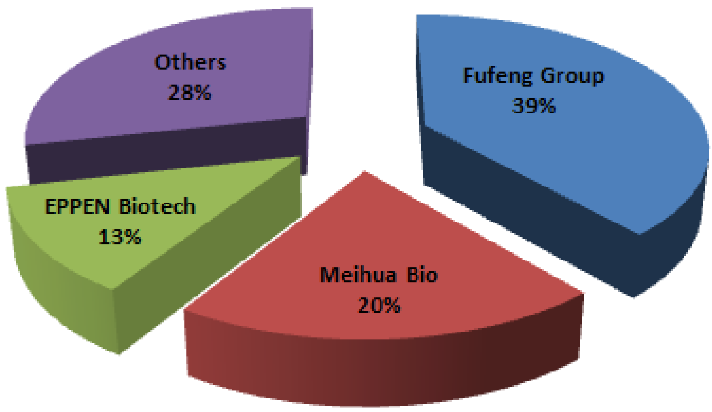
Continuously expanding production capacity of MSG

Some MSG enterprises have exited the Chinese market, and production capacity has gradually shrunk, after three rounds of industry integration.

However, in Q4 2016, about 480,000 t/a of newly increased capacity was released (Jiajia Food Group Co., Ltd.: 80,000 t/a, Fufeng Group Co., Ltd. – Fufeng Group: 200,000 t/a and Ningxia EPPEN Biotech Co., Ltd. – EPPEN Biotech: 200,00 t/a). Therefore, MSG price fell due to oversupply.

Currently, production capacity of leading MSG enterprises surpasses 2.70 million t/a. Overcapacity is still serious, given annual demand and annual export volume at only 1.4 million tonnes and 420,000 tonnes respectively.

Figure 4: China's leading MSG companies by production capacity, 2016

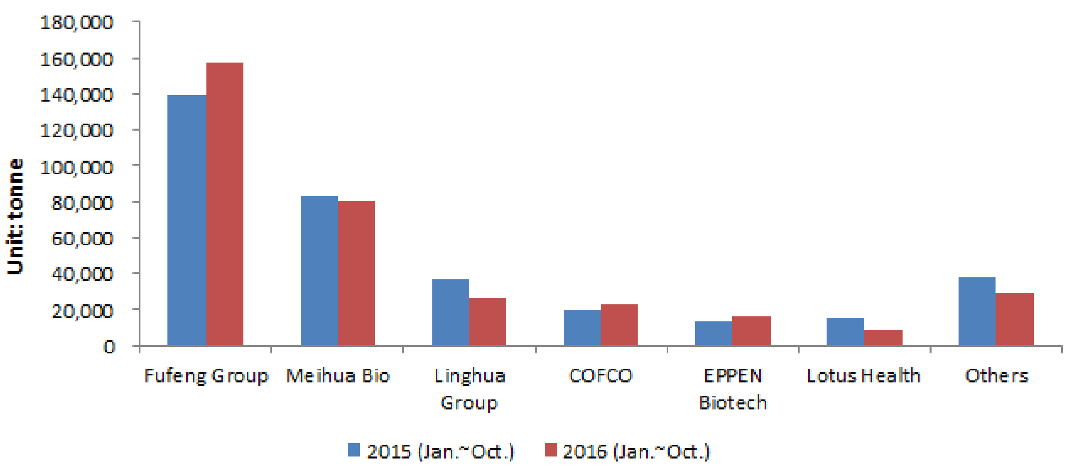


Source: CCM

According to China Customs, in Jan.-Nov. 2016, China exported 379,629 tonnes of MSG; the export price was dragged down by the ex-works price, to USD1,075/t, a YoY fall of 15.3%.

Fufeng Group still dominated the market, with a total export volume of 157,091 tonnes in Jan.-Oct. 2016, up 12.5% YoY, 43.45% of China's total. Notably, the rise was mainly thanks to some other MSG companies' shrinking export businesses. For instance, Linghua Group Co., Ltd. (Linghua Group) exported 26,875 tonnes in the same period, down 27.0% YoY; Lotus Health Group Company (Lotus Health) exported 8,859 tonnes, down 42.6% YoY.

Figure 5: China's MSG export volume of leading companies, 2015 & 2016



Source: China Customs & CCM

Export volume of leading MSG companies reflects the industry concentration. Fufeng Group, EPPEN Biotech and Meihua Holdings Group Co., Ltd. hold dominant positions, and the leading force of Linghua Group and Lotus Health keeps weakening. EPPEN Biotech's and Fufeng Group's capacity expansion in Q4 last year may trigger the fourth industry integration. At that time, industry concentration is likely to enhance.

Chinese corn starch industry promising in 2016

Summary: 2016 witnessed many positive factors in Chinese corn industry. However, the continuously expanding production capacity will intensify the present overcapacity in the future.

In 2016, Chinese corn starch industry recovered from the depression in the last year, thanks to many contributions.

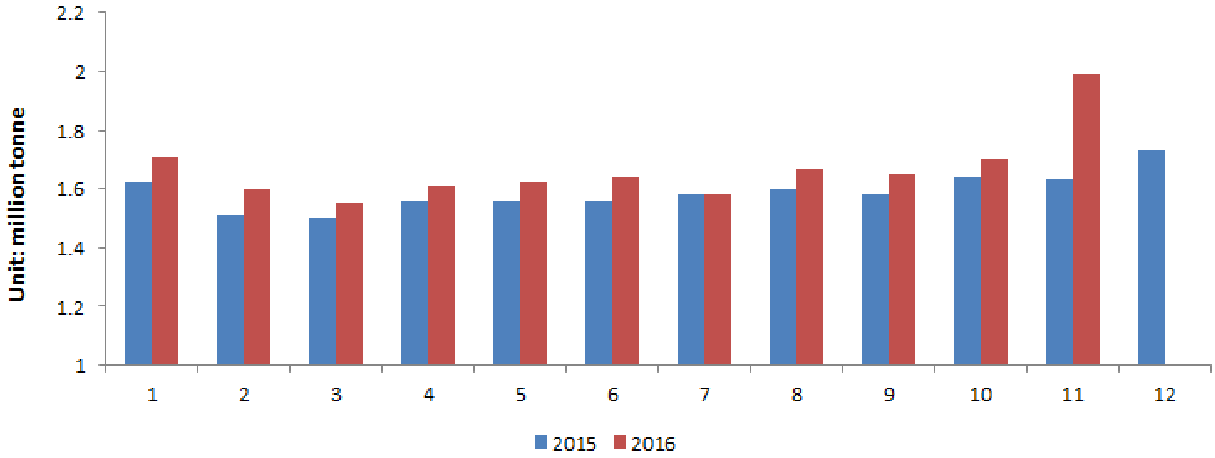
Falling raw material price

As the purchase policy of corn for temporary storage was canceled in 2016, the domestic corn price started to fall. According to CCM's price monitoring, the market price of corn averaged USD275.68/t, down 23.1% YoY. Thanks to this, the production cost of corn starch reduced.

Strong downstream demand

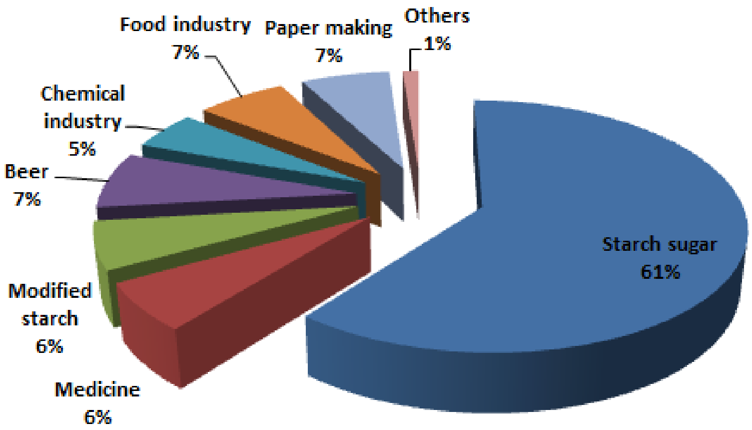
According to the China Starch Industry Association, in Jan.-Nov. 2016, the country consumed 18.32 million tonnes of starch, up 5.7% YoY. Thereinto, 1.22 million tonnes and 1.17 million tonnes went to paper making and food industry, up 27.1% and 56% YoY respectively. In addition, modified starch and beer also embraced rising consumption volumes.

Figure 6: Corn starch consumption volume in China, Jan. 2015-Nov. 2016



Source: China Starch Industry Association

Figure 7: Downstream sectors of starch industry by consumption of starch in China, Jan.-Nov. 2016



Source: China Starch Industry Association

Implementation of corn deep-processing subsidy policy

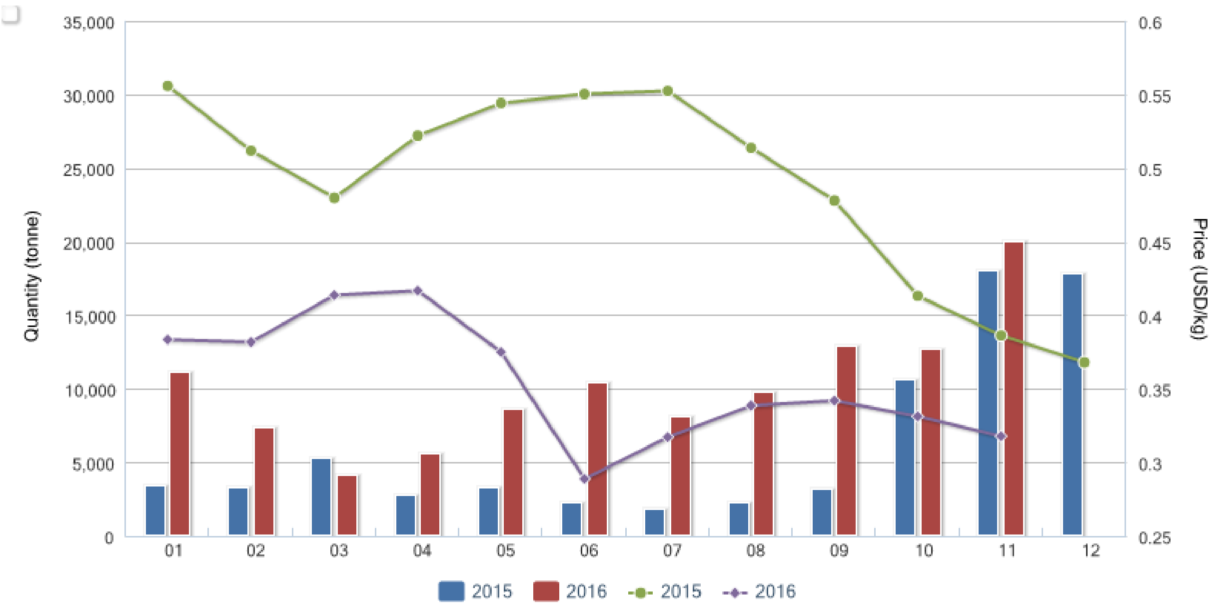
From Nov. 2016 to April 2017, Jilin, Liaoning and Heilongjiang provinces as well as Inner Mongolia Autonomous Region provided subsidies of USD14.38/t-USD43.17/t (RMB100/t-RMB300/t) for corn processing. Of this, the highest subsidy was in Heilongjiang, which was targeted at starch and alcohol companies. Nine Heilongjiang established corn starch companies including Heilongjiang Longfeng Corn Development Co., Ltd. (Heilongjiang Longfeng) were subsidized. This not only further increased companies' income, but also stimulated their production. It is predicted that in Q4 2016 and Q1 2017, corn starch companies' incomes will grow.

Rising export volume of corn starch

According to China Customs, China exported 111,000 tonnes of corn starch in Jan.-Nov. 2016, up 97% YoY; export volume of starch sugar hit 1.42 million tonnes, up 25.6% YoY. It is known that the falling export price was one of contributions. In the same period, export price of corn starch declined by 26.6% YoY to USD355.45/t.

The recovered export tax rebate rate also supported the export to rise. Since 1 Sept., 2016, China re-adjusted the export tax rebate rate on corn products, such as corn starch and alcohol, to 13%.

Figure 8: China's exports of corn starch, Jan. 2014-Nov. 2016



Source: China Customs

Although the corn starch industry was supported by many positive factors, the continuously expanding production capacity brought hidden troubles. In Sept. and Nov. 2016, Fujin Xiangyu Jingu Agricultural Production Co., Ltd., Beian Xiangyu Jingu Agricultural Produce Co., Ltd. and Shandong Yishui Dadi Corn Development Co., Ltd. increased 600,000 t/a, 600,000 t/a and 1 million t/a of corn production capacity respectively. Based on the 1 : 0.7 conversion ratio, capacity could increase about 1.54 million t/a in 2016, and reach over 23 million t/a in total. Although the country exports 1.50 million tonnes of starch every year, overcapacity still remains serious because annual demand is less than 19 million tonnes. Besides, corn starch also face competition from cassava starch (annual supply: about 2.30 million tonnes) and potato starch (annual supply: about 600,000 tonnes). In the future, Heilongjiang Longfeng planned to increase about 700,000 t/a of corn starch capacity. Coupled with the resumed production in Northeast China, overcapacity will be even severe, which may trigger out integration in the industry.

Company Developments

Xiwang Group: two other subsidiaries to go listed

Summary: Xiwang Group is promoting corn soft sugar by taking advantage of high priced cane sugar, hoping to generate USD143.89 million (RMB1 billion) in profits to help Xiwang Sugar go listed. Xiwang Group also plans to facilitate a public listing for China Recycling Xiwang. Together, this will let it grab a larger share of capital markets.

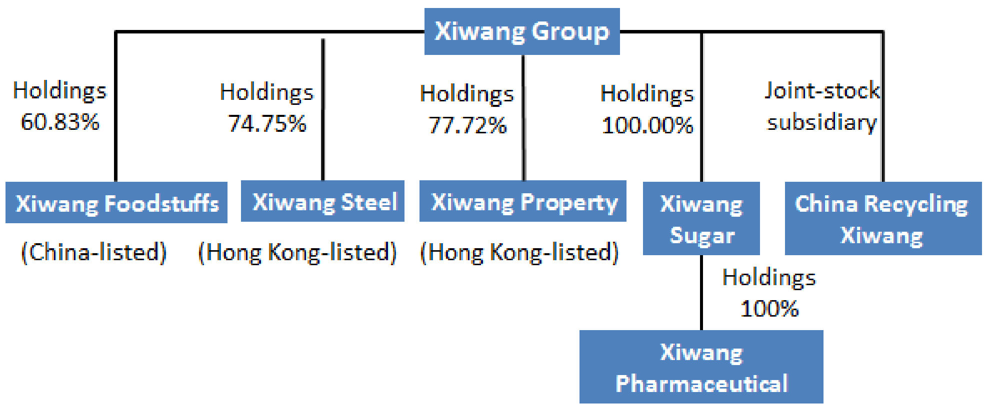
Recently, Wang Yong, president of Xiwang Group Co., Ltd. (Xiwang Group) said: "We are striving to help Shandong Xiwang Sugar Industry Co., Ltd. (Xiwang Sugar) and China Recycling Xiwang Renewable Resources Co., Ltd. (China Recycling Xiwang) to go listed within 3-5 years." After that, Xiwang Group will own 5 listed subsidiaries. That will give it a larger share in capital markets.

Currently, Xiwang Group has one China-listed subsidiary, Xiwang Foodstuffs Co., Ltd. (Xiwang Foodstuffs), and two Hong Kong-listed ones, Xiwang Special Steel Co., Ltd. (Xiwang Steel) and Xiwang Property Holdings Co., Ltd. (Xiwang Property). Xiwang Group holds a 60.8% stake in Xiwang Foodstuffs which was founded in 1987 and is mainly engaged in the production and sale of corn oil. At the same time, the parent company holds 74.8% and 77.7% stakes in Xiwang Steel and Xiwang Property, respectively. Notably, Xiwang Property was the first listed subsidiary of Xiwang Group, which was formerly named Xiwang Sugar Holdings Co., Ltd. In 2013, the company changed its name to Xiwang Property, by transforming its business from the production and sale of starch sugar and corn byproducts to real estate.

On 17 Dec., 2016, Xiwang Group and China Recycling Development Co., Ltd. (China Recycling) signed a strategic cooperation agreement, planning to found China Recycling Xiwang. China Recycling will integrate its subordinate scrapped car company into the China Recycling Xiwang. The new subsidiary will become the largest steel scrap recycling and processing company in Shandong Province.

Xiwang Sugar, established in 2005, is a wholly-owned subsidiary of Xiwang Group, which mainly specializes in the production and sale of crystal glucose, corn starch, and starch sugar series. In 2015, its revenue and net profit hit USD1.23 billion (RMB8.53 billion) and USD41.77 million (RMB290 million), respectively.

Picture 3: Selected subsidiaries of Xiwang Group, Jan. 2017



Source: Xiwang Group Co., Ltd.

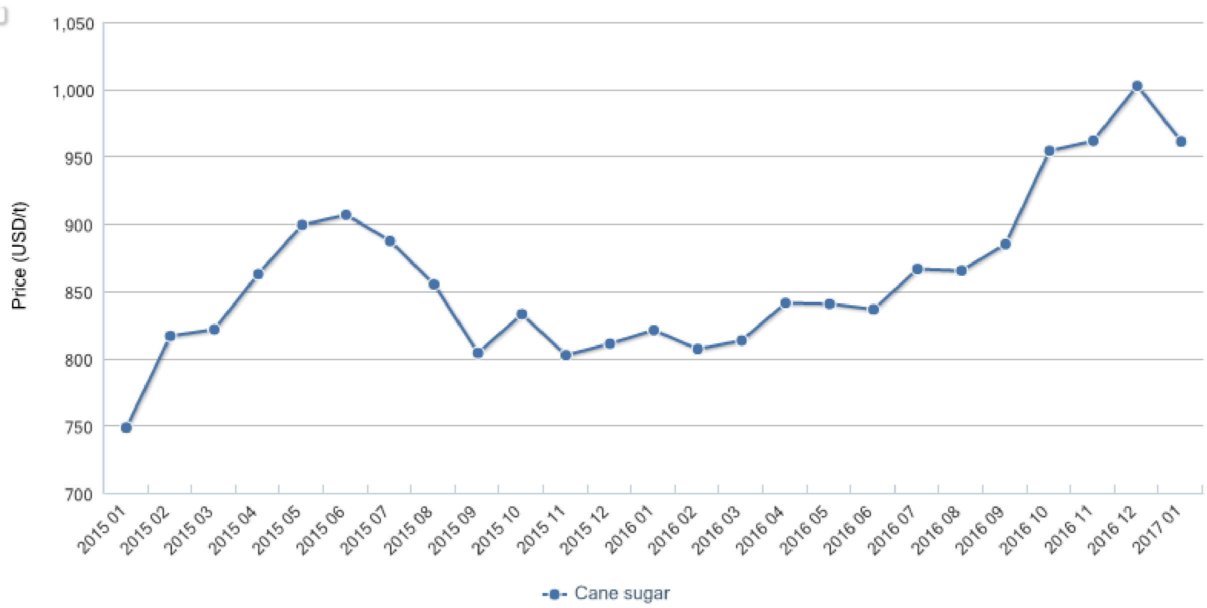
"We are focused on developing corn soft sugar, in order to create a new source of sugar. With the help of the high market price of cane sugar, corn soft sugar is expected to create a profit of USD143.89 million (RMB1 billion) for us in 2018, and be a financial support for the listing of Xiwang Sugar," disclosed Wang Yong. Previously, Wang said that the company will be merged Xiwang Sugar with Xiwang Pharmaceutical Co., Ltd., its wholly-owned subsidiary, before listing.

In Jan. 2017, China's cane sugar market price was USD961.21/t (RMB6,680/t), up 17.1% YoY, according to CCM's price monitoring.

Corn soft sugar is a high value-added product made from corn, which has high sweetness (1.2-1.8 times that of cane sugar) and low calories. Therefore, it causes less tooth decay and is a good substitute for cane sugar. Compared to cane sugar, production of corn soft sugar is not bound by the extraction season of sugarcane.

Currently, corn soft sugar is only produced by Xiwang Group in China, and was marketed into the Chinese market at the end of 2016. "In 2017, our corn soft sugar output will reach 150,000 tonnes, and the goal is 500,000 tonnes in 2018. The figure is expected to hit 1 million tonnes in the future," said Xu Lei, generally manager of Xiwang Group.

Figure 9: China's monthly market price of cane sugar, Jan. 2015-Jan. 2017



Source: CCM

Import & Export Analysis

Chinese corn products Imp. & Exp., Nov. 2016

Table 5: Imp. & Exp. value of corn products in China, Nov. 2016

Product	Import value, USD	MoM change	Export value, USD	MoM change
Corn	11,519,750	+117.24%	158,336	+649.56%
Corn starch	329,531	-16.68%	6,345,196	+50.90%
Citric acid	484,101	-41.83%	53,689,759	+7.17%
Citrate	454,032	+53.59%	11,978,768	+12.21%
Glucose and glucose syrup (fructose content <20%, dry state)	233,407	+117.10%	27,554,869	+32.73%
Glucose and glucose syrup (20%≤fructose content<50%, dry state)	47,303	+3.02%	1,003,019	+138.91%
Other fructose and fructose syrup (fructose content>50%, dry state)	310,495	+10.19%	17,868,291	+15.59%
Mannitol	8,782	-95.42%	1,743,993	+13.36%
Xylitol	44	-99.13%	7,314,919	+6.99%
Sorbitol	385,279.00	+302.72%	6,336,002	+22.76%
Furfural	1,291	/	2,441,767	+242.37%
Furfuryl alcohol and tetrahydrofurfuryl alcohol	15,104	-80.95%	7,213,076	+23.33%
Lysine	0	/	141,373	+795.05%
Lysine ester and salt	214,915	+50.69%	33,843,040	+21.16%
Glutamic acid (GA)	20,722	+200.45%	3,839,285	-2.17%
Sodium glutamate	556,772	+77.09%	40,010,665	+10.57%
Inositol	5,174	-94.96%	2,534,441	+63.02%
Total	**14,586,702**	**+77.90%**	**224,016,799**	**+17.07%**

Note: The import volume of furfural and lysine was 0 tonne in China in Oct. 2016.

Source: China Customs

Table 6: Imp. & Exp. volume of corn products in China, Nov. 2016

Product	Import volume, tonne	MoM change	Export volume, tonne	MoM change
Corn	31,614	+118.57%	545	+673.56%
Corn starch	256	-23.84%	19,960	+57.33%
Citric acid	178	-68.37%	72,302	+8.44%
Citrate	106	45.32%	14,693	+13.90%
Glucose and glucose syrup (fructose content <20%, dry state)	98	+41.47%	65,930	+37.61%
Glucose and glucose syrup (20%≤fructose content<50%, dry state)	33	+8.90%	828	+144.18%
Other fructose and fructose syrup (fructose content>50%, dry state)	120	-13.37%	49,204	+19.09%
Mannitol	0.101	-99.73%	879	15.61%
Xylitol	0.005	-98.89%	2,615	4.01%
Sorbitol	294	+269.91%	10,987	26.56%
Furfural	0.077	/	2,128	211.96%
Furfuryl alcohol and tetrahydrofurfuryl alcohol	1.166	-97.00%	5,427	11.95%
Lysine	0.000	/	20.127	+2,601.61%
Lysine ester and salt	103	2.56%	31,709	+23.02%
Glutamic acid (GA)	1.106	+434.30%	3,508	-4.24%
Sodium glutamate	175	+102.33%	39,370	+12.10%
Inositol	0.051	-98.41%	464	+69.84%
Total	**32,979**	**+105.85%**	**320,569**	**+21.33%**

Note: The import volume of furfural and lysine was 0 tonne in China in Oct. 2016.

Source: China Customs

Table 7: Imp. & Exp. price of corn products in China, Nov. 2016

Product	Import price, USD/t	MoM change	Export price, USD/t	MoM change
Corn	364	-0.61%	291	-3.10%
Corn starch	1,288	+9.41%	318	-4.08%
Citric acid	2,715	+83.92%	743	-1.18%
Citrate	4,265	+5.69%	815	-1.48%
Glucose and glucose syrup (fructose content <20%, dry state)	2,391	+53.47%	418	-3.54%
Glucose and glucose syrup (20%≤fructose content<50%, dry state)	1,419	-5.40%	1,211	-2.16%
Other fructose and fructose syrup (fructose content>50%, dry state)	2,583	+27.19%	363	-2.94%
Mannitol	86,950	+1,604.19%	1,984	-1.94%
Xylitol	8,800	-21.29%	2,797	+2.86%
Sorbitol	1,310	+8.87%	577	-3.00%
Furfural	16,766	/	1,148	+9.75%
Furfuryl alcohol and tetrahydrofurfuryl alcohol	12,954	+534.47%	1,329	+10.17%
Lysine	/	/	7,024	-66.87%
Lysine ester and salt	2,095	+46.93%	1,067	-1.51%
Glutamic acid (GA)	18,736	-43.77%	1,094	+2.16%
Sodium glutamate	3,187	-12.47%	1,016	-1.36%
Inositol	101,451	+217.51%	5,463	-4.01%

Note: The import volume of furfural and lysine was 0 tonne in China in Oct. 2016.

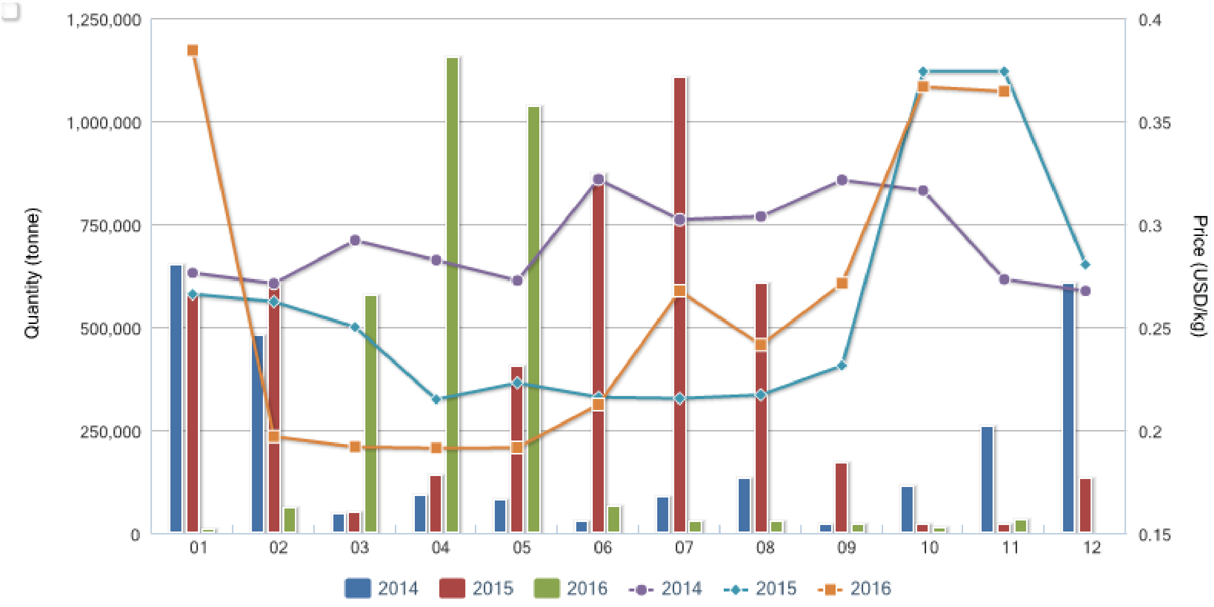
Source: China Customs

Import volumes of corn and substitutes sharply decline in China in 2016

Summary: The slumping corn price in China reduced the import volumes of corn and its substitutes. Affected by policy and price factors, the previous promising import business of corn substitutes will no longer exist.

According to China Customs, in Nov. 2016, China imported 31,614 tonnes of corn, up 118.6% MoM and 69.3% YoY. However, the accumulative import volumes in Jan.-Nov. were 3.03 million tonnes, down 33.8% YoY. Undoubtedly, 2016 will witnesses a large decline in corn import volume.

Figure 10: China's imports of corn in China, Jan. 2012-Nov. 2016



Source: China Customs

When the purchase policy of corn for temporary storage had not been canceled, corn price continued rising, bring out price advantage of imported corn. Corn import volume kept surging, and once hit 5.21 million tonnes in 2012.

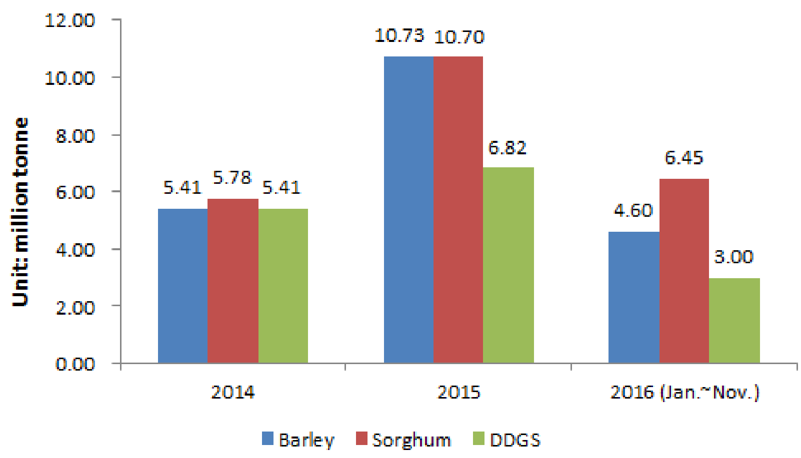
Nevertheless, the policy was canceled in 2016, and corn price maintained a downtrend in China. According to CCM's price monitoring, the market price of corn reached about USD214/t (RMB1,487/t) on 13 Jan., 2017, vs. USD158.5/t, the quotation of No. 2 yellow corn in the Gulf of Mexico, the US. Price gap shrunk to USD55.46/t, vs. USD200/t in 2015.

The slumped corn price not only affected the import volume of corn, but also that of its substitutes. According to China Customs, in Jan.-Nov. 2016,

- Barley: 4.60 million tonnes, down 55.3% YoY
- Sorghum: 6.45 million tonnes, down 34.5% YoY
- DDGS: 3.00 million tonnes, down 53.0% YoY

Notably, China implemented import quota system for corn, but only set import tariff for sorghum, barley and DDGS at 2%, 3% and 5% respectively. Therefore, it is much convenient for importers to import corn substitutes than corn. When corn price stood high, a large quantity of corn substitutes were imported into the domestic market – import volumes of above three substitutes amounted to 28.25 million tonnes in 2015. Since Sept. that year, the three were also listed in the *Catalogue of Goods Subject to Automatic Import License Administration*, which made import much difficult. Besides, the continuously falling corn price and the implementation of anti-dumping and anti-subsidy duties on imported DDGS also ruined the promising import business of corn substitutes in China.

Figure 11: China's import volumes of barley, sorghum and DDGS, 2014-2016 (as of Nov.)



Source: China Customs

Price Update

Price update of corn products, Jan. 2017

Table 8: Ex-works prices of corn products in China, Jan. 2017

Product	Jan. 2017		Dec. 2016	
	(USD/t)	(RMB/t)	(USD/t)	(RMB/t)
Corn starch (North China)	313	2,178	331	2,282
Furfural	1,237	8,600	1,197	8,252
Ethanol (food grade)	704	4,890	700	4,830
75% maltose syrup	302	2,100	305	2,100
70% syrup sorbitol	374	2,600	377	2,600
Anhydrous citric acid	1,035	7,196	1,024	7,061
Monohydrate citric acid	966	6,712	960	6,618
Oxidized starch (food grade)	590	4,100	609	4,200
Crystalline xylitol	3,309	23,000	3,335	23,000
HFCS (fructose: 42%)	309	2,150	334	2,300
HFCS (fructose: 55%)	331	2,300	348	2,400
Corn oil (first grade)	1,266	8,800	1,275	8,789
Maltodextrin	432	3,000	442	3,050
75% maltitol (liquid)	532	3,700	537	3,700
Glucose monohydrate (food grade)	475	3,300	479	3,300
Monosodium glutamate	938	6,517	943	6,500
Corn gluten meal	681	4,730	760	5,242
Distillers dried grains with solubles (high-fat)	276	1,918	305	2,102

Note: The USD/RMB exchange rate in this newsletter is USD1.00=RMB6.9498 on 3 Jan., 2017, sourced from the People's Bank of China. All the prices mentioned in this newsletter will include the VAT, unless otherwise specified.

Source: CCM

China's VC price influenced by environmental protection

Summary: Affected by serious smog, North China Pharmaceutical suspended production for near 2 months. Recently, the company announced to resume production. Production suspension of VC companies not only affected their 2016 profits, but also pushed up domestic VC price. As environmental pressure mounts, prices of pharmaceuticals, including VC, may rise in the future.

On 9 Jan., 2017, North China Pharmaceutical Co., Ltd. (North China Pharmaceutical, the 7th largest vitamin C – VC company in China, capacity given at 20,000 t/a) announced that the company and some of its subsidiaries have resumed production of part of businesses in succession since 8 Jan. "Even so, production suspension has posed a certain negative impact on our business," said North China Pharmaceutical. According to preliminary estimates, production suspension reduced the company's 2016 profit by USD7.90 million (RMB54.93 million). If related companies run smoothly during that period, USD1.58 million (RMB11 million) should have been created.

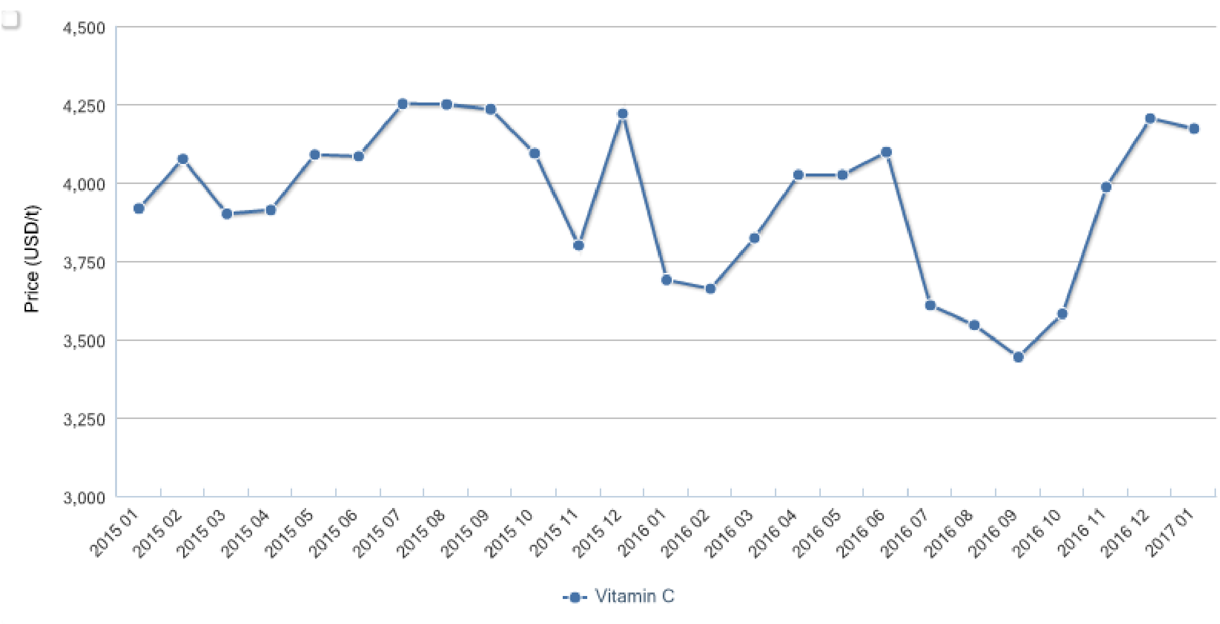
North China Pharmaceutical suspended production for near two months, mainly due to serious smog in northern China. The company is located in Shijiazhuang City, one of heavily polluted areas. In Nov. 2016, the Shijiazhuang government issued the *Implementation Plan of Pollution Control* and the *Scheduling to Air Pollution Control in Shijiazhuang* – all pharmaceutical companies had to suspend production, and cannot resume production without approval by municipal government. On 20 Nov., North China Pharmaceutical announced that it would cooperate with the government and suspend production.

CSPC Pharmaceutical Group Limited, the largest VC company in China, with capacity of 35,000 t/a, also suspended production for the same reason.

Two leading VC producers suspended production at the same time, pushing up the domestic VC price quickly. According to CCM's price monitoring, in Nov. 2016, the market price of 99% feed grade VC was USD3,986.18/t (RMB27,703/t), up 11.3% MoM.

Now, as VC companies gradually resume production, the price starts to decline. In Jan. 2017, the figure hit USD4,172.78/t (RMB29,000/t), down by USD32.68/t (RMB277/t) MoM.

Figure 12: Monthly market price of 99% feed grade vitamin C in China, Jan. 2015-Jan. 2017



Source: CCM

The pharmaceutical industry is a large polluter in China. The industry's output value takes up about 2.1% of the national total, while its discharge amount of waste water and chemical oxygen demand account for around 3% of the total. Zhang Mingyu, vice president of the China Pharmaceutical Industry Association introduced that in 2014, the country conducted key monitoring on 4,001 waste water discharging companies, of which 118 were pharmaceutical companies, 2.9% of the total; among 3,865 waste gas discharging companies under key monitoring, 16 were pharmaceutical companies, about 0.4% of the total. A large amount of waste gas, waste water and waste residues are produced during the production of active pharmaceutical ingredients (including VC), which causes great harm to human body.

In recent years, the Chinese government continuously issued policies to restrict and improve the polluting industries. For example, the *Environmental Protection Tax Law* will be implemented in 2018. However, due to high environmental cost and weak law enforcement efforts, enterprise would rather be fined than invest in environmental protection. As the government strengthens law enforcement efforts and the *Environmental Protection Law* is fully implemented, enterprises' environmental cost must largely rise. At that time, prices of pharmaceuticals, including VC, will also climb up.

First drop in pig feed price in 2017

Summary: Chinese feed enterprises should have cut feed prices at the end of 2016, but they delayed quotations until early 2017, in order to use up the corn stockpile that was purchased at high price, and improve their 2016 financial figures. It is predicted that feed price will drop once again if raw material prices continue to decrease.

Since 5 Jan., 2017, some Chinese leading pig feed companies announced to reduce feed prices by USD7.19/t-USD14.39/t (RMB50//t-RMB100/t):

TRS Group Co., Ltd.

- Feed concentrate, piglet feed, and complete feed reduced by USD10.79/t (RMB75/t)

Twins Group Co., Ltd.

- All kinds feed for piglet, suckling pig, pregnant sow, and nursing sow reduced by USD10.79/t (RMB75/t); feed for middle-sized pig and big pig reduced by USD7.19/t (RMB50/t)

Guangdong Haid Group Co., Ltd.

- Suckling pig feed reduced by USD10.79/t (RMB75/t)
- Feed for middle-sized pig, big pig, pregnant sow and nursing sow reduced by USD7.19/t (RMB50/t)
- No price adjustment for piglet feed

Guangdong Huihai Agricultural and Animal Husbandry Science and Technology Group Co., Ltd.

- Creep feed (brand: Aiduoduo) reduced by USD10.79/t (RMB75/t)
- Pig feed (brand: Chiduoduo, Zhuangduoduo, Meiduoduo) reduced by USD7.19/t (RMB50/t)
- Other pig feed reduced by USD7.19/t (RMB50/t)

At the end of Dec. 2016, quotations for corn in northern ports declined to below USD230.22/t (RMB1,600/t) because corn supply in northern China increased by the accelerated transportation in Northeast China. Industry insider predicted that if corn price or soybean meal price reduced by USD14.39/t (RMB100/t) and USD43.17/t (RMB300/t) respectively, feed companies may have room for price cuts.

However, feed companies did not cut prices until Jan. 2017, mainly because:

1. In Dec. 2016, some feed companies cut or suspended production since the environmental inspection team was stationed in Guangdong Province. Some of them even suspended production for half a month. For this reason, companies' corn stockpile had not been consumed. Besides, the domestic corn price kept falling, so the price of corn stockpile was higher than the market price. As a result, feed companies wanted to use up the stockpile before cutting the price.

2. In order to improve 2016 financial figures, some listed feed companies delayed the price cuts until 2017.

In recent years, China's information of feed raw materials became very transparent. Price changes were clear to farmers and distributors. Some companies disclosed that, due to price transparency, feed companies will cut price as soon as raw material prices decline; if they do not cut their price, farmers and distributors will be discontent. If so, other companies may take the opportunity to "grab" the customers, which may lead to huge losses.

At present, corn is continuously being transported from Northeast China to southern China. As of early Jan. 2017, corn inventory still kept climbing up in Guangdong ports, being 1.07 million tonnes, hitting a record high since 2010. In addition, the high soybean meal price due to environmental pressure had fell back, and prices of various kinds of feed additives maintained stable, especially 98.5% lysine – down to about USD1,618.75/t on 17 Jan., 2017 from USD1,812.70/t in Dec. 2016. It is predicted that if raw material prices keeps declining, feed price may drop again in the future.

News in Brief

Meihua Bio predicts +120%-150% YoY in 2016 net profit

Meihua Holdings Group Co., Ltd. (Meihua Bio) released a forecast of 2016 financial performance. The company predicted that its 2016 net profit will rise by 120%-150% over the USD6.12 million (RMB42.55 million) in 2015.

The rising net profit was mainly thanks to Meihua Bio's measures as follows:

- Improved operation efficiency and profitability
- Actively cultivated multilevel suppliers according to demand & supply relation and government policies, and greatly reduced corn purchasing cost via corn import application
- Significantly reduced financial expenses by decreasing interest cost (RMB depreciation also took effect)

COFCO downsized again

On 11 Jan., 2017, Beijing Wugu Daochang Food Technology Co., Ltd. (Wugu Daochang) and its creditor's rights of USD7.72 million (RMB53.68 million) were put up for sale by COFCO Corporation (COFCO), its shareholder, at the China Beijing Equity Exchange (CBEE). It is disclosed that the transfer base price was USD10.24 million (RMB71.18 million).

Wugu Daochang, a famous instant noodle brand in China, used to achieve a sales of over USD143.89 million (RMB1 billion) in 2006. The annual sale even hit near USD287.78 million (RMB2 billion) in its peak. However, the company declared bankruptcy and then was acquired by COFCO for USD15.68 million (RMB109 million). In 2015 and Jan.-Nov. 2016, Wugu Daochang made a net loss of USD27.34 million (RMB190 million) and USD454,689.36 (RMB3.16 million) respectively. As of 2015, its total assets reached USD16.98 million (RMB118 million), while the total liabilities hit USD132.38 million (RMB920 million).

Besides Wugu Daochang, COFCO also transferred COFCO Rongcheng Peanut Food Co., Ltd. and COFCO Rizhao Dongsheng Co., Ltd., two loss-making companies at the CBEE.

China Starch predicts surge in 2016 net profit

China Starch Holdings Limited (China Starch) released forecast of 2016 full-year performance on 28 Dec., 2016, which showed that it will make a YoY rise of 75% in net profit. According to the company's 2015 financial report, net profit hit USD14.66 million (RMB101 million) that year.

China Starch ascribed the surging net profit to following two reasons:

- Improved profits and sales of fermentation and downstream product business in H2 2016

In 2007, Shandong Shouguang Juneng Golden Corn Co., Ltd. went listed in Hong Kong, by the name of China Starch. China Starch is one of the largest corn starch producers in China, production capacity given at 1.40 million t/a. China Starch also produces modified starch, starch sugar and lysine, which belong to its fermentation and downstream product business. In H1 2016, sales of the business took up 29.1% of its total sales.

MOA forecast: corn output down 4.1% YoY in 2016/17

On 12 Jan., 2017, the Ministry of Agriculture of the People's Republic of China (MOA) issued the *Chinese Agricultural Supply and Demand Estimates in Jan. 2017*. According to the estimates, corn output will decline by 4.1% YoY to 215 million tonnes in 2016/17 (Oct. 2016-Sept. 2017). Import volume of corn will be about 1 million tonnes, down 68.8% YoY.

As of 15 Jan., 2017, 52.50 million tonnes of corn was sold in Northeast China, according to the State Administration of Grain. Specifically,

- Inner Mongolia Autonomous Region: 7.19 million tonnes
- Liaoning Province: 11.26 million tonnes
- Jilin Province: 13.26 million tonnes
- Heilongjiang Province: 20.79 million tonnes

Cargill: Huanghua Port grain import project passes preliminary examination

Recently, expert group of the Hebei Entry-Exit Inspection and Quarantine Bureau launched preliminary examination on grain import at Huanghua Port, Hebei Province. The group considered that the port is equipped with complete infrastructures for grain import, and meets the application requirements of designated ports for grain import.

The Huanghua Port grain import project was invested by Hebei Jihai Harbor Affairs Co., Ltd. (Hebei Jihai) with USD107 million. The project included a 100,000-tonne dock, capacity of 2.35 million t/a for soybean, corn and sorghum imports. Besides, transition services of corn and vegetable oil were also provided.

Hebei Jihai, founded in 2014, is a wholly foreign-owned company invested by Cargill.Cargill Investments (China) Ltd. (Cargill).

Picture 4: Huanghua Port

Source: google.com

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