China Market Research Report

Project SEMA

Workstep 2: Market Research Report

November 24, 2016
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Terms

- **Genetically Modified (GM) soybeans** are primarily crushed into a meal used for animal feeds or oilseed. Throughout this report animal feeds, meals, and oils are mentioned. The reader can assume that these are related to GM soybeans.

- **Non-Genetically Modified (Non-GM) soybeans** are food-grade soybeans used for direct consumption or seeding. The Chinese government does not allow the use of GM soybeans for direct consumption. Thus, any references to direct consumption uses of soybeans is referring to Non-GM soybeans.

- **Market Year (MY)** - Y1 October to Y2 September

- **Million Metric Ton (MMT)** – 1 metric ton is equal to roughly 1.102 ton (short ton, used in the U.S.)

- **Traditional Soybean Products** – refers to such products as tofu, dry bean curd, soybean sauce, bean paste, bean curd skin, yuba, etc.

- **Other (non-traditional) Soybean Products** – refers to such products as soybean protein and related products, soybean milk and soybean milk powder, cream, soya lecithin, soybean fiber, soybean ice cream and others.

- **Direct Consumption** – refers to soybean products such as cooked soybeans, pickled soybeans, or any other soybean products that can be consumed directly.
Executive Summary

This report summarizes the global soybean market and its impact on China; characterizes China’s soybean market in more detail, including production, trade, food markets, prices, the supply chain and distribution, and relevant regulations; and summarizes China’s current market situation and makes recommendations on how Canadian exporters can better consider and supply to Chinese consumers. The overall goal of this report is to assist Soy Canada to better position themselves to take advantage of the growing opportunities in the Chinese soybean market.

Soy Canada is the national association uniting all groups driving the Canadian soybean industry, from farm to marketplace. The team approach helps the entire value chain move forward. As the representative of Canadian soybean developers, producers, processors, and more, Soy Canada has a role in promoting and expanding the Canadian soybean industry. Soybeans are an important agriculture crop that is used for animal feeds, edible oils, a high quality vegetable protein resource, and soy foods. Today, Canada is producing an increasing amount of quality food-grade soybeans. Canadian soybean production has increased significantly which is expected to continue considering the growing demand for soybeans. Soy Canada has requested research and analysis of China’s soybean industry to better understand the current Chinese market situation, trends, structure and potential demand for Canadian soybean products.

Some of the key concerns regarding China’s soybean market that Soy Canada wished to be addressed were:

- Identification of opportunities for Canadian soybeans.
- China’s regulations regarding GMO content allowance in Non-GM soybean products.
- China’s regulations regarding the maximum residue limits of soybeans.
- The structure of China’s soybean market and identification of supply chains.
- Analysis of the uses of food grade soybeans by segment.

Some of the key findings of this report include:

- While Soy Canada aims to increase exports of Non-GM soybeans to the Chinese market, the global soybean market (GM and Non-GM) greatly influences several aspects of China’s market. (See Section 1)
- As China’s disposable income increases, so too does its living standards, and this is driving consumption of high quality meats, poultry, and food grade soybean products. (See Section 2)
- Due to land scarcity and inefficient domestic production, China has become dependent on foreign markets to provide for its soybean needs. (See Section 3)
- China is promoting Non-GM soybean production and attempting to improve yields in order to fill the gap between domestic supply and demand. (See Section 3)
- China’s domestic production of soybeans (all Non-GM soybeans) reached 11.6 million tons in the 2015/16 Market Year (MY). China imported roughly 83 million tons, making a total supply of roughly 111.6 million tons. China used roughly 73.3 percent of supply for crush, used to make animal feed, and used roughly 10 percent of supply for direct food use/consumption. The rest was used in food waste and saved as stock reserves. (See Section 4)
• The Chinese government is attempting to support domestic production of Non-GM soybeans, however supply is still unable to keep up with demand. Thus China’s dependence on imported GM and Non-GM soybeans will continue. (See Section 4)

• With the increasing interest toward health and nutritional benefits of organic foods among consumers and the multiple end-use applications of soy protein, the use of organic soy protein has been adopted in various food applications. (See Section 5)

• 50 percent of the Non-GM soybeans consumed were used to produce traditional soybean products, such as food ingredients, tofu, dry bean curd, soybean sauce, bean paste, etc. 20 percent of Non-GM soybeans were used in other soybean product processing, such as soybean protein and related products, soybean milk and soybean milk powder, cream, soya lecithin, soybean fiber, soybean ice cream and others. The remaining 30 percent was used for direct consumption and purchased through retail markets. (See Section 5)

• China’s government is providing subsidies to soy farmers if the price of soybeans falls below a bottom line, regardless of where they sell the soybeans. This new policy has narrowed the gap between local and international prices, but the gap is not likely to be fully closed in the near future. (See Section 6)

• There is a large gap between the market price for soybeans and the actual selling price for farmers, created by the complex distribution system of soybeans. (See Section 7)

• GM foodstuffs are subject to the Agricultural GMO Safety Regulations. This regulation mandates that if there was ever any GMO contents in the soybean, those soybeans will be regarded as GMO soybeans. Thus, there is no allowance of GMO contents in Non-GMO products. (See Section 8.1.1)

• China has maximum residue limits for hundreds of pesticides in foods. Section 8 lists some examples of the MRL of various pesticides relating to soybeans, as well as provides a report that lists all the pesticides regulated by the government and their MRLs. (See Section 8.1.5)

Potential next steps for Soy Canada to consider are:

• Utilizing local representation to investigate specific questions and market opportunities further.

• Develop a market entry strategy that focuses on high-end importers and producers. Soy Canada may find success by conducting targeted marketing to specific businesses that promote themselves as high-quality and/or organic food producers.

• Develop a market entry strategy that targets soy protein processors. Non-GM soybeans usually have higher protein contents then GM soybeans, and the majority of Chinese protein processors are looking for higher protein content soybeans.

• Participation in trade shows and seminars in order to establish and build on relationships with Chinese distributors, importers, and customs agents.

• Plan and organize yearly trade mission for existing and potential customers. This will build product confidence and expand trade scales.

• Make efforts in marketing to promote Canadian Non-GM soybeans in the Chinese market.
  o Translate existing marketing materials into Chinese - a Chinese web page is very helpful for Chinese to learn about Canadian Non-GM soybeans.
Create marketing materials for different events/trade shows.

Hold seminars on trends of soybean processing and applications to explore markets.

This report utilizes a variety of data and statistics as well as a review of rules and regulations to characterize China’s potential to purchase Canadian soybean products and how Canadian exporters can assess and export to the market. It is important to note challenges with Chinese data. Disaggregating soybean derivative products utilized in animal feed is not possible due to the variety of products used in animal feed. However, market trends can still be derived from consistent and confirmed data taken from primary and secondary research sources.

This report primarily uses data provided by the USDA, however data was also complied from Cofeed, a data agency supported by the Ministry of Agriculture (MOA), Ministry of Commerce (MOC), National Bureau of Statistics (NBS) and National Development and Reform Commission (NDRC). Data was also collected on-site from a nationwide network of grain, oil, and stock feed related companies, e.g. COFCO, Sinograin, Cargill, Louis Dreyfus, Bunge, Commodity Trading Centers, and many others. For purpose of clarity, data provided by the USDA will be labeled as such, and data provided by this combination of data sources will be labeled “Data Source A.” A table of all the data provided by the USDA will be listed in appendix item 10.1 Key Statistics for the Chinese Soybean Industry in 2015/16, and a table of all the data provided by Data Source A is listed in appendix item 10.2 Data Source A - China Soybean Supply/Consumption.
1. Global Soybean Market Overview

China plays a large part in the global soybean market and Chinese demand of both GM and Non-GM soybeans impacts global prices. China’s demand for soybeans will continue increasing, however, the demand for what type of soybean could shift over time. China’s demand for GM soybeans is very high, however, consumers are becoming more skeptical about the health and safety issues of GM soybeans and the government mandates that all food grade soybeans must be Non-GM. This has driven Non-GM soybean demand, and effected Non-GM soybean production. This section briefly characterizes the global soybean dynamic in order to transition the discussion of this report into China’s soybean market and its relation to Canada soybeans.

Globally, soybeans are the fourth most produced crop by volume; and are the most traded agriculture commodity, making up 10 percent of the total value of all agricultural trade.$^1$ Most of the crop (over 85 percent) is processed for crushing into meal and oil. Meals are typically used for animal feed while soybean oils are used in a number of consumption products and as a biofuel. Due to these uses, the global soybean market it expected to continue to grow.

According to the USDA Agricultural Projections to 2025, global soybean trade will increase by 22 percent; meal by 20 percent and oil by 30 percent by 2025. This growth in the global soy market is largely related to China’s growing demand for soybeans, as China makes up roughly 65% of global soybean trade.$^2$ While the majority of soybean use goes into meal and oil production (worldwide and in China), the demand for food-grade Non-GM soybeans is increasing where China is one of the major drivers of this growth.

2016/2017 USDA data projects the global soybean market to produce 336.09 million metric tons of soybeans, up ~23 million metric tons.$^3$ The United States, Brazil, and Canada are all expected to have increased production, while Russia is expected to have a slight decrease. Russia has been important to Chinese soybean production in recent years as farmers often will rent land across the border.

China’s domestic production will reach 13 million metric tons (MMT) during the 2016/17 market year (MY). The demand for soybeans far exceeds domestic supply in China, thus soybean imports are high. The next section introduces influencing factors in the growing demand for soybeans in China, including economic growth and general government policy. This analysis will give important background information that will help Soy Canada understand what is driving the changes in China’s soybean market.
2. China Soybean Market Overview

China is now facing a slowing economic growth rate, but this decreasing trend has stabilized. Through 2017, China’s GDP is expected to grow 6.9 percent year-on-year. Even at a slower growth rate, China is still the second largest economy in the world and has profound impacts on world markets, including Non-GM soybean trading.

![2011-2015 China GDP & GDP Growth Rate](chart1)

Source: National Administrative Bureau of the State

![2011-2015 Per Capita Disposable Income & Growth Rate](chart2)

Source: National Administrative Bureau of the State

China’s many years of rapid growth has developed a thriving middle class while markets are shifting to a more consumer basis. These emerging consumers are purchase higher quality and healthier foods, including soy products. This has increased demand for higher quality soybeans for direct consumption, which requires more Non-GM soybeans.
while demand for crush-use soybeans is even higher. Ever since soybeans were discovered to sharply raise the efficiency with which livestock and poultry convert grain into protein, the demand for soybeans has skyrocketed. As the population’s appetite for meat, eggs and milk has increased, soybean meal has become a crucial feed product for China. Thus, China’s imported soybeans are mainly used for oil and feed protein. In 2016, China’s recovering swine production and the steady growth of its poultry sector encouraged growth in the feed sector to 200 million tons in 2015.

Due to policy decisions made by the government to be 95 percent self-sufficient for grains starting in 1995, China's domestic production of soybeans lags behind its demand. From 2008 to 2012 the government made another policy to continue to support crops other than soybeans. China increased the price supports for wheat, rice, and corn higher than for soybeans, thus making soybean production less attractive to farmers. This resulted in an 18 percent decline in domestic production of soybeans, while imports jumped 50 percent.  

Specifically China increased price support for wheat by 45 percent, rice by 88 percent, and corn by 54 percent, all of which were higher than the increase in price support for soybeans at 41 percent (USDA ERS). After these policy decisions, China’s soybean production actually decreased and only recently started to rise. In 2016/17 MY, production is expected to reach 13 MMT.

China’s production of soybeans is still well short of demand for food uses. China’s soybean production has historically decreased due to limited arable soybean planting areas. While China’s taste for food-grade soybean products continues to rise, Non-GM soybeans will see increasing market shares.
3. Domestic Soybean Production

3.1. China Domestic Soybean Yields and Growing Areas

China’s agricultural production has historically been limited by a lack of arable land. This combined with China’s policy to only produce Non-GM soybeans has further slowed the country’s soybean production. Because of the limited arable land, China’s soybean production is heavily affected by government policy on how to best utilize the land. In 2015, China’s total domestic soybean output was 10.51 million tons, a decrease of roughly 24 percent. The CAGR was negative 5.7 percent from 2011 to 2015. China’s grain production continues to outpace its soybean production, thus the government has made new policies to try and reverse the decreasing trends. The 2016/17 MY domestic soybeans yields projections have shifted upwards as a result of these new efforts (See graph below).

China Domestic Soybean Yields (10,000 tons)

The above map illustrates China’s soybean producing regions. Major crop areas are highlighted in dark green, and minor crop areas are highlighted in a lighter green. Major areas contributed 75% of China’s total soybean production in 2015, and the farthest northeast region, Heilongjiang province, contributed 42% on its own.
The Chinese government’s policy change was a call for less corn and oilseed planting, and implementation of good crop rotation practices. The Heilongjiang province’s soybean industry leader estimated that the MY16/17 corn acreage in the province is down by 1 million hectares (MHa), part of which was substituted with soybeans, as a result of the policy change. The Heilongjiang State Farm Bureau reported that the area’s 2016 soybean acreage increased by 40 percent to 152,000 Ha from the previous year’s 108,666 Ha (USDA).

Thus, the 2016/17 MY for Chinese soybean production is forecasted to recover to 13 MMT. China’s Ministry of Agriculture (MOA) announced that by the end of July, the amount of added soybean area reached 8 million Mu (533,000 Ha). Other Chinese agricultural administrations have predicted higher soybean production levels as well. The China Agricultural Outlook Committee (affiliated with MOA) raised MY16/17 soybean production to 12.86 MMT from its previous forecast of 12.76 MMT. The China National Grain and Oilseed Information Center (CNGOIC) forecasted an increase of 8.6 percent in the MY16/17 soybean production, reaching 12.6 MMT. This was based on an increase in planted areas by 7.8 percent, up to 6.95 million Ha (USDA).

Additional reports from the MOA and other agricultural based organizations continue to support a moderate recovery in soybean acreage for market year 2016-17. The increase in soybean production is not expected to influence China’s total domestic oilseed supply however, as rapeseed and cottonseed production will fall. Again, this illustrates the struggles of China agriculture sector: massive demand for agriculture but scarcity of arable land.

3.2. Forecast

China is expected to continue to promote more Non-GM soybean production and improve yields in order to fill the gap between domestic supply and increasing demand. According to the MOA, China will expand its soybean planting area to 140 million mu (9.3 million Ha), and yields will increase to 11.50 million tons by the year 2020. According to agricultural officials, China is planning to increase its soybean acreage over the next five years, and will encourage more farmers to switch from corn to more lucrative crops, such as soybeans.
4. China Soybean Trade Analysis

According to USDA data (see appendix 10.1) China’s domestic production of soybeans (all Non-GM soybeans) reached 11.6 million tons in the 2015/16 Market Year (MY). That same year, China imported roughly 83 million tons, making a total supply of roughly 111.6 million tons. From that supply, China used 81.8 million tons for crush, used to make animal feed, or roughly 73.3 percent of supply. 10.8 million tons went to direct food use/consumption, roughly 10 percent of supply and 11 percent of consumption. The rest was used in food waste and saved as stock reserves.

As the majority of China’s soybean supply came from imports, we can see that the majority of imports were used for crush production. If we assume that all domestic production was used in crushing, this leaves a roughly 70.2 million ton gap in crush production that imports would have had to fill, meaning at least roughly 85 percent of imports would have to have been used for crush/feed production. From USDA provided data it is impossible to know exactly what percentage of GM soybeans was used for crush production, because the supply for crush is a mix of GM and Non-GM soybeans and there is no specific HS code for GM soybeans and Non-GM soybeans. However, we can estimate the percentage of Non-GM soybeans consumed by China from the percentage that went to direct food consumption. This is because China mandates only Non-GM soybeans be used for direct consumption, thus based on USD data, roughly 11 percent of China’s soybean consumption was Non-GM soybeans. While China’s Non-GM soybean consumption is significantly less than GM soybean consumption, there is still a large market for Non-GM soybeans. Furthermore, this market is projected to continue to grow.

An analysis of the Data Source A (see appendix item 10.2) provides different results from the USDA data. 5 Based on Data Source A, China’s domestic production was slightly lower at the end of 2015/2016 MY, reaching 10.5 million tons. China’s soybean imports reached approximately 83.15 million tons (the two data sources reporting roughly the same amount), making a total supply of 107.15 million tons of soybeans by the end of the 2015/16 MY. 82.21 million tons went to crush-use consumption, roughly 77 percent of total supply, and 87 percent of consumption. Here Data Source A provides more specific information on the percentage of domestic production used in different sources. Roughly 1.9 million tons of domestically produced soybeans (Non-GM soybeans) went to crush-used consumption, roughly 2% of total crush-use, and roughly 18% of total domestic supply. Of imported supply, 80.31 million tons went to crush-used consumption, approximately 97% of total imports, and roughly 98% of total crush-used consumption. This suggests that at least 2% of the crush-used consumption was from Non-GM soybeans (as China only produces Non-GM soybeans), however exact amounts of Non-GM soybean imports that went to crush-used consumption is not available (again, because the supply for crush is a GM/Non-GM mix, and there is no specific HS code for GM soybeans and Non-GM soybeans).

According to Data Source A, 12 million tons of soybeans went to food and industrial use, roughly 13% of total consumption during the 2015/16 MY. As China only uses Non-GM soybeans for direct consumption, at least roughly 13 percent of China’s soybean consumption was Non-GM soybeans. With 97% of imports going to crush-use consumption, only 3 percent of imports are left for direct consumption or storage. This does not directly indicate that 3 percent of imports were Non-GM soybeans however, as some of the Non-GM soybeans could have been used for crush production; and this percentage could also have been from left over GM soybean imports and were saved for later use.

A comparison of the data provided by both sources shows minute differences. This suggest a high level of accuracy of the data provided. According to the two data sources, Non-GM soybeans take up a minimum of 11-13 percent of China’s soybean consumption.
China Soybean Consumption Uses 2015-2016 MY (USDA)

- Crush-Use Consumption: 86%
- Food Use Consumption: 11%
- Feed Waste Consumption: 3%

China Soybean Consumption Uses 2015-2016 MY (Data Source A)

- Crush-Use Consumption: 87%
- Food and Industry Use Consumption: 13%
- Exports: 0%
- Seeding: 0%

China Soybean Consumption Uses 2015-2016 MY (USDA)

- Crush-Use Consumption: 86%
- Food Use Consumption: 11%
- Feed Waste Consumption: 3%

China Soybean Consumption Uses 2015-2016 MY (Data Source A)

- Crush-Use Consumption: 87%
- Food and Industry Use Consumption: 13%
- Exports: 0%
- Seeding: 0%
4.1. Soybean Imports Analysis

As shown above, China’s soybean demand is far greater than domestic production, thus imports are large and will continue to increase. Soybean imports are expected to reach 83 million metric tons (MMT) in 2016/2017, and reach 109.5 MMT in 2025/2026 (USDA). This most recent import forecast is lower than the previous official USDA data forecast of 87 MMT, but this drop in sales is likely from the government’s decision to sell approximately 4.3 million tons of soybeans from its stockpiles (which would reduce the need for imported soybeans), while at the same time domestic production has seen a slight increase (further reducing the need for imported soybeans).

However, this slowdown is likely not a long lasting trend. In the second half of 2016, soybean meal use is expected to continue growing. Feed production growth is expected to level off during the 13th Five-Year Plan Period (2016-2020), with a year on year growth rate of roughly 1.5-2 percent, and an annual net growth of 4-6 MMT (USDA). The limited supply of other domestic protein meals and low domestic production of soybean meal will also support an increase in imports.

![Soybean Production Vs Consumption 1995, 2011, 2016](image)

Source: USDA, Earth Policy

In 1995, China was producing roughly 14 million tons of soybeans and it was consuming 14 million tons. In 2011, it was still producing roughly 14 million tons of soybeans, however, soybean consumption had skyrocketed to around 70 million tons, meaning that 56 million tons were imported. The WTO, USDA, and Economic Research Services all predict this massive gap to continue to widen (see graph above).

Based on lower tariffs for soybean imports, China prefers to import soybeans directly rather than soybean meal or oil. This, coupled with high demand, has resulted in China’s oilseed-crushing industry becoming the largest in the world, all while being supplied mainly with imported soybeans.

As the world’s two largest soybean producers, the United States and Brazil are China’s main suppliers. For the last few
years, around 85 percent of China's soybean imports have come from these two countries, and China buys the majority of their exports. Reportedly, 72 percent of Brazil's soybean shipments and 59 percent of the US shipments went to China during the 2014/15 MY. In 2012, the US controlled the largest portion of China’s soybean import market at 44 percent. However, recently Brazil has been increasing market share, averaging around 48 percent over the last three years. They are able to compete with each other because the US provides soybeans to China for the first half of the MY (imports peak in December), while Brazil provides for the second half (imports peak in April/May).\(^7\)

**China’s Soybean Imports by Country in 2011 VS 2015**

![Diagram showing soybean imports by country for 2011 and 2015.](image)

Note: *A specific HS code for GM and Non-GM soybeans does not exist, thus exact percentages of GM vs Non-GM soybeans imported by country are not available.*

In the 2014/15 MY China’s imports of U.S. soybeans reached 29.7 MMT, and accounted for roughly 39 percent of total imports.\(^10\) China has implemented an anti-dumping investigation against the U.S. distilled dried grains with soluble (DDGS) imports. According to the U.S. Grain Council, DDGS are the nutrient rich co-product of dry-milled ethanol production, and has utilization as an energy and protein supplement in animal feeds. The recent restrictions on U.S. DDGS imports has likely been a factor in the slight decline of U.S. soybean imports. This may result in 2 to 3 MMT less of DDGS imports in 2016. China’s DDGS imports declined dramatically to 1.5 MMT during the first 6 months of 2016 compared to the 2.4 MMT in the previous year. As the anti-dumping investigation continues, industry leaders estimate total DDGS imports could fall to 3 MMT from the record 6.3 MMT in 2015 (USDA).

While Russia is not the largest providers of soybeans to China, it does have an impact on China’s soybean market for two main reasons. The first reason is simply the large demand for Non-GM soybeans and Russian accessibility to the market. China imported roughly 320,000 tons of Non-GM soybeans from Russia in 2015, a ten-fold increase from

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2014. The second reason is that many Chinese farmers rent agricultural land from Russia and plant Non-GM soybeans there. Russia is on the boarder of China’s major soybean growing area in Heilongjiang, thus making it convenient for Chinese growers to use Russian land. These Chinese farmers then re-export back to China.

4.1.1. **Top 20 Soybean Importers in China**

The top 20 soybean importers account for over 46 million tons of China’s soybean imports. These companies import a mix of GM and Non-GM soybeans. These mixed batches are likely primarily GM soybeans, however exact percentages are unknown. COFCO Global Harvest (Zhangjiagang) Trading Co. Ltd., China Grain Reserves Corporation, and China Tex Grains & Oils Import & Export Co. Ltd were the largest soybean importers from January-July of 2016.  

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<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>COFCO Global Harvest (Zhangjiagang) Trading Co. Ltd.</td>
<td>5,274,635.11</td>
<td>973,048.257</td>
<td>442.07%</td>
</tr>
<tr>
<td>2</td>
<td>China Grain Reserves Corporation</td>
<td>2,673,009.618</td>
<td>2,848,906.557</td>
<td>-6.17%</td>
</tr>
<tr>
<td>3</td>
<td>China Tex Grains &amp; Oils Import &amp; Export Co., Ltd.</td>
<td>1,911,874.153</td>
<td>1,353,331.493</td>
<td>41.27%</td>
</tr>
<tr>
<td>4</td>
<td>Cargill Investments (China) Co., Ltd.</td>
<td>1,315,991.802</td>
<td>838,987.447</td>
<td>56.85%</td>
</tr>
<tr>
<td>5</td>
<td>Shandong Sunrise Group Co., Ltd.</td>
<td>1,282,676.422</td>
<td>1,125,583.175</td>
<td>13.96%</td>
</tr>
<tr>
<td>6</td>
<td>Jiusan Oils And Grains Industries Group Co., Ltd.</td>
<td>1,214,140.784</td>
<td>1,150,428.631</td>
<td>5.54%</td>
</tr>
<tr>
<td>7</td>
<td>Sanhe Hope Full Grain Oil Group Feed &amp; Protein Co., Ltd.</td>
<td>1,155,212.321</td>
<td>755,927.495</td>
<td>52.82%</td>
</tr>
<tr>
<td>8</td>
<td>Shandong Bohi Oils &amp; Fats Industry Co., Ltd.</td>
<td>1,153,843.169</td>
<td>946,588.121</td>
<td>21.89%</td>
</tr>
<tr>
<td>9</td>
<td>Qingdao BOHI Agricultural Development Co., Ltd.</td>
<td>978,282.757</td>
<td>818,659.563</td>
<td>19.50%</td>
</tr>
<tr>
<td>10</td>
<td>Louis Dreyfus Commodities (China) Trading Co., Ltd.</td>
<td>975,291.912</td>
<td>43,182.160</td>
<td>2158.55%</td>
</tr>
<tr>
<td>11</td>
<td>Guangzhou Dongling Grain Trading Co., Ltd</td>
<td>974,370.275</td>
<td>991,493.433</td>
<td>-1.73%</td>
</tr>
<tr>
<td>12</td>
<td>Guangxi Huiyu Grain &amp; Oil Industrial Co Ltd</td>
<td>969,739.195</td>
<td>986,039.398</td>
<td>-1.65%</td>
</tr>
<tr>
<td>13</td>
<td>Shandong Xiangchi Cereals &amp; oils Co., Ltd</td>
<td>956,498.503</td>
<td>1,311,149.664</td>
<td>-27.05%</td>
</tr>
<tr>
<td>14</td>
<td>China Sea Grains &amp; Oils Co., Ltd.</td>
<td>955,543.395</td>
<td>737,858.119</td>
<td>29.50%</td>
</tr>
<tr>
<td>15</td>
<td>Shandong Sanwei Oil &amp; Fat Co., Ltd.</td>
<td>951,957.873</td>
<td>699,828.620</td>
<td>36.03%</td>
</tr>
<tr>
<td>16</td>
<td>Bunge Shanghai Management Co Ltd</td>
<td>847,497.936</td>
<td>613,886.566</td>
<td>38.05%</td>
</tr>
<tr>
<td>17</td>
<td>Greatocean Oils &amp; Grains Industry(Fangchenggang) Co., Ltd</td>
<td>826,834.805</td>
<td>687,367.222</td>
<td>20.29%</td>
</tr>
<tr>
<td>18</td>
<td>Fujian YuanCheng Bean Industry Limited Company</td>
<td>822,053.232</td>
<td>674,938.408</td>
<td>21.08%</td>
</tr>
<tr>
<td>19</td>
<td>Qinhuangdao Goldensea Grain And Oil Industry Co., Ltd</td>
<td>808,229.740</td>
<td>869,233.412</td>
<td>-7.02%</td>
</tr>
<tr>
<td>20</td>
<td>Yihai (Taizhou) Grains and Oils Industries Company Limited</td>
<td>803,860.721</td>
<td>674,083.682</td>
<td>19.25%</td>
</tr>
</tbody>
</table>
4.1.2. Identified Non-GM Soybean Importers in China

The below table lists several of China’s known Non-GM soybean importers for Soy Canada’s reference. Each company’s website and contact information is provided as available. When contacted, some of the companies were willing to share information on business structure and dealings. This additional information is provided in the rightmost column.

<table>
<thead>
<tr>
<th>Location</th>
<th>Company Name</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qingdao</td>
<td>Qingdao Bai Heng Import&amp;Export Co.,Ltd</td>
<td>Zhao Zhigang (GM)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>86-0532-86108551</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18660588787</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="https://qdbyheel.1688.com">https://qdbyheel.1688.com</a></td>
</tr>
<tr>
<td>Shenzhen</td>
<td>Shenzhen Pin He Hui Agriculture Development Co., Ltd</td>
<td>Luo liliang (Sales Manager)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>86-0755-81483146</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="https://phhykyd.1688.com/">https://phhykyd.1688.com/</a></td>
</tr>
<tr>
<td>Fujian</td>
<td>Fujian Tong Yi Food Co.,Ltd</td>
<td>Zhou shuitong</td>
</tr>
<tr>
<td></td>
<td></td>
<td>86-0596-5265188</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="mailto:zst@tysp888.com">zst@tysp888.com</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="http://www.tysp888.com">www.tysp888.com</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="http://tysp888.1688.com">http://tysp888.1688.com</a></td>
</tr>
<tr>
<td>Dalian</td>
<td>Dalian Bai Hua Grain Processing Co.,Ltd</td>
<td>86-411-86428187</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="mailto:dblaihua@hotmail.com">dblaihua@hotmail.com</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="http://www.dlbaihua.cn">www.dlbaihua.cn</a></td>
</tr>
<tr>
<td>Tianjin</td>
<td>Tianjin Jia Xin Cheng International Trade Co.,Ltd</td>
<td>Mr.Guo(General Manager)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>86-022-65631161</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15510905575</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="https://shop1444804408029.1688.com">https://shop1444804408029.1688.com</a></td>
</tr>
<tr>
<td>Shanghai</td>
<td>Wanfeng Grain and Oil Trading Company</td>
<td>Huang Xianggui</td>
</tr>
<tr>
<td></td>
<td></td>
<td>86-186-16248553</td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="mailto:wflang168@126.com">wflang168@126.com</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td><a href="http://wflang168.21food.cn/">http://wflang168.21food.cn/</a></td>
</tr>
</tbody>
</table>
## 4.2. Soybean Exports Analysis

China’s exports of soybeans and soybean based products are typically low. This is not surprising given China’s massive domestic needs for soybeans and soy products. As the middle class of China continues to expand, soybean exports can be expected to continue to reduce. The USDA projects the 2016/17 MY China soybean exports to stay the same as in 2015/16 MY at roughly 150 thousand tons.

### China Soybean Exports (1000 tons)
5. China Domestic Food Market and Demand

5.1. China Soy Food Market Trends

Chinese consumers have a positive view of soybean products while the soy food processing industry has seen upward expansion. Consumer confidence is high for several reasons, but a re-occurring theme among consumers is an increasing awareness of food safety and health conscious living. Numerous research studies have shown various health benefits of soy products including that they are an excellent source of protein with low cholesterol levels. As China becomes more health consensus, this will be important to Chinese consumers.

There are a multitude of unlicensed tofu and foodstuff producers that are mainly small establishments that produce fake and poor quality products. These smalltime companies are prevalent throughout Chinese society, especially in suburban and rural areas. Due to the ubiquitous low quality or fake products, local health-conscious consumers are developing a distrust over locally made food products. They prefer to choose products made from modern processing plants resulting in large market expansion and new opportunities for both large sized tofu producers and premium Non-GM soybeans.

The increasing use of soybean based beverages (soybean milk and soybean based yogurt smoothies) is related to a trend of decreasing consumer confidence in the health effects of animal milk products and the rising awareness of soybean nutrition. Soy-based yogurt smoothies are low-fat and do not contain lactose. Additionally, soy milk provides complete protein nutrition when compared to other types of milk available in the market. This again, is very important to Chinese consumers. China’s soy beverage market is the second largest market after Japan and has the third highest projected growth rate after India in the Asia-Pacific region. China’s soy beverages market was worth US$ 364.7 million in 2015 and is estimated to reach a value of US$ 480 million by 2020, at a CAGR of 5.6%.

With the increasing interest toward health and nutritional benefits of organic foods among consumers and the multiple end-use applications of soy protein, the use of organic soy protein has been adopted in various food applications. China’s demand for organic soy protein is expected to significantly impact global market growth throughout the next five years. The global organic soy protein market is projected to reach roughly US$ 500 million by 2021, at a CAGR of 17.3 percent from 2016 to 2021. The Asia-Pacific region is forecasted to have the highest growth rate during that
period. Soy protein has seen many uses in China, including use as an additive to meats, bakery items, baby foods, and high protein beverages.

5.2. Soybean Food Market Uses

According to Classification of Soy Foods, SB/T 10687-2012, published by the Ministry of Commerce on March 15, 2012, the use of food grade non-crushed soybeans are classified into the following categories: 14

- Cooked Soybean
- Soybean Powder
- Soy Milk
- Tofu
- Soybean Curd
- Dried Soybean Curd
- Pickled Tofu
- Bean Curd Skin
- Yuba
- Puffed Soybean Product
- Fermented Soybean Product
- Soybean Protein
- Green Soybean Product
- Other Soybean Product

<table>
<thead>
<tr>
<th>China 2015 Production of Key Soybean Products (tons of soybeans)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Soy Milk</td>
<td>Soy Milk Powder</td>
</tr>
<tr>
<td>311,100</td>
<td>230,300</td>
</tr>
</tbody>
</table>

In China, popular uses of soybeans are soy desserts, soy drinks, soy milk & cream, soy sauce, and other bean pastes and curds. Growth of China’s soybean consumption is driven by rising disposable income and changes in household dietary structure. Soybeans are a traditional Chinese agricultural product that is well acknowledged for its nutritional value. Furthermore, soybeans and soy products are among the most traditional and common cuisines in Chinese culture.

In 2015, China consumed 10-12 million tons of food grade (Non-GM) soybeans, roughly a 4 percent increase from 2014. 50 percent of the Non-GM soybeans consumed were used to produce traditional soybean products, such as tofu, dry bean curd, soybean sauce, bean paste, bean curd skin, yuba, etc. 20 percent of Non-GM soybeans were used in other soybean product processing, such as soybean protein and related products, soybean milk and soybean milk powder, cream, soya lecithin, soybean fiber, soybean ice cream and others. The remaining 30 percent was used for direct consumption (cooked soybean, pickled soybeans, etc.) and purchased through retail markets. (Classification of Soy Foods)

In 2015, China consumed 10-12 million tons of food grade (Non-GM) soybeans, roughly a 4 percent increase from 2014. By utilizing data from the USDA Gains report, Data Source A, and the China Ministry of Commerce’s report on the classification of soy foods, an estimate of the total quantity used to make the three classifications of soybean
products can be made. In 2015, China produced roughly 5-6 million metric tons of traditional soybean products, 3-3.6 million metric tons were used in direct consumption, and 2-2.4 million metric tons were used for other non-traditional soybean products.

Soybeans have long been used as a staple consumption product. Tofu is a highly consumed staple consumption product in China. Total consumption of soybeans as an ingredient for Tofu reached 3.1 million tons in 2015. Tofu is an easy product to make, and as a result, there are few large producers and thousands of small workshops, both official and unlicensed, operating to serve the market. For example, according to government reports, Beijing has over 200 licensed processors involved in the production of tofu and other related soy products while there are 2,000 unlicensed private operators.

Soy sauce is widely used as a seasoning in China. According to the Food Industry Association, the annual output of soy sauce is estimated to be 6 million tons. Roughly .5 kg of soybeans will make 5kg of soy sauce. Thus, roughly 600,000 tons of soybeans are used to produce China’s annual output of soy sauce. About 1 million tons of soy sauce is sold with a brand and package, while 5 million tons are generic soy sauce sold in bulk. Soy sauce is available in local mom-and-pop shops and supermarkets. IBIS World’s Soy Sauce Production market research report shows that revenue from the soy sauce production industry in China has been growing at an annual rate of 17.6 percent in the five years through 2015. In 2015, soy sauce outputs reached 9.8 million tons, an increase of 7.39 percent. In 2015, revenue grew 10.53 percent to US$16.1 billion, mainly driven by increasing domestic demand. Soy sauce demand primarily comes from the food catering and food manufacturing industries, as well as from households. Exports are estimated to account for 4.4 percent of sector revenue in 2015. Revenue from the top four industry enterprises accounted for about 13.5 percent of
industry revenue in 2015, indicating a low industry concentration level (Mordor Intelligence).

As a good source of protein, soybean milk powder and soybean milk beverages have long been popular with Chinese consumers. Attracted by its market potential and its low barriers to entry, numerous soybean milk facilities have been established, such as Weiwei, Vitasoy, Yon ho, Yashili, and Yeo’s. In 2015, Soybean milk and powder had an annual growth rate of 3.69 percent in revenue, and is expected to continue this trend.

Rising incomes have also contributed to increasing market access opportunities for soy protein and related products. Soy protein is often blended with processed meat products as a protein concentrate. With China’s growth in per capita meat consumption (due to higher per capita incomes), the growth in demand for soy protein has followed. Soy protein is used in the food industry for both nutritional (increasing protein content), sensorial (preferred texture, better flavoring) and functional reasons (for applications requiring emulsification, water and fat absorption, and adhesive properties). According to the China Food Industry Association, 30 percent of Chinese home grown soybeans are used in product soy protein isolate (SPI); about 2/3 of SPI goes to the processed meat sector.

At a protein conference held in December of 2015, the Chinese Ministry of Agriculture stated that the demand for Non-GM cooking oil, food products, and protein supplements has grown due to the increasing demands on premium products. Furthermore, the food processing industry was estimated to demand approximately 10 to 15 million tons of Non-GM soybeans annually, of which an estimated 3 million tons of imported GM soybeans are used surreptitiously by food processors. This is called an “open secret” in the food processing industry and is driven by cheaper prices of imported GM soybeans and shortages of the domestic supply of soybeans. However, based on the New Food Safety Law issued by the Chinese government, GM soybeans are prohibited for use in food processing. Also, the soybean-based protein supplement industry has very strict standards that bar the use of GM soybeans, because a large portion of their products are exported.

5.3. Top Soybean Producers in China

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Chinese Soy Product Producers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>3,283</td>
</tr>
<tr>
<td>2010</td>
<td>3,589</td>
</tr>
<tr>
<td>2011</td>
<td>3,882</td>
</tr>
<tr>
<td>2012</td>
<td>4,058</td>
</tr>
<tr>
<td>2013</td>
<td>4,069</td>
</tr>
<tr>
<td>2014</td>
<td>4,634</td>
</tr>
<tr>
<td>2015</td>
<td>4,609</td>
</tr>
<tr>
<td>2016</td>
<td>4,779</td>
</tr>
</tbody>
</table>
By the end of March, 2016, there were 4,779 Chinese soybean product producers in China, an increase of 3.7 percent. According to the China Soybean Products Association’s the top 50 Chinese soy product processors utilized roughly 1 million tons of Non-GM soybeans for production, an increase of 4.6 percent. The total revenue of the top 50 reached CNY 16.794 billion (US$~2.55 billion), an increase of 6.95 percent (China Soybean Association).

### 2007-2015 Top 50 Soybean Products Companies: Revenue and Use Quantities of Non-GM Soybean (China Soybean Association)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (CNY Billion)</th>
<th>Quantities of Non-GM Soybean Used (ton)</th>
<th>Exports (US$, Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>4.394</td>
<td>502,700</td>
<td>1.818</td>
</tr>
<tr>
<td>2008</td>
<td>5.651</td>
<td>676,600</td>
<td>0.652</td>
</tr>
<tr>
<td>2009</td>
<td>7.423</td>
<td>848,300</td>
<td>&lt;1</td>
</tr>
<tr>
<td>2010</td>
<td>10.298</td>
<td>975,300</td>
<td>&lt;1</td>
</tr>
<tr>
<td>2011</td>
<td>13.195</td>
<td>1,060,400</td>
<td>2.037</td>
</tr>
<tr>
<td>2012</td>
<td>15.558</td>
<td>1,060,000</td>
<td>4.707</td>
</tr>
<tr>
<td>2013</td>
<td>16.103</td>
<td>1,060,400</td>
<td>5.3223</td>
</tr>
<tr>
<td>2014</td>
<td>15.703</td>
<td>960,200</td>
<td>3.835</td>
</tr>
<tr>
<td>2015</td>
<td>16.794</td>
<td>1,004,400</td>
<td>2.689</td>
</tr>
</tbody>
</table>

In 2015, of the 50 top soybean companies, around half produced tofu (utilizing 350,700 tons of Non-GM soybeans, an increase of 10.42% from the previous year), 16 produced dried soy curd (utilizing 247,600 tons of Non-GM soybeans), 7 produced soy milk (utilizing 80,800 tons of Non-GM soybeans) and soy milk powder (utilizing 230,300 tons of Non-GM soybeans), and the rest produced soybean paste and sauce (China Soybean Association). **Note:** For more information on China’s major soybean foodstuffs producers and their products, see appendix item 10.4.
6. Soybean Price Analysis


According to pricing data provided by China’s National Bureau of Statistics (NBS), in 2015 Non-GM soybean prices decreased slightly, but steadily for the first nine months, and then dropped rapidly in October. Market prices reached their lowest in early November at roughly RMB 3,607 per ton, and end-of-year prices reached around RMB 3,744 per ton.

### China Soybean Prices 2015

<table>
<thead>
<tr>
<th>Month (Split into three 10-day Periods)</th>
<th>Price (RMB/Ton)</th>
<th>Price (CAD/Ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1</td>
<td>4,314.3</td>
<td>850.94</td>
</tr>
<tr>
<td>January 2</td>
<td>4,295.3</td>
<td>847.20</td>
</tr>
<tr>
<td>January 3</td>
<td>4,240.2</td>
<td>836.33</td>
</tr>
<tr>
<td>February 1</td>
<td>4,223.4</td>
<td>833.02</td>
</tr>
<tr>
<td>February 2</td>
<td>4,221</td>
<td>832.54</td>
</tr>
<tr>
<td>March 1</td>
<td>4,248.1</td>
<td>837.89</td>
</tr>
<tr>
<td>March 2</td>
<td>4,228.3</td>
<td>833.98</td>
</tr>
<tr>
<td>March 3</td>
<td>4,188.1</td>
<td>826.06</td>
</tr>
<tr>
<td>April 1</td>
<td>4,169.8</td>
<td>822.45</td>
</tr>
<tr>
<td>April 2</td>
<td>4,169.1</td>
<td>822.31</td>
</tr>
<tr>
<td>April 3</td>
<td>4,211.2</td>
<td>830.61</td>
</tr>
<tr>
<td>May 1</td>
<td>4,208.3</td>
<td>830.04</td>
</tr>
<tr>
<td>May 2</td>
<td>4,193.9</td>
<td>827.20</td>
</tr>
<tr>
<td>May 3</td>
<td>4,174.6</td>
<td>823.40</td>
</tr>
<tr>
<td>June 1</td>
<td>4,161</td>
<td>820.71</td>
</tr>
<tr>
<td>June 2</td>
<td>4,147.9</td>
<td>818.13</td>
</tr>
<tr>
<td>June 3</td>
<td>4,146.8</td>
<td>817.91</td>
</tr>
<tr>
<td>July 1</td>
<td>4,159.1</td>
<td>820.34</td>
</tr>
<tr>
<td>July 2</td>
<td>4,158.2</td>
<td>820.16</td>
</tr>
<tr>
<td>July 3</td>
<td>4,154.3</td>
<td>819.39</td>
</tr>
<tr>
<td>August 1</td>
<td>4,159.7</td>
<td>820.46</td>
</tr>
</tbody>
</table>
Non-GM soybeans are categorized as “Douyi,” or “Bean One” by the Dalian Commodity Exchange Center. As the prices shown here by the NBS are in-line with the prices of the Commodity Exchange Center’s “Douyi” prices, it is clear that the NBS is evaluating Non-GM soybean prices. “Douer,” or “Bean 2,” categorize mixed GM and Non-GM soybean trading. Exact percentages of GM and Non-GM is not available.

<table>
<thead>
<tr>
<th>Period</th>
<th>CAD/Ton</th>
<th>USD/Ton</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 2</td>
<td>4,189.3</td>
<td>826.29</td>
</tr>
<tr>
<td>August 3</td>
<td>4,208.6</td>
<td>830.10</td>
</tr>
<tr>
<td>September 1</td>
<td>4,194.3</td>
<td>827.28</td>
</tr>
<tr>
<td>September 2</td>
<td>4,213.8</td>
<td>831.13</td>
</tr>
<tr>
<td>September 3</td>
<td>4,179.7</td>
<td>824.40</td>
</tr>
<tr>
<td>October 1</td>
<td>3,946.7</td>
<td>778.44</td>
</tr>
<tr>
<td>October 2</td>
<td>3,702.9</td>
<td>730.36</td>
</tr>
<tr>
<td>October 3</td>
<td>3,637.9</td>
<td>717.55</td>
</tr>
<tr>
<td>November 1</td>
<td>3,607.1</td>
<td>711.46</td>
</tr>
<tr>
<td>November 2</td>
<td>3,719.6</td>
<td>733.65</td>
</tr>
<tr>
<td>November 3</td>
<td>3,799.4</td>
<td>749.39</td>
</tr>
<tr>
<td>December 1</td>
<td>3,752.5</td>
<td>740.14</td>
</tr>
<tr>
<td>December 2</td>
<td>3,740.8</td>
<td>737.83</td>
</tr>
<tr>
<td>December 3</td>
<td>3,744.4</td>
<td>738.54</td>
</tr>
</tbody>
</table>

Source: China National Bureau of Statistics
6.2. Dalian Commodity Exchange Center

The Dalian Commodity Exchange Center (DCE)\(^{18}\) has records of all prices agreed upon in Non-GM soybean (Douyi) transactions and mixed/GM soybean (Douer) transactions made in China. China’s Non-GM soybean prices reached a highpoint of RMB 5,035 (~CAD 993) per lot in April of 2012, but has sense been decreasing. In December of 2015, the price per lot reached a low point of RMB 3,610 (~CAD 712). China GM soybean traded prices hit a highpoint in April of 2012 as well, reaching RMB 5,160 (~CAD 1,017) per lot, but has also had a decreasing trend since then. December 2015 prices of GM soybeans were RMB 3,358 (~CAD 662). The Dalian Commodity Exchange prices of Non-GM soybeans are in line with the decreasing trend in Non-GM soybean prices shown by the NBS. For further analysis see section 6.4 below.

Settlement Price for "Douyi" (Non-GM) Dominant Contract in DCE 2010-2015

[Graph showing settlement prices for "Douyi" Non-GM soybean contracts from 2010 to 2015.]

Source: Dalian Commodity Exchange Center

Settlement Price for "Douer" (Mixed/GM) Dominant Contract in DCE 2010-2015

[Graph showing settlement prices for "Douer" Mixed/GM soybean contracts from 2010 to 2015.]

Source: Dalian Commodity Exchange Center
6.3. Recent State Sales

As of July of this year, the Chinese government has been selling large portions of its stockpiles in six weekly auctions. Sales totaled 1.04 MMT at reduced prices. The table below shows the amount offered, sold, and prices agreed upon at each auction during the six week period. This will likely effect soybean prices and imports for the remainder of the 2015/16 MY, as well as influence 2016/17 MY prices and imports.

<table>
<thead>
<tr>
<th>Six Soybean Auctions from Jul 15 – Aug 19, 2016 (USDA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul 15</td>
</tr>
<tr>
<td>Volume Offered (1,000 tons)</td>
</tr>
<tr>
<td>Volume Purchased (1,001 tons)</td>
</tr>
<tr>
<td>Purchase Rate (%)</td>
</tr>
<tr>
<td>Average Price (RMB/ton)</td>
</tr>
</tbody>
</table>

6.4. Analysis of Influencing Factors

There are many factors that can affect China’s soybean prices. While supply and demand influences the price on a fundamental level, the production costs and government policies also have a significant influence. From 2008 to 2014, China’s government adopted a policy for centrally purchasing soybeans directly from farmers at a fixed price, which was set higher than the price of available commodities acquired from international trade. The initiative for this policy was to protect farmers’ profits in soybean producing regions. However, this policy increased the price of domestic soybeans and inadvertently incentivized imported soybean purchases for the crushing industry, demotivating local soybean production. Since April of 2014, China’s government has ended such policies and now provides subsidies to soy farmers if the price of soybeans falls below a bottom line, regardless of where they sell the soybeans. The execution of the new policy has narrowed the gap between local and international prices, but the gap is not likely to be fully closed in the near future considering most of China’s domestic market made of unlicensed growers, and the industry will need more time developing to become more competitive.

On the other hand, the recent government policy and actions to sell domestic stocks of soybeans has impacted prices. As recently as August of this year, the market showed decreasing purchases as the number of soybean processors and crushers participating in auctions was lower than usual. This is likely caused by weaker prices for soybean meal and oil (meaning lower profit margins for producers when they go to sell), and concerns over the quality of the crops. Furthermore, prices have remained low since 2015, when imported soybean prices reached a low of ~RMB 3,610 (~CAD 712) per ton. The increased supply of soybeans from the government (lowering prices), and government subsidies to domestic producers (supporting profits of domestic supply even with lower profit margins), allows for domestic producers to be more competitive while still allowing for necessary soybean imports at lower prices. However, these lower soybean import prices are restricted to Non-GM soybeans (Douyi).

The government has also restricted the imports of GM soybeans, and prices for “Douer” (mixed/GM) soybeans have gone up in response. This will also make domestic Non-GM soybean producers more competitive. Foreign Non-GM
soybean producers, like Soy Canada, will need to stay price competitive in order to take advantage of the current market environment. If prices for GM soybeans improves, meal and oil processors and crushers will likely return to auction. It is likely that prices will rise once government stockpiles are unable to keep up with China’s increasing demand.

The government’s strategy has a major flaw. Despite the government’s efforts and hopes to reduce soybean imports, boost domestic production, and reach a level of self-sustainability, China’s soybean demand is still far greater than what can be produced domestically. By selling soybean stock at reduced prices and subsidizing domestic producers, the government has only delayed the inevitable need to import more soybeans. Instead, once cheaper government stocks and domestically produced soybeans are depleted by the market, companies that did not get a large enough share will have to turn back to imported soybeans in order to continue production. If imported GM soybean prices remain high, soybean processors are likely to have a jump in costs when they switch back to imported soybeans, and in turn raising prices of soybean feeds and oils. As prices rise, smaller companies that cannot afford the cost will have difficulty competing within the market, or may even be forced out. The current government short term actions will likely have long term effects on the market. While China’s soybean demand is high, the government has begun reducing the supply (by trying to reduce imports), and this could impact prices of pork, beef, poultry, and other food products that use soybean meal. To avoid this situation, companies may choose to continue purchasing imported soybeans, and the foreign produced soybeans with the lowest prices will see high demand.

7. Supply Chain & Distribution

7.1. Market Structure

As previously mentioned, the major soybean growing area in China is in northeast, especially in Heilongjiang. Soybeans produced domestically or imported will first be sold to the government’s grain procurement agencies, either through brokers or large growers. The government purchases will account for roughly 50 percent of the total trade volume. Next, the soybeans will be sold to local crushing companies or shipped to the South of China to be sold to soy
food manufactures. Local small and medium sized crush companies in the northeast of China mainly use China’s domestically produced Non-GM soybeans as raw materials to crush oil. Meanwhile, soy food manufactures are mainly located in the South parts of China. Chinese soybean farmers are mostly small and medium sized entities and the majority are home growers. Soybean varietals used for oil, feed, and food are mixed throughout the process from planting, trading, and processing.

The national standard of soybean quality is not high and this problem is exacerbated by high processing costs and a lack of effective communication and management. These issues create low yields. Few soybean processors will sign contracts with growers as the small and medium sized growers typically struggle to meet contract requirements. Processors that choose to grow their own supply of soybeans face high costs, typically brought on by a lack of experience. This also makes it hard to guarantee quality of the yields. Thus, it is difficult for Chinese soy food manufactures to purchase premium, soybeans with stable yields from the domestic market. In contrast, foreign soybeans, like Canada’s, are high quality, cost effective, and can meet contract demands and specifications.

There is a large gap between the market price for soybeans and the actual selling price for farmers. The distribution of soybeans is complex and goes through many channels. Brokers, wholesalers, distributors, and retailers purchase soybeans from local farmers and home growers, and then sell them to the soybean processors. This middle man process raises the price of soybeans along the supply chain. As a result, many soybean food manufacturing companies prefer to import soybeans directly instead of purchasing locally. Furthermore, increasing labor and shipping cost have continued to raise domestic soybean prices, causing processing costs to rise. This also pushes soybeans food manufacturers to purchase imported soybeans either from local brokers or by themselves.

### 7.2. Tariffs and Duties

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Preferential Import Tax Rate</th>
<th>General Import Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1201901000</td>
<td>3%</td>
<td>180%</td>
</tr>
</tbody>
</table>

**Goods Name**

- Oil Seeds and Oleaginous Fruits; Miscellaneous Grains, Seeds and Fruit; Industrial or Medicinal Plants; Straw and Fodder. Sub-heading Includes Soybeans, whether or not broken

**Measurement Unit**

- Kilogram

**Note:** A specific HS code for GM and Non-GM soybeans does not exist, thus exact percentages of GM vs Non-GM soybeans imported by country are not available.

### 7.3. Standard Shipping Requirements

**7.3.1. Bulk Shipment:**

Self-trimming bulk carriers (STBC) are the most commonly chartered vessels in grain trading, and most economical vessel because the holds are easy to clean and loading does not require special trimming, which would make stevedoring more expensive. Bulk carrier capacity varies depends on the ship size, ranging from 10 to >80 DWTs.
7.3.2. Containerized Shipment:

Typically, modern liner carriers operate containerships that are designed to transport cargo stowed in 20-, 40-, 45-foot ocean-shipping containers. The containers reduce many risks associated with moving a product, such as adverse temperature, handling damage, and theft. The most common container sizes are 20-foot equivalent units (TEU) and 40-foot equivalent units (FEU). A 40-foot container capacity is approximately 27,400 kg. Supplying bulk in containers is an option commonly used for high-value goods.

8. Import Regulations and Requirements

China has not passed a national law specifically regulating GMOs. Restrictions are primarily on agricultural GMOs, which are provided by the GMO Regulations enacted by the State Council in 2001 and the administrative rules implementing the GMO Regulations. The GMO Regulations are designed to regulate not only crops, but also animals, microorganisms, and their products. Agricultural GMO research, testing, production, processing, business operations, and import/export activities within the PRC’s territory are subject to the GMO Regulations.

8.1. Current Regulations

The MOA, and the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) have issued the following administrative rules implementing the GMO Regulations for safety evaluations, processing, labeling, import, and entry and exit inspections and quarantine:

- Administrative Measures for Safety Evaluations of Agricultural GMOs (Safety Evaluation Measures)
- Measures for Examination and Approval of the Processing of Agricultural GMOs
- Administrative Measures for Labeling Agricultural GMO Marks (Labeling Measures)
- Administrative Measures for Safety Control for Importing Agricultural GMO Products
- Administrative Measures on the Entry and Exit Agricultural GMO Products Inspection and Quarantine

8.1.1. GMO Content Allowance

The Ministry of Health (MOH) issued the Administrative Measures for Genetically Modified Food Hygiene in 2002, but those measures were abolished in 2007. GM foodstuffs are now subject to the Agricultural GMO Safety Regulations. This regulation mandates that if there was ever any GMO contents in the soybean, those soybeans will be regarded as GMO soybeans.

In order to further clarify this, Tractus has reached out to the Beijing and Shanghai China Inspection and Quarantine (CIQ) services. Answers from both Beijing CIQ and Shanghai CIQ are nearly the same: that there is no allowance of GMO contents in Non-GMO products. Thus, any imported products labeled as Non-GMO must be 100 percent Non-GMO and never have had any GMO content previously.

However, Shanghai CIQ mentioned that they use the PCR detection method to test GMO contents in soybeans in practice, but in reality they have a tolerance of 0.01 percent of GMO content. In other words, if the GMO contents in soybeans does not exceed 0.01 percent, they will be recognized as Non-GM soybeans.

Gushen Protein, a soy protein manufacturer stated that they are held to a GM content allowance of no more than 1%. This is significantly more than what other sources have stated, meaning the amount of GM allowed in Non-GM products is not entirely clear, but more on a case-by-case basis.
8.1.2. **GMO Product certification**

The processing and production of GMO products should follow the Measures for Examination and Approval of Processing Agricultural GM, issued by MOA on Jan. 16, 2006, and enacted on July 1, 2006. 19 (For an English webpage click the link labeled: 英文)

8.1.3. **Labelling requirements**

According to Food Safety Law of the People’s Republic of China revised on April 24, 2015, production and trading of genetically modified food shall follow relevant regulations and label the products prominently.

According to PRC Food and Agricultural Import Regulations of Standards Ag GM Implementation Measures, 2002:

1) GM planting seeds, breeding livestock, poultry, fish fry and microorganisms and products with genetically modified animal, plant or microbe ingredients such as planting seeds, breeding livestock, poultry, fish fry, pesticides, veterinary medicines, fertilizer and additives shall be directly labeled "genetically modified XX".

2) Products made directly from Ag GMOs shall be labeled "genetically modified XX products" or "with XX as raw materials".

3) Products made from Ag GMOs or materials with GMO ingredients that no longer contain GMO ingredients or the GMO ingredients cannot be detected in the final products for sales shall be labeled "This product is made from genetically modified XX, but the product no longer contains genetically modified ingredients" or "This product uses genetically modified XX as raw materials, but the product no longer contains genetically modified ingredients". 20

8.1.4. **Phytosanitary requirements**

The phytosanitary issues regarding GM crops and products should follow the Administrative Measures on the Entry and Exit Agricultural GMO Products Inspection and Quarantine issued by AQSIQ on Sept. 5th, 2001 and enacted on April 25th, 2004. These measures can be found on the AQSIQ website at: http://www.aqsiq.gov.cn/xxgkChina Soybean Maximum Residue Limit (MRL) 21

8.1.5. **Maximum Residue Limits**

The USDA GAINS Report: Maximum Residue Limits for Pesticides in Food – China, lists the MRL of each pesticide that is regulated by the Chinese government. 22 Below is a sample of some of the pesticides related to soybeans and their MRL as of now.

On October 24, 2016, China informed the World Trade Organization about draft standards establishing 233 maximum residue limits (MRLs) in foods for 99 pesticides (including 2, 4-D-dimethylammonium), notified as SPS/N/CHN/1053. The deadline for comments is December 23, 2016. The proposed date to establish the new standards is yet to be determined. The government issued temporary new draft standards on maximum residue limits to cover a general range of foods. 23

![Soybean Maximum Residue Limit (mg/kg)]

<table>
<thead>
<tr>
<th>Pesticides</th>
<th>MRL</th>
</tr>
</thead>
<tbody>
<tr>
<td>2, 4-D and 2, 4-D Na</td>
<td>0.01</td>
</tr>
</tbody>
</table>
8.1.6. Other requirements
Zhangye City in China’s Gansu Province recently issued a ban on growing, selling, or using any GM seeds. This is the first local ban on GM seeds in China. In a document released on October 25, 2013, the city government ordered that no organizations or companies may grow, trade, or use any GM seeds in the area. 24

8.2. Seed Law of the People's Republic of China

8.2.1. Chapter VII Seed Imports and Exports, and Foreign Cooperation 25

The term "seed" in the below section of the law means the materials for planting or propagating crops and forest trees, including grains, fruits, roots, stems, seedlings, sprouts, leaves and flowers, etc.

Article 57 - Any seeds imported or exported shall be subject to inspection and quarantine for the purpose of preventing dangerous plant diseases, insect pests, weeds and other harmful organisms from spreading into or out of China, and inspection and quarantine shall be carried out in accordance with the provisions of the laws, rules and regulations on entry or exit plant inspection and quarantine.

Article 58 - Those engaged in seed imports or exports shall in addition to the seed production and business license, obtain the seed import and export permit in accordance with related laws and regulations of the state. The State Council shall set the limits of authority for examining and approving the introduction of the seeds of crops and forest trees from abroad, and formulate measures for validation of the import and export of such seeds and administrative measures for the introduction of transgenic plant varieties.

Article 59 - The quality of the imported seeds shall meet the national or industrial standards. Where there are no such standards, the standards stipulated in a contract may be applied.

Article 60 - Where seeds are imported for producing seeds for other countries, such imports may be exempt from the restriction provided in Paragraph 1, Article 58 of this Law, provided that a contract is signed for producing seeds for foreign countries. The imported seeds are only to be used for the production of hybrid seeds, and the products are not allowed to be sold at domestic markets. The crop seeds or forest tree seeds introduced from abroad for experiment shall be planted in isolation, and no harvests therefrom may be sold as commodity seeds.

Article 61 - The import and export of fake and inferior seeds and of the seeds the import and export of which are prohibited by State regulations are prohibited.

Article 62 - The State shall establish the safety examination system for the seed industry. Where the foreign entities or individuals invest or acquire the domestic seed enterprises, or conduct technical cooperation with the domestic scientific research institutions and seed enterprises, the approval and management for the engagement of variety development, seed production and business shall be implemented by the relevant departments in accordance with the relevant laws and administrative regulations.
8.3. Major Ports of Entry

According to Decree No. 158 [2015] published by the General Administration of Quality Supervision, Inspection, and Quarantine of the People’s Republic of China (AQSIQ), 82 ports are authorized as designated ports for grain imports, increasing from 58 in 2014, as they have met requirements of:

1. Geographically align with national strategic layout, and qualified for grain import;
2. No agricultural land within proximity to port, no plantation of crops same or similar to the imported;
3. Proper port layout for grain handling, transportation, storage, inspection and processing, isolation from residential and other non-port area;
4. Capable of handling, storage and transportation of grain, equipped with automated machineries;
5. Capable of grain epidemic prevention and control, waste disposal, and disease monitor measurements, equipped with monitoring and surveillance systems;
6. Capable of on-site inspection, lab testing, and quarantine treatment.

Soy Canada will likely find more success shipping to A/B ports. See appendix item 10.5 for a list of ports and types. A/B ports can handle both container and bulk shipping and typically offer more direct market access, as they handle large volumes of soybeans. Major A/B ports to consider are located in Tianjin, Hebei, Liaoning, Shanghai, Jiangsu, Ningbo, Shandong, Guangdong, and Shenzhen provinces.

9. Conclusions and Recommendations

China’s demand for soybeans is likely to increase. With China’s growing wealth and development comes a booming middle class. This consumer group is driving market change, especially for luxury goods, such as higher quality meat. China’s GM soybean imports are typically used in the crushing industry for animal feeds. But growing health concerns and caution over GM products has shifted the focus to more Non-GM soybeans. The Chinese government is enacting policy aimed to support the domestic production of Non-GM soybeans so that China is not as reliant on imports. The problem China faces, however, is land scarcity and inefficiency. The domestic supply cannot keep up with the demand for a diet that includes high quality meats, poultry, and food grade soybean products. Furthermore, government efforts intended to curb soybean imports and support domestic production, may raise prices in the food industry in the long run, once domestic supply is consumed and the industry is forced to utilize more imports. A cheaper source of soybeans is needed.

The important question becomes clear: where will the soybeans come from? The United States is now using most of its available cropland and has limited additional land that can be planted for soybeans. Additionally, major soybean producers like the U.S., Brazil, and Argentina mainly produce GM soybeans and save most Non-GM soybeans for domestic consumption. Major producers may begin to allocate more land to soybean production, but this is not an easy process. China may eventually embrace GM soybean production, once it acquires better means to do so, as it would improve their domestic soybean yields. However, the best near-future-option may be to import more Non-GM soybeans from countries like Canada.

If Soy Canada can sell Non-GM soybeans to Chinese importers at lower, or at least competitive, prices, there are many opportunities within the current market environment. However, because of the mentioned government actions, it is
currently difficult for foreign producers to sell at competitive prices. There are still opportunities within the market even if Soy Canada is unable to match the current market prices. Foreign agricultural products are seen as higher quality than domestic agricultural products in China. Importers and producers looking to fill the high-end, Non-GM soybean based food products market will be interested in foreign soybeans. Companies in China are trying to position themselves as organic, or high-quality food producers and they will be looking for higher-quality soybeans to import. Soy Canada may find success by conducting targeted marketing to specific businesses that promote themselves as high-quality and/or organic food producers.

9.1. SWOT Analysis

9.1.1. Strengths

Soy Canada’s strengths are:

- It is a major Non-GM soybean supplier (Soybeans are now the third largest field crop in Canada in terms of farm cash receipts).
- Canadian soybean production is becoming more prevalent within the country’s economy. This will promote more growth in the industry.
- Offers consistent, high quality, food grade soybeans. Most of Canada’s Non-GM soybeans are grown in Ontario and Quebec, between the Great Lakes and St. Lawrence River Basin. This allows for high yields of quality, Non-GM soybeans.
- Has a complete and strict standard and quality control system.
- High assurance on food safety.
- High protein levels.
- Lower price then China home grown soybeans.

9.1.2. Weakness

- Long transportation time.
- Limited supply quantity to the Chinese market.
- Domestic needs: Canada’s soybean protein market is increasing.
- Import procedures are complex.
- Exchange rate: The RMB is depreciating, increasing costs of exporting to China.

9.1.3. Opportunities

- Quantity of Chinese supply is less than demands.
- Knowledge of soybean nutrition is improving, demand for soybean products is increasing.
- The Chinese soybean protein market is growing, driven by increased demands from the domestic market.
- New Safety Law have strict regulations to prevent GM soybeans flow into food processing markets
- As GM soybean prices rise and Non-GM soybean prices fall, Soy Canada may have a unique window of opportunity to provide higher quality, cheaper, Non-GM soybeans to the market.

9.1.4. Threats

From competitors:
China is a major Non-GM soybean supplier
The Chinese government is selling stockpiles of non-GM soybeans to lower market prices and make domestic producers more competitive.
China soybean growing areas will increase.
The Chinese government will offer subsidies to Chinese growers.
China also imports non-GM soybean from Ukraine, Russia, US and other places.

From consumers:
Soy products processors are mainly small and medium size companies that prefer to purchase locally. They are also very price-sensitive.
Since China has imported a lot GM soybean, Chinese consumers think all imported soybean especially from North America are GM soybeans. Labeling and branding will be important to counteract this public perception.

9.2. Next Steps

1) Target high-end soybean importers and producers.

Soy Canada will likely have better success targeting companies that have positioned themselves as high-end soybean product producers. These producers are skeptical of the quality of domestic soybeans, and will be looking for higher quality foreign soybeans. These producers target the middle-class, health conscious consumers, who are able and willing to purchase more expensive brands. Soy Canada should reach out to the companies listed in Appendix 10.4 to better understand their position in the market and what partnership opportunities they may offer.

2) Target soy protein processors

Chinese soy protein processors prefer to purchase soybeans if the protein contents reach 40 percent or more. Non-GM soybeans usually have higher protein contents than GM soybeans. The drive for Chinese soybean protein is mainly driven by increasing demands of Japan and European markets. These markets have very strict requirements on Non-GM products. The largest Chinese soybean protein processors like Gushen, Shandong, and Yuwang will be major targets for Soy Canada.

3) Participation in trade shows and seminars:

At present, Tractus represents USA Dry Pea and Lentil Council (USADPLC) in China, including Taiwan and Hong Kong. Tractus’ responsibilities include four sections: trade services, reverse trade missions, marketing research and publications to the Chinese industry members. With Tractus’ experience, we believe there are some trade promotion initiatives that would benefit Soy Canada:

**China International Soybean Food Processing Technology and Equipment Exhibition (Wuhan, Apr 15-17, 2017)** - SPEE is the largest Soybean related show in China. SPEE is opened exclusively to trade visitors and not the general public. This year the main contractors of the exhibition will be the China Food Industry Association, Soybean Professional Committee, the Japanese Circulation Industry Development Committee, and the Beijing Sino-foreign...
Consultancy Co., Ltd. They have jointly decided that starting in 2017, the "China International Soybean Food Processing Technology and Equipment Exhibition" for the first time will be held in Wuhan. Each year the tour will take place in different cities throughout China and for a fixed period of time will be held in Shanghai. The China Soybean Products Industry Annual Conference and the Second China Soybean Food Festival will be held in the same period. More info at: http://www.cbpanet.com/dzp_news_show.aspx?id=9471

Food Ingredients China 2017 (Shanghai, Mar 24-26, 2017) - The largest trade show in China. In 2016, the exhibition had a total of 1,449 exhibitors, including 439 foreign enterprises and 1,008 domestic enterprises; attracted thousands of visitors to come and visit.

Highlights of 2016:
- More than 10,000 sqm Exhibiting floor space.
- Over 1,400 exhibitors with over 300 overseas companies.
- More than 90% of exhibitors are manufacturers.
- Exhibits cover 23 categories of food additives, 35 categories of food ingredients and 14 categories of processing aids.
- Chinese top exported-oriented companies all attend.
- A series of academic conferences and technical seminars.
More info: http://fic.cfaa.cn/

Hi China, Fi Asia-China 2017 (Shanghai, June 20-22) - Hi China, co-located with Fi Asia-China, is one of the largest health ingredients events in China. It features health ingredients, food ingredients, nutraceuticals, functional foods and more, all under one roof. More info: http://www.fia-china.com/home/en

4) Planning, organization, and implementation of trade mission:

We suggest that Soy Canada plan and organize yearly trade mission for existing and potential customers, which can help them build product confidence, establish important relationships, and expand trade scales accordingly. Meanwhile, having Chinese buyers to visit Canada Non-GM soybean growing areas is also great way to increase exports to China. When doing a reverse trade mission, Chinese buyers can develop a better understand of the premium quality of Canadian Non-GM soybeans, strict quality control, and high standards. Canadian soybean growers, processors and traders can also learn Chinese markets from these frequent communications.

We also suggest that Soy Canada hire some Chinese local representatives if possible, as they provide key on-ground support like reporting and handling issues, updates, and concerns from the Chinese industry members, as well as forward Chinese buyers’ inquires.

5) Marketing materials/publications/advertising:

- The public opinion of imported soybeans in China is that almost all are GM soybeans. We suggest that Soy Canada make efforts in marketing to promote Canadian Non-GM soybeans.
• Translate existing marketing materials into Chinese - a Chinese web page is very helpful for Chinese to learn about Canadian Non-GM soybeans.
• Create marketing materials for different events/trade shows - design specific China newsletters and emails to send to industry members, include:
  - Traders/importers/distributors
  - Food manufacturers/re-packers
  - Industry Associations/institutes/media
• Hold seminars on trends of soybean processing and applications to explore markets.
10. Appendix


<table>
<thead>
<tr>
<th>Key Statistics for the Chinese Soybean Industry in 2015/16 (1,000 Tons) (USDA)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td><strong>Commodity</strong></td>
</tr>
<tr>
<td>Domestic</td>
</tr>
<tr>
<td><strong>Area Planted</strong></td>
</tr>
<tr>
<td><strong>Area Harvested</strong></td>
</tr>
<tr>
<td><strong>Beginning Stocks</strong></td>
</tr>
<tr>
<td><strong>Production</strong></td>
</tr>
<tr>
<td>Imports</td>
</tr>
<tr>
<td><strong>MY Imports</strong></td>
</tr>
<tr>
<td><strong>MY Imp. From US</strong></td>
</tr>
<tr>
<td><strong>MY Imp. From EU</strong></td>
</tr>
<tr>
<td><strong>Total Supply</strong></td>
</tr>
<tr>
<td>Exports</td>
</tr>
<tr>
<td><strong>MY Exports</strong></td>
</tr>
<tr>
<td><strong>MY Exp. To EU</strong></td>
</tr>
<tr>
<td>Consumption Uses</td>
</tr>
<tr>
<td><strong>Crush</strong></td>
</tr>
<tr>
<td><strong>Food Use Dom. Cons. (Non-GM)</strong></td>
</tr>
<tr>
<td><strong>Feed Waste Dom. Cons.</strong></td>
</tr>
<tr>
<td><strong>Total Dom. Cons.</strong></td>
</tr>
<tr>
<td><strong>Ending Stock</strong></td>
</tr>
<tr>
<td><strong>Total Distribution</strong></td>
</tr>
</tbody>
</table>

*MY: Marketing Year, Y1 October to Y2 September*
10.2. Data Source A – China Soybean Supply/Consumption

Table 2: Data Source A - China Soybean Supply/Consumption

<table>
<thead>
<tr>
<th>China Soybean Supply/Consumption</th>
<th>Yr. 12/13</th>
<th>Yr. 13/14</th>
<th>Yr. 14/15</th>
<th>Yr. 15/16</th>
<th>Yr. 16/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning-of-Period Inventory</td>
<td>13,520</td>
<td>12,340</td>
<td>11,600</td>
<td>13,500</td>
<td>13,500</td>
</tr>
<tr>
<td>Domestic Production</td>
<td>12,500</td>
<td>12,000</td>
<td>11,700</td>
<td>10,500</td>
<td>10,500</td>
</tr>
<tr>
<td>Imported</td>
<td>60,070</td>
<td>70,180</td>
<td>78,300</td>
<td>82,890</td>
<td>83,150</td>
</tr>
<tr>
<td>Total Supply</td>
<td>86,090</td>
<td>94,520</td>
<td>101,600</td>
<td>106,890</td>
<td>107,150</td>
</tr>
<tr>
<td>Crush-Use Consumption</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Total Consumption</td>
<td>62,580</td>
<td>71,500</td>
<td>76,800</td>
<td>82,080</td>
<td>82,210</td>
</tr>
<tr>
<td>Domestically Supplied</td>
<td>3,500</td>
<td>2,500</td>
<td>1,800</td>
<td>1,900</td>
<td>1,900</td>
</tr>
<tr>
<td>% to Total Crush-Use</td>
<td>5.59%</td>
<td>3.50%</td>
<td>2.34%</td>
<td>2.31%</td>
<td>2.31%</td>
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<tr>
<td>% to Total Domestic Supply</td>
<td>28.00%</td>
<td>20.83%</td>
<td>15.38%</td>
<td>18.10%</td>
<td>18.10%</td>
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<tr>
<td>Import Supplied</td>
<td>59,080</td>
<td>69,000</td>
<td>75,000</td>
<td>80,180</td>
<td>80,310</td>
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<tr>
<td>% to Total Crush-Use</td>
<td>94.41%</td>
<td>96.50%</td>
<td>97.66%</td>
<td>97.69%</td>
<td>97.69%</td>
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<tr>
<td>% to Total Imported</td>
<td>98.35%</td>
<td>98.32%</td>
<td>95.79%</td>
<td>96.73%</td>
<td>96.58%</td>
</tr>
<tr>
<td>Export</td>
<td>270</td>
<td>220</td>
<td>150</td>
<td>150</td>
<td>150</td>
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<tr>
<td>% of Total Consumption</td>
<td>0.37%</td>
<td>0.27%</td>
<td>0.17%</td>
<td>0.16%</td>
<td>0.16%</td>
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<tr>
<td>Seeding</td>
<td>500</td>
<td>500</td>
<td>400</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>% of Total Consumption</td>
<td>0.68%</td>
<td>0.60%</td>
<td>0.45%</td>
<td>0.53%</td>
<td>0.53%</td>
</tr>
<tr>
<td>Food and Industrial Use</td>
<td>10,400</td>
<td>10,700</td>
<td>10,750</td>
<td>12,000</td>
<td>12,000</td>
</tr>
<tr>
<td>% of Total Consumption</td>
<td>14.10%</td>
<td>12.90%</td>
<td>12.20%</td>
<td>12.67%</td>
<td>12.65%</td>
</tr>
<tr>
<td>Total Consumption</td>
<td>73,750</td>
<td>82,920</td>
<td>88,100</td>
<td>94,730</td>
<td>94,860</td>
</tr>
<tr>
<td>End-of-Period Inventory</td>
<td>12,340</td>
<td>11,600</td>
<td>13,500</td>
<td>12,160</td>
<td>12,290</td>
</tr>
<tr>
<td>Inventory Consumption %</td>
<td>16.73%</td>
<td>13.98%</td>
<td>15.32%</td>
<td>12.69%</td>
<td>12.69%</td>
</tr>
</tbody>
</table>

*MY: Marketing Year, Y1 October to Y2 September*

10.3. HS Codes by Commodity

<table>
<thead>
<tr>
<th>HS Code</th>
<th>Commodity</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.0100.10</td>
<td>Soya beans, for sowing</td>
</tr>
<tr>
<td>12.0100.20</td>
<td>Soya beans, for oil extraction</td>
</tr>
<tr>
<td>12.0100.90</td>
<td>Soya beans, nes</td>
</tr>
<tr>
<td>12.0110.00</td>
<td>Soya beans, seed for sowing, whether or not broken</td>
</tr>
<tr>
<td>12.0190.10</td>
<td>Soya beans, other than seed for sowing, whether or not broken, for oil extraction</td>
</tr>
<tr>
<td>12.0190.10</td>
<td>Soya beans, other than seed for sowing, whether or not broken, for oil extraction</td>
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</table>
### 10.4. Major Chinese Soybean Foodstuff Producers

<table>
<thead>
<tr>
<th>Company</th>
<th>Website</th>
<th>Product Line</th>
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<tbody>
<tr>
<td>Beijing Er Shang CJ Food Co., Ltd</td>
<td><a href="http://www.bjfood.com.cn/">http://www.bjfood.com.cn/</a></td>
<td>tofu; soybean milk</td>
</tr>
<tr>
<td>Beijing Xiang Xiang Wei Yi Food Factory</td>
<td><a href="http://xiangxiangfood.foodmate.net/">http://xiangxiangfood.foodmate.net/</a></td>
<td>tofu; soybean milk; bean curd; rosa</td>
</tr>
<tr>
<td>Zuming Bean Products Co., Ltd</td>
<td><a href="http://www.chinazuming.cn/">http://www.chinazuming.cn/</a></td>
<td>soybean milk; vegetarian meat; tofu; bean curd sheet; fried gluten puff; fried bean curd puff;</td>
</tr>
<tr>
<td>Hangzhou Soybean Products Co., Ltd</td>
<td><a href="http://hzdzsp.cn.china.cn/">http://hzdzsp.cn.china.cn/</a></td>
<td>bean curd sheet; tofu; vegetarian meat; soybean milk</td>
</tr>
<tr>
<td>Wenzhou Vegetable Development Co., Ltd.</td>
<td><a href="http://www.71p.net/c578324.html">http://www.71p.net/c578324.html</a></td>
<td>tofu; soybean milk</td>
</tr>
<tr>
<td>Hebei Gao Bei Dian Doudou Food (Group) Company</td>
<td><a href="http://doudougroup.cn.global.com/">http://doudougroup.cn.global.com/</a></td>
<td>tofu; soybean noodles; yuba</td>
</tr>
<tr>
<td>Xiamen Yin Xiang Bean Products Co., Ltd</td>
<td><a href="http://www.yxgood.com/">http://www.yxgood.com/</a></td>
<td>tofu; shutter; rosa; soybean milk; gluten</td>
</tr>
<tr>
<td>Sanming Yang Chen Food Co., Ltd</td>
<td><a href="http://www.yangchenfood.com/">http://www.yangchenfood.com/</a></td>
<td>soybean milk</td>
</tr>
<tr>
<td>Shanxi Qing Yu Oil Co., Ltd</td>
<td><a href="http://www.chinaqingyu.com/">http://www.chinaqingyu.com/</a></td>
<td>vegetarian meat</td>
</tr>
<tr>
<td>Zaozhuang Shanting Cheng Doudou Products Professional Cooperatives</td>
<td><a href="http://douzhipin88.foodmate.net/">http://douzhipin88.foodmate.net/</a></td>
<td>vegetarian meat; bean gluten; bean sausage</td>
</tr>
<tr>
<td>Henan Shi Tong Food Co., Ltd.</td>
<td><a href="http://www.tangjiu.com/vipcom/shitong/">http://www.tangjiu.com/vipcom/shitong/</a></td>
<td>tofu; soybean milk; rosa; vegetarian meat</td>
</tr>
<tr>
<td>Shenyang Fulai Food Industrial Co., Ltd.</td>
<td><a href="http://www.syflsp.com/">http://www.syflsp.com/</a></td>
<td>tofu; soybean milk; vegetarian meat</td>
</tr>
<tr>
<td>Hubei Shun Xi Bio Food Co., Ltd</td>
<td><a href="http://www.sxdzp.com/">http://www.sxdzp.com/</a></td>
<td>tofu; sufu; soybean paste</td>
</tr>
<tr>
<td>Heilongjiang Nong Ken Longwang Food Co., Ltd</td>
<td><a href="http://www.longwangshipin.com/">http://www.longwangshipin.com/</a></td>
<td>soy powder</td>
</tr>
<tr>
<td>Wugang City, Hunan Province, Hua Peng Food Co., Ltd.</td>
<td><a href="http://www.huapengfood.com/">http://www.huapengfood.com/</a></td>
<td>dried tofu; vegetarian meat</td>
</tr>
<tr>
<td>Company Name</td>
<td>Website</td>
<td>Products</td>
</tr>
<tr>
<td>--------------</td>
<td>---------</td>
<td>----------</td>
</tr>
<tr>
<td>Kerry Food Marketing Co., Ltd</td>
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<td>soybean oil</td>
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<tr>
<td>Vitasoy(Foshan)Co., Ltd</td>
<td><a href="http://www.vitasoy.com/sc/">http://www.vitasoy.com/sc/</a></td>
<td>tofu; soybean milk</td>
</tr>
<tr>
<td>Black Cattle Food Co., Ltd</td>
<td><a href="http://www.blackcow.cn/">http://www.blackcow.cn/</a></td>
<td>soybean powder</td>
</tr>
<tr>
<td>Guangxi Province, Wuzhou City, Bingquan Co., Ltd</td>
<td><a href="http://www.bingquan.com/">http://www.bingquan.com/</a></td>
<td>soybean powder; soybean milk; jellied bean curd; porridge; yuba</td>
</tr>
<tr>
<td>Weiwei Group Co., Ltd by Share</td>
<td><a href="http://www.vvgroup.com/group/index.php">http://www.vvgroup.com/group/index.php</a></td>
<td>soybean powder; soybean milk</td>
</tr>
<tr>
<td>Suzhou Jinji Food Co., Ltd</td>
<td><a href="http://www.jjfood.com.cn/web/">http://www.jjfood.com.cn/web/</a></td>
<td>soybean milk; vegetarian meat; (dried) tofu; sufu; seasoning sauce; soy sauce; vermicelli</td>
</tr>
<tr>
<td>Nanjing DGG Bean Products Co., Ltd</td>
<td><a href="http://douguoguo.com/home.asp">http://douguoguo.com/home.asp</a></td>
<td>(fried &amp; dried) tofu; vermicelli; vegetarian meat; soybean milk</td>
</tr>
<tr>
<td>Weiyang Yangzhou Bean Food Co., Ltd.</td>
<td><a href="http://www.beanfoodstuff.com/">http://www.beanfoodstuff.com/</a></td>
<td>(dried) tofu; vegetarian meat; soybean milk</td>
</tr>
<tr>
<td>Chongqing Qi Shuang Industrial (Group) Co., Ltd.</td>
<td><a href="http://www.cqqssp.cn/">http://www.cqqssp.cn/</a></td>
<td>dried tofu</td>
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<tr>
<td>Chongqing Tian Run Food Development Co., Ltd.</td>
<td><a href="http://www.tianrunshop.com/">http://www.tianrunshop.com/</a></td>
<td>dried tofu</td>
</tr>
<tr>
<td>Chongqing Duo Wei Duo Food Co., Ltd</td>
<td><a href="http://www.cqdwd.com/">http://www.cqdwd.com/</a></td>
<td>dried tofu</td>
</tr>
<tr>
<td>Ma'anshan City, Huang Chi Food (Group) Company</td>
<td><a href="http://www.huaxia.com/mastb/tzzs/zmsqy/2011/03/2325545.html">http://www.huaxia.com/mastb/tzzs/zmsqy/2011/03/2325545.html</a></td>
<td>soybean milk; soybean sauce; dried tofu</td>
</tr>
<tr>
<td>Anhui Province Cheng De Food Co., Ltd.</td>
<td><a href="http://chengde.foodmate.net/">http://chengde.foodmate.net/</a></td>
<td>dried tofu; rosa; bean curd puff; soybean sauce; kaofu; yuba; vermicelli; vegetarian meat (substitute)</td>
</tr>
<tr>
<td>Huainan Bagongshan Bean Products Factory</td>
<td><a href="http://www.bgsdzrp.com/">http://www.bgsdzrp.com/</a></td>
<td>dried tofu; rosa; bean curd puff; soybean sauce; kaofu; yuba; vermicelli; vegetarian meat (substitute)</td>
</tr>
<tr>
<td>Huainan Wanwan Xiang Bean Industry Co., Ltd.</td>
<td><a href="http://shop.99114.com/270599">http://shop.99114.com/270599</a></td>
<td>(dried) tofu; soybean milk; vegetarian meat (substitute); sufu; vermicelli</td>
</tr>
<tr>
<td>Hefei Da Fu Food Co., Ltd.</td>
<td><a href="http://www.hfdafu.com/">http://www.hfdafu.com/</a></td>
<td>(dried &amp; fried) tofu; vegetarian meat (substitute); sufu</td>
</tr>
<tr>
<td>Anhui Bagongshan Bean Products Co., Ltd.</td>
<td><a href="http://www.sxbgsq.com/">http://www.sxbgsq.com/</a></td>
<td>sofu; dried tofu; bean curd sauce; vermicelli</td>
</tr>
</tbody>
</table>
Sichuan Hui Ji Food Co., Ltd by Share | http://english.huijifood.com/ | dried tofu
Chengdu Xiangxiang Zui Food Co., Ltd | http://gcj72775563.cn.gongchang.com/ | dried tofu; vegetarian meat
Sichuan Shan Xiang Food Co., Ltd | https://sshangufang.1688.com/ | dried tofu; douchi; seasoning paste; yuba
Sichuan Nanxi Shu Ren Food Co., Ltd | http://www.shurenfang.com/srf/ | soybean milk; dried tofu; vegetarian meat
Ningxia Tian Ren He Muslim Bean Products Co., Ltd by Share | http://nxtrhdy.foodqs.cn/ | (dried) tofu; fried bean products; soybean milk; vegetarian meat (substitute); rosa

10.5. Major Ports of Entry

Key:
A – Refers to port for bulk
B – Refers to port for container
A/B – Refers to port for both bulk and container
C – Refers to inland port for bus/train transportation

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<th>Subject to Provincial/City Bureau</th>
<th>Port</th>
<th>Type</th>
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</thead>
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<td>Port of Tianjin</td>
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<tr>
<td>Hebei</td>
<td>Port of Tangshan</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td>Qinhuangdao Port</td>
<td>A/B</td>
</tr>
<tr>
<td>Inner Mongolia</td>
<td>Erlianhot Port</td>
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<td>Manzhouli Port</td>
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<tr>
<td></td>
<td>ArxanShan Port</td>
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<td>Dalian Port</td>
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<td>Yingkou Port</td>
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<td>Shandong</td>
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<tr>
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</table>
10.6. About Tractus Asia

Tractus is an Asia-based consulting firm that focuses on developing and assisting government agencies, multinationals and regional companies with their trade, investment and growth strategies. With over 20 years’ experience, we have developed an in-depth understanding of the rationale employed by private and public sector agencies when making strategic trade and investment and development decisions. Tractus has undertaken a diversity of market research studies across Southeast Asia to provide an in-depth understanding on the particulars of interest to our clients.

Our hands-on participation in the execution of these market research initiatives have given us unique insights into the challenges companies face when investing in or sourcing from the ASEAN Asian region. Our established research methodology effectively and efficiently examines regional and industry competitiveness as relates to our clients’ strategies. Once project objectives are accomplished, we are frequently recruited by these same clients to assist them manage and execute respective strategies.

Our insights have proven invaluable to major multinational corporations seeking the most competitive strategy for their expansion into Asia. Our research and analysis combined with our recommendations based on evidence support company decisions on emerging Asia.

10.7. References

2. Direct from State Statistics Bureau
5. Data Source A: cofeed.com, a 3rd party for-profit data agency, focused on grain, oil and stock feed related information service. Agency supported by Ministry of Agriculture (MOA), Ministry of Commerce (MOC), National Bureau of Statistics (NBS) and National Development and Reform Commission (NDRC). Data collected on-site from networks nation-wide, and its member companies, e.g. COFCO, Sinograin, Cargill, Louis Dreyfus, Bunge, Commodity Trading Centers, and many other grain, oil and stock feed related companies.
12. https://www.mordorintelligence.com/industry-reports/china-soy-beverages-market
18. Dalian Commodity Exchange Center
25. USDA GAINS Report: China Amends Seed Law to Develop Seed Industry;