



Rijksdienst voor Ondernemend
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A brief introduction to the Animal Husbandry Industry in Liaoning Province

>> Duurzaam, Agrarisch, Innovatief
en Internationaal ondernemen



Colofon

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1. Introduction

The rapid urbanisation of China and the growth of its middle-class segment have created an increase in people's disposable income. As a result, the majority that used to live on and under the poverty line, now can afford meat in their daily diet. This created an increase in demand for meat, high-quality crops and western products such as dairy. (Sally Jin, 2017) Furthermore, Chinese citizens created more awareness for their health and for food safety. The government responded to this with a series of new and tightened regulations when it comes to the environmental and the agricultural industry.

'Food is essential, and safety should be a top priority. Food safety is closely related to people's lives and health and economic development and social harmony'

Said Li Keqiang, 2010, Chinese Vice Premier.

The Northeast of China is also called the agricultural heartland of China. The area is home to many companies and organisations related to the animal husbandry industry. Currently companies are facing challenges to catch up with the fast growing and modernizing industry, the growing demand and the changing regulations. As also stated in the 13th 5 Year-plan, China's central government is calling for transformation and upgrading in all industries with agriculture as one of the focal points.

This report is a brief introduction to the animal husbandry industry in Liaoning Province, to the challenges the industry is currently facing and to business opportunities that are expected to arise for Dutch companies.



Source: Chinafile.com

2. Recent developments

China's and Liaoning's recent development

In the past, Liaoning's agricultural advances were slow compared to its industrial development. One of the reasons for this was that the industrial sector received more investment compared to agricultural sector. Henceforth, the agricultural sector lagged behind. (Leeming, 2017)

The growing population of China is becoming more concerned about their health. The government responded with several new laws and plans and one of them is the 'Water Ten Plan'. Changes regarding the agricultural industry in this Water Ten Plan can be seen in the figure below.

Agriculture pollution

- By 2017, provincial soil remediation planning to be finalized and soil remediation result assessment methods to be issued
- By 2018, finalise investigation of total area of contaminated farmland and assessment of impacts on agricultural products
- By 2020, to achieve zero increase of fertilizer and pesticide use in major crops. Effective utilization rates to reach 40% and above. Coverage of fertilizer application based on soil sampling to reach 90% and above
- By 2020, >75% of large scale livestock farms to be equipped with waste handling facilities
- Irrigation water to comply with farmland irrigation water quality standard;

The Chinese government works according to a Five-year plan, a plan that describes the countries goals for the upcoming five years. According to the 13th Five-year plan from 2016-2020 the goals are favourable for the agricultural sector of Liaoning. The government wants to improve conditions on all aspects such as food quality, soil treatment, manure treatment, up scaling, livestock relocation to the Northeast of China and implementing modern technology. Also, In the Five-year plan it is acknowledged that China's qualitative food production is lagging behind compared to the global standard. In the plan China mentioned, *'The agricultural in our country is large but weak and not excellent'*. In order to be on par with their global competitors, China needs to change its current way of production and management in this segment. Also, it is written that China wants to upscale the pig, dairy cattle and cattle beef production in Northeast region of China, which consist of Liaoning, Jilin and Heilongjiang province.

According to the Five-year plan, nearly 600 billion Yuan (\$87.4 billion) will be invested by the central government in the next five years to build at least 26.7 million hectares of high-standard farmland by 2020. Investment from regional governments and social sectors will also be encouraged. Besides, the Chinese government wants to improve China's soil quality. This will influence the farm chemicals, animal vaccination and manure treatment market. They have set the goal by 2020 that the farm chemicals will reach zero to negative growth. (Ministry of Agriculture of the people's republic of China, 2017)

Liaoning's geographic advantages

Liaoning's conditions for animal husbandry are favourable compared to the rest of China. Firstly, Liaoning has 2,270,000 HA of suitable terrain for agriculture which means that 15.8% of Liaoning is arable. In comparison, China has 8% of arable land on average. Secondly, Liaoning is part of the Corn Belt which makes the animal feed cheaper compared to the south and east coast. Finally, the average operational costs in Liaoning are lower compared to the south part of China.

The strategic positioning of Liaoning is beneficial for the distribution of goods. As by sea major cities such as Beijing and Shanghai are within reach, Liaoning also has the potential to conduct business with Korea and Japan.



General information about Animal Husbandry industry in Liaoning

The animal husbandry industry is one of the leading industries in Liaoning. In the past, the industry has been neglected because the government focused more on the real estate, financial services and industrial manufacturing market. In recent times, this has changed because of a slow growth in these sectors and the changes in political and ecological environment. Therefore, government has shifted focus to amongst others the animal husbandry industry. Despite the fact that the government paid less attention to this industry, Liaoning province is still one of the top performers in its field compared to other provinces in the country.

In 2016, the Liaoning government has launched the animal husbandry industry development plan. According to the plan, the Liaoning government will focus on developing the animal husbandry counties in the province and improve the quality of the related products of the industry. In addition to the plan, Liaoning's government wants to focus on the leading companies and encourage them to introduce new technology and new products. Thus, improving the whole industrial chain.

China's main corn-growing region

Seven main provinces accounted for 69% of output



Source: Bloomberg

Liaoning animal husbandry output for 2015		180 billion tons	No. 5 th in China
Meat / egg / dairy	Meat	4.3 million ton	No. 8 th in China
	Egg	2.9 million ton	No. 4 th in China
	dairy	1.4 million tons	No. 9 th in China
Feed	Feed output	13 million tons	
	Monetary value	48 billion RMB	
	producers	Over 1100	

Northeast China Livestock Output

(1,000 head)	Dairy Cattle	Beef Cattle	Poultry	Hogs
Liaoning	316	3,234	41,490	15,588
Jilin	245	4,018	15,018	10,004
Heilongjiang	1,972	3,004	13,940	13,603
NE total	2,533	10,256	70,448	39,195
China total	14,991	70,409	577,904	465,827
Share	17%	15%	12%	8%

Source: China Statistical Yearbook 2015

By the end of 2020, the output of meat is expected to achieve 4.9 million tons; eggs are expected to achieve 3 million tons; dairy is expected to achieve 1.6 million tons and feed is expected to achieve 15 million tons in Liaoning province. (Liaoning province commission of rural economy , 2016)

New market entrants and up scaling

As mentioned before, China's food market is growing. International companies that want to reduce their variable cost and overheads had the option to offshore their production to Liaoning in able to reduce their cost. As a result, it attracted many market players from Mainland China, Thailand, Japan and Korea to conduct business in animal husbandry here in Liaoning. In order to drive out competition, local companies are currently forced to upscale and modernize their operation and improve their output and its quality.

3. The market leaders of Liaoning in Animal Husbandry

Many enterprises related to animal husbandry have established their businesses in Liaoning. Several leading companies are listed below.

Dalian Hanwei Group

Website: <http://hanwei-group.com/> (Chinese only)

The enterprise is specialized in modernized layer-raising. The company produces 58 million kilos of eggs annually, it supplies the egg market of Dalian for 70%, 50% in Fushun and 50% of Shanghai. Furthermore, they produce annually 100 ton of abalone, 50 tons' sea urchins, 100 tons of left-eye flounder and 1000-ton kelp products. This makes them the largest abalone breeder in the world.

Dalian Chumming Group

Website: <http://www.chuming.cn/> (Chinese only)

The company is a producer of fresh and frozen pork and other processed meat products. Dalian Chumming Group is among a select group of industrialized farming corporations in Northeast China and is known for its international quality management standards and global safety certifications. It is the first company in the meat industry to receive "Green Food" certification from China's Ministry of Agriculture. Dalian Chumming Group is the second largest meat producer in China's Northeast Region.

Yurem Group Shenyang Processing Factory

Website: <http://www.yurun.com.hk/> (English available)

China Yurem Food Group Limited ("Yurem Food") is one of the leading meat product manufacturers in China. They offer a wide range of pork products, including chilled pork, frozen pork, low temperature meat products (LTMP) and high temperature meat products (HTMP). The products are marketed under a family of brands, including Yurem, Popular Meat Packing, Furan and Wang run. Yurem Food is headquartered at Nanjing, Jiangsu Province, China. The company has established a nationwide production network throughout China.

Shenyang Chia Tai Livestock Co., Ltd

Website: <http://www.cpgroup.cn/en> (English available)

Shenyang Chia Tai Livestock co. LTD is a cooperation between Thailand's Chia Tai Group and Shenyang Urban Construction Bureau of Sanitation Office. Founded in April, 1992, the enterprise was considered as a large and modern company in its field. Their main products are animal feed for pigs, broilers, laying hens, cattle, and fish. Their annual maximum production capacity is 180,000 tons. Further, their annual turnover is over 300 million Yuan.

Dachan Food Dalian Company

Website: www.dachan.com (English available)

Dachan Food Dalian Company is a branch company of the Taiwan Dachan Group. It is one of the largest chicken producers and exporters in China. The business covers feed production, preparation, breeding, slaughtering and meat processing.

Shenyang Huamei Livestock and Poultry Co., Ltd

Website: <http://www.syhmxq.com/> (Chinese only)

Shenyang Huamei is one of the leading chicken producers and exporters in Liaoning. Their products are exported all over China and East Asian market such as Japan, Korea and Singapore.

Wens Group Chaoyang Pig farm

Website: www.wens.com.cn/ (Chinese only)

WENS Group is a trans-regional livestock farming company and as the most influential brand in China's animal husbandry industry, WENS Group harvested total revenues of about CNY38 billion (US\$6.12 billion) and profit around CNY 2.9 billion (US\$467.2 million) in 2014. In 2014, the sales of commercial broilers of WENS Group registered a total of 700 million, that is, 8 percent of China's broiler market.

The Wens Group Chaoyang Pig farm project started in 2014. The first phase of the project is about 500 mu, and the investment is around 60 million RMB. The first phase of this project will be two farms, which will have total 5000 sows, and will produce 10 thousand pigs every year. This project is designed and constructed by the Dutch company Veldman, most of the materials and equipment are from the Netherlands.

Liaoning Wellhope Agri-Tech Joint Stock Co., Ltd.

Website: www.wellhope-ag.com/ (English available)

Wellhope Agri-Tech Joint Stock Co., Ltd. was initiated in the spring of 1995 by Chairman Jin Weidong and six cofounders. They had a dream of establishing a brand-new Chinese feed brand, now it's the biggest agricultural company in Northeast China and one of the most influential feed enterprises in China as well as the global feed industry. In 2006, Dutch company De Heus entered into a joint venture with Wellhope, strengthening the competitive advantage of both parties.

4. Trends and Opportunities

Liaoning's animal husbandry industry is facing various challenges and changes at the moment as mentioned in chapter 2 of this report. It is expected that this will create business opportunities that are interesting for Dutch companies. Below several trends and opportunities are listed.

Supplying food for China

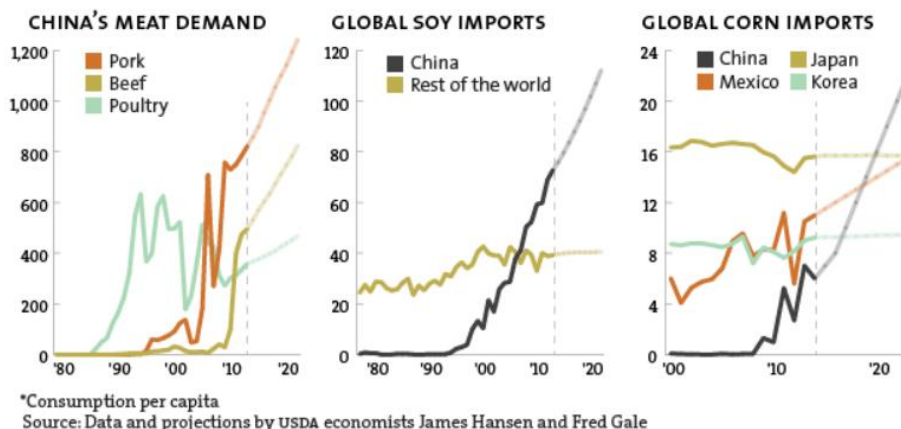
China's demand for food, especially meat, is growing. China is importing food from all over the continent to meet this demand. Foreign suppliers can take this opportunity to export not only meat but also by-products, which are very popular in China. For certain types of Dutch meat (such as beef and veal, poultry, pork bellies) there is still a ban on imports. For meat that can be imported company registration is required.

Please note that foreign companies that want to export meat to China need to get approval from the Chinese authority, General administration of quality supervision, inspection and quarantine (AQSIQ). Applicants can submit this online at <http://ire.eciq.cn> and follow the instruction. Paper documents will be needed after online examination.

Opportunities: offshore business to China, export meat and by-products to China.

China's Growing Appetite

IN MILLIONS OF METRIC TONS



Sales of agricultural products in a concentrated market

The Northeast is one of the livestock bases in China. With its relatively low cost for feed and land compared to other parts of China, the area attracted many domestic and international companies to set up branch companies or factories. One could say it therefore provides a big market potential due to the availability of clients.

Opportunities: The area provides a big market potential due to the availability of clients.

	2014	revenue growth	2015	revenue growth	2016	revenue growth
sheep and cattle farming	\$870,884	3.84%	\$900,788	3.43%	\$929,124	3.15%
poultry farming	\$868,940	9.68%	\$936,301	7.75%	\$1,006,524	7.50%
pig farming	\$126,316	5.91%	\$133,281	5.51%	\$140,508	5.42%
fish farming	\$383,359	4.67%	\$398,300	3.90%	\$413,317	3.77%
Fruits and nuts farming	\$161,994	10.21%	\$177,297	9.45%	\$193,431	9.10%

Source: Ibisworld.com

Provide training and know-how

The majority of the Chinese farmers have insufficient knowledge to run their business with the 3P concept, people, planet and profit. As a result, the farmers use fertilizers, pesticide and irrigation methods improperly. This results in unnecessary pollution and additional cost.

Furthermore, the adjusted governmental regulations request the farms to have a higher standard of, for example, the manure cleaning process. As the current method is outdated and causes too much pollution. In recent times, companies demand new knowledge so they can be on par with the set regulations.

Opportunities: filling the knowledge gap with the right products, potential cooperation, training and consulting.

Demand for new Technology

Currently, many companies are still working with out-dated technology which stops them from catching up with the development of the industry. Also, due to the government regulations which are getting stricter, Chinese companies are forced to look for new technologies and solutions to solve the difficulties they are facing.

Opportunities: Dutch companies could introduce their high tech, cost-efficient solutions and help the local companies to upgrade and modernize.

Support in up scaling

In the last 10 years, the Ministry of Agriculture of China began to select large scale enterprises in agro-business and entitled them as Dragon-head enterprises. These enterprises receive favourable policies and subsidies from the government. The aim is to set good examples of modern agriculture including animal husbandry. Now, there are more and more Dragon-head enterprises and investment capital from other business are flowing in agro-business. Therefore, it can be expected that animal husbandry enterprises are getting bigger and bigger, and their number will also increase in the future. This creates opportunities for foreign expertise, supplier of products and equipment which fit with large scale operation.

Opportunities: provide knowledge and expertise used in large cooperation. Further, fulfil their knowledge gap in their managerial and project management of the organization.

5. Relevant trade fairs

Every year several trade fairs related to animal husbandry take place in China. At some of these fairs, a Holland Pavilion will be set up. This creates a good opportunity for Dutch companies to combine their forces and show the strength of the Dutch industry. For more information on Holland Pavilions or updates on trade fairs one could contact the Dutch economic network in China.

International dairy expo China

City & Date: Harbin, April 21-23, 2017

Website: <http://en.dairyexpo.com>

International dairy expo hold annually in Harbin, global top 20 dairy companies will attend and exhibitors from over 12 different countries. One of the biggest in dairy expo in China.

China Dairy Show

City & Date: Nanjing 16-19 June 2017

Website: <http://www.dairyshow.cn/index.html>

Organized by Dairy Association China and supported by the Ministry of Agriculture. One of the biggest Dairy shows in China. Changes location every year.

CAHE China Animal Husbandry Exhibition

City & Date: Qingdao, May 18, 2017

Website: <http://www.caaa.com.cn/2017/en/index.php>

China Animal Husbandry Expo, known as CAHE around the world, is the biggest livestock show in Asia. Changes location every year.

VIV China

City & Date: Nanjing, September 17-19, 2018

Website: <http://www.vivchina.nl/en/>

National and international exhibitors at VIV China 2018 will represent their solutions and innovations within the Feed to Food chain.

China Feed Expo

City & Date: Fuzhou, April 15-19, 2017

Website: <http://www.chinafeedexpo.com/index.html>

it is organized by the department of Animal Husbandry of Ministry of Agriculture of China and Bureau of Agriculture of Fujian Province.

6. Relevant authorities and branch organisations

Chinese authorities below are related to the animal husbandry industry at a national level and provincial level.

Ministry of Agriculture

Website: www.moa.gov.cn

Supervision on agriculture, including animal husbandry.

General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)

Website: www.aqsic.gov.cn

Supervision on the quality of all commodities in the Chinese market. Both locally made and imported from foreign countries. Responsible for granting foreign companies access to the Chinese market.

China Animal Agriculture Association

Website: <http://www.caaa.org.cn/en/>

China Animal Agriculture Association (CAAA) is an affiliation formed at the national level with membership from enterprises, public institutions and individuals involved in animal husbandry and related industries. It is a non-profit social body with legal entity.

Liaoning province Bureau of Animal Health and Production

Website: <http://www.lnah.gov.cn/> (Chinese only)

Supervision on Liaoning animal husbandry industry, and veterinary.

Liaoning Animal Husbandry Industry Association

Website: <http://www.lnxmxxw.com/> (Chinese only)

Have memberships from enterprises, agencies and organization in Liaoning involved in animal husbandry industry.

Dutch branch organisations in China

Dutch Meat and Feed Centre Beijing (DMFC Beijing)

Website: <http://dmfc.asia/en/>

DMFC is an international business support office based in Beijing, China. Their mission is bridging Sino-Dutch business, to assist individual and collective groups of companies in developing and expanding their commercial needs in the meat, feed and dairy chains in China. Their services are solutions to help clients enter and/or expand in the Chinese market successfully.

Dutch Poultry Development Alliance Shenyang (DPDA)

DPDA provides support to Dutch Poultry companies in China. They do this through organizing business seminars, trainings and collective visits in the poultry industry to both China and the Netherlands.

7. Contact information

Many Dutch companies do business across the Dutch borders. The Dutch Ministry of Foreign Affairs therefore actively supports the interests and puts efforts together for Dutch companies abroad. Through embassies, consulates and Netherlands Business Support Offices (NBSO).

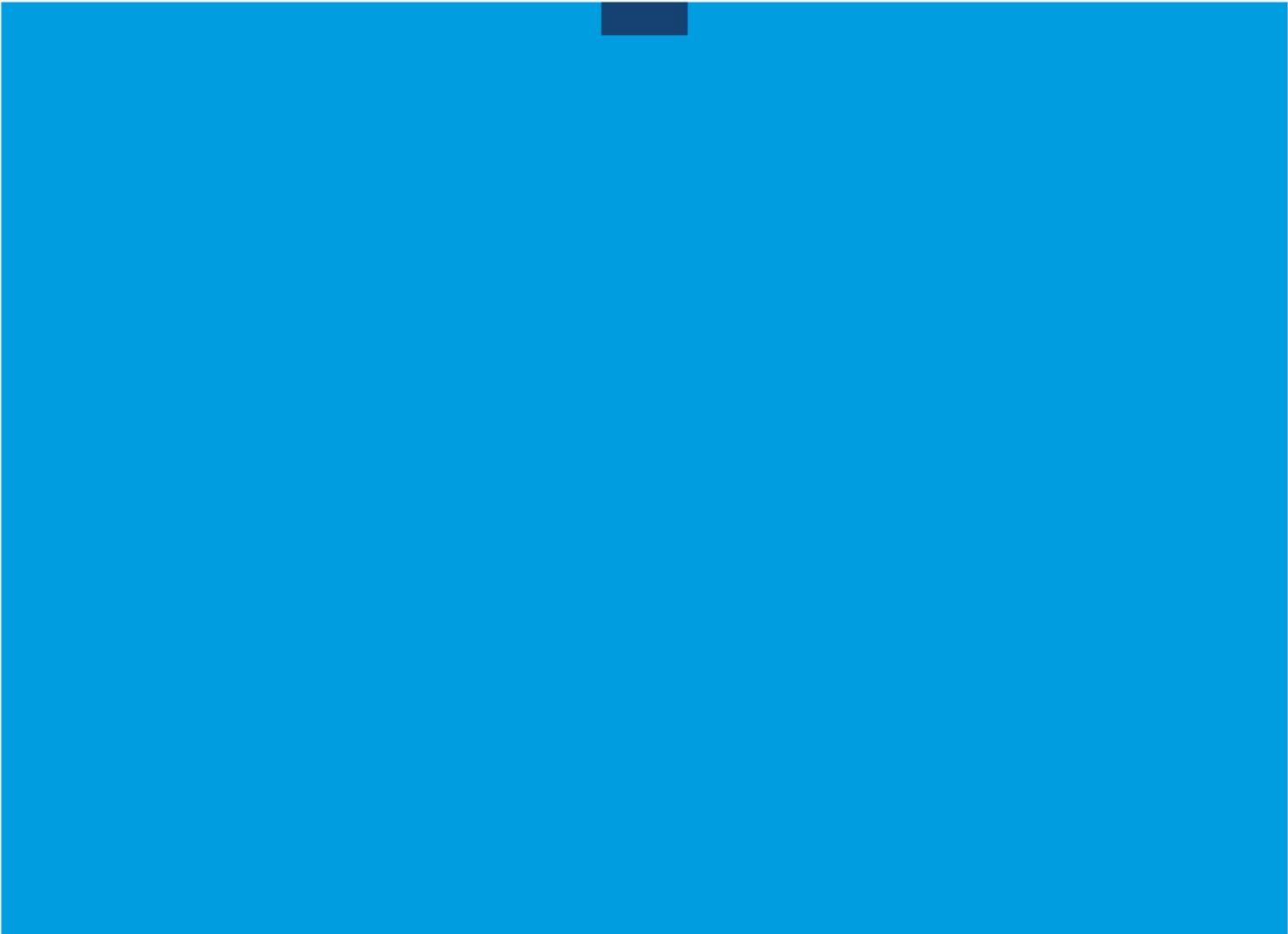
In Northeast China, the Netherlands is represented by the NBSO Dalian. NBSO Dalian covers the provinces of Liaoning, Jilin and Heilongjiang. Services provided by the NBSO include providing tailor-made market information and connect you to the right local partners, for example by executing a [Business Partner Scan](#). If you would like to know more about the opportunities that the Liaoning animal husbandry sector has to offer to your company, NBSO Dalian is happy to offer support.

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