

 **Macro-economic Situation**

Real estate shares have recently fallen dramatically on stock markets both in Shanghai and Shenzhen in response to the central government's vows that they would try every means they could to crack down on activities or rather malpractices of hoarding construction lands by state-owned enterprises at any cost, holding houses or apartments tightly for much higher sales prices etc.. Local analysts indicate that one of the stringent measures that they might take and would take effect immediately is to cut off the rampant money supplies from state-owned banks to state-owned real estate companies, which have recently swept all the auctions of construction lands by bidding the highest prices and taking the prizes, thus pushing up real estate construction costs higher and higher. More money supplies would reportedly be diverted into new energies and fuels development, environmental protection sector, and other physical economical sectors.

Coal prices have rallied to their highest levels since the beginning of this year after continually moving up consecutively for a couple of weeks due to tight supply and demand situation of coal and electricity with commercial coal stock declining to 181.87mmt as of the end of November, down about 2.62mmt from the previous month. Signs of economical stabilization and recovery are evident now with steel, cement, electricity, ferrous metals demand increasing significantly, thus prompting coal demand to grow dramatically as well according to the National Coal Industry Association. In the meantime, much lower water levels in the south and much colder wintry weather have also lent boost to thermal power generation and coal demand, particularly in the southern provinces.

 **Government Grains Policy**

The central government is deliberating on an action to release part of their vegetable oils reserve some time in the coming couple of weeks in attempt to check the rallying pace of vegetable oils prices across the nation according to reliable insiders. The preliminary quantity under their consideration estimated to be around 300,000 mt. However, this paltry quantity is widely considered as not enough to create any notable impact on the domestic market especially when the market is still on its upward trend and no sign of top is showing with unusually less foreign vegeoils expected to flow into China during the coming months. Therefore, timing their release well would become the key to the effectiveness of this round of manipulation. The government is reportedly holding about 2 mmt of vegeoils in their hands at the moment, which is equivalent to two months' imports for domestic market. If they take action too early their "ammunition" might be consumed with little effect. Anyway, amid the complaints of the masses about recent rally in edible oils prices, the government needs to do something as a kind of gesture of their attention and concern about the ordinary people's well being.

## **Domestic Livestock & Poultry Market**

The stronger demand for meat and higher feed costs have continually been pushing pork and chicken prices higher during the last couples of weeks. The strength in meat prices might continue into the spring festival holidays around the middle of February.

It is reported that COFCO has invested RMB194 million to acquire 100% share of a meat processing joint venture between Smithfield Foods and Artal Group in China as the initial step of their ambitious plan to become the largest meat processor on domestic market. For this bold vision, they are planning to invest money as much as RMB150 million in total to set up three hog farming bases with each marketing volume around 1 million heads annually.

Currently China has 600 million heads of hog on farm a year on average. According to China Meat Association, the annual meat production amounts to 10.75mmt at the moment and is expected to increase 50%, reaching 16.00mmt in 2015 with 10% growth each year.

## **Domestic Oilseeds & Vegeoils Market**

Soyoil market has declined significantly from the beginning of this month with current sales prices averaging RMB7,650.00/mt across the nation. More buying power was daunted by too fast rally in domestic vegeoils market in the second of last month, thus prompting this round of set back recently. Scarce inventories in the lower leg of cash pipelines coupled with lower prices might however encourage more buyers to emerge, thus pushing the prices to new highs in the upcoming two months.

Soymeal market has stabilized these days after dropping notably in anticipation of more foreign beans shipments coming into domestic market from the beginning of this month onwards and most crushers likely speeding up their crushing. However with more soymeal coming off crushing lines across the nation and off season of livestock raising and meals sales setting in immediately after China's Lunar New Year holidays, soymeal market is widely expected to come under heavier and heavier pressure over time from now on.

## **Domestic Sugar Market**

China central government has recently announced to release 500,000mt of sugar from their reserve in attempt to quench local processors' thirst for raw sugar feedstock and ease the tightness of supply and demand situation on domestic market.

Pls feel free to contact me if you have any question and comment.

Best regards  
Wei, Dong