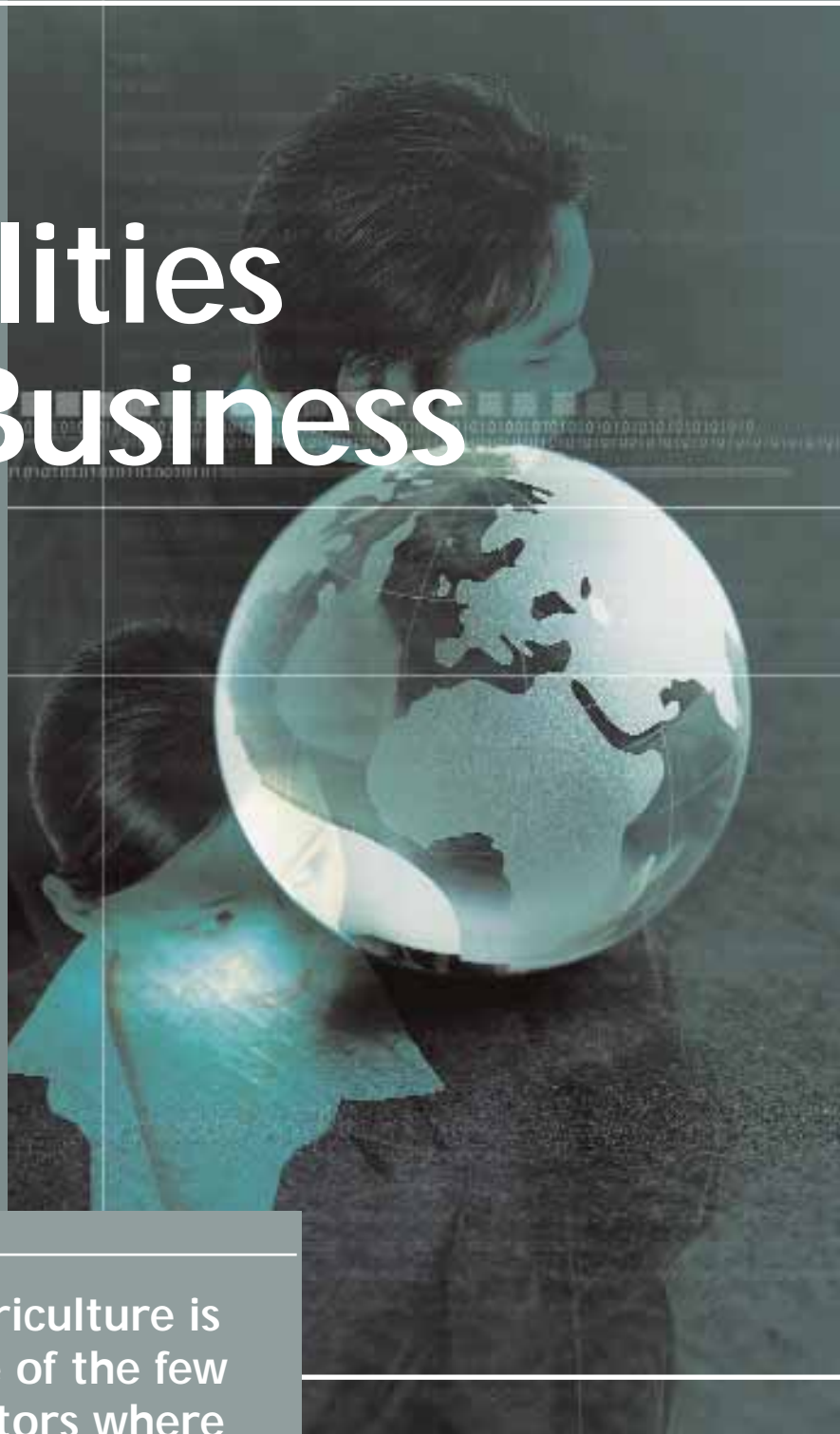


# A World of Possibilities for Agri-Business in China

By Karen Imas

**T**hree legislators from the Northeastern states visited Inner Mongolia in China to promote Northeast agricultural exports. Their site visits ranged from small family-owned dairy farms to briefings by Chinese and American government officials in Beijing. The purpose of the visits was to provide an overview of Chinese agri-business, which will help Northeast companies understand the Chinese market.



**Agriculture is one of the few sectors where the United States has a trade surplus with China.**

Assemblyman Darrel Aubertine (N.Y.), Rep. Arthur Hershey (Pa.) and Rep. Nancy Smith (Maine) are all state legislators and dairy farmers interested in promoting a strong agriculture industry in their states. This combination of job experience gave the group unique insight in evaluating the potential export and joint venture

opportunities with farmers in Tongliao, Inner Mongolia.

Agriculture is one of the few sectors where the United States has a trade surplus with China. China hopes to boost its dairy industry over the next 10 to 15 years, thanks to the growing consumption of milk and other dairy products. Milk con-

In 2004, China's purchases of dairy products set records.



sumption is increasing by 15 to 18 percent annually (37 percent in 2003) and flavored yogurt is growing in popularity, especially among young people. In 2004, China's purchases of dairy products set records.

The trade mission initially intended to promote assisted reproductive technology, particularly cow embryo transfer, to small and medium sized farms. However, the delegation discovered that many of the Tongliao farms are not well equipped for implants, nor is this method the most effective approach for local farmers to increase production.

"Going over there, we realized that we could make a fabulous one-time sale, but we looked at this mission as a tremendous opportunity to build relationships in the long term. We hoped to impart to the dairy farmers and industry representatives that when they think about cows, they think about the Northeast," said Assemblyman Aubertine, a member of the Assembly Committee on Agriculture as well as the Committee on Economic Development, Job Creation, Commerce and Industry.

Mr. Lui, Vice Chairman of the Tongliao Economic Development Zone (TEDZ) is a noted Chinese authority on

agriculture. He and many of his colleagues were very familiar with the U.S. dairy industry. However, they assumed that all dairy was in Wisconsin. Assemblyman Aubertine responded that while the dairy cows of Wisconsin are of high quality, they are descendents of dairy cows from the Northeast. A priority of the mission was to identify the Northeast as a player in agriculture research, technology and dairy.

## Export Opportunities

The legislators agreed that with a change in herd management, production of milk could increase and even double. Given that the dairy farms in Tongliao were relatively similar in size to many small and medium sized farms in the Northeast (two to 500 cows), the legislators were able to use their own farming experience to suggest many cost-effective solutions to help the farmers increase productivity. The ultimate goal is to create a partnership to help Tongliao develop a dairy industry and encourage local farmers to look to the Northeast as a resource for information and equipment. This would result in the following new potential export opportunities for businesses in the Northeast.

- **Protein Supplements:** Increasing protein in the hay that cows are fed is standard practice in the United States but is unknown in China. Supplements and preservatives can improve milk quality and increase production.
- **Feed Management:** Chinese dairy farmers have historically used corn for cow feed but are unaware of options including alfalfa, commonly used in Northeast farms. Growing conditions for alfalfa in Tongliao are optimal. Also, small and medium sized farms in the Northeast use feed mixing technology and equipment that is unknown in Tongliao.

- **Ethanol Production:** New York state has developed a growing industry: producing ethanol with corn and using the byproduct as an additive to cattle feed. Since the Tongliao economic development zone is industrial and agricultural, the area is well suited for a similar industry.
- **Consulting:** Northeast businesses could impart technological expertise, particularly in the aforementioned areas. For example, New York businesses involved in the new ethanol production facilities in Fulton and Seneca Falls can provide models and best practices to Tongliao.

Assemblyman Aubertine explained that the Tongliao farmers were sold on the idea of using genetic methods in agriculture but were unaware that there are other ways to improve milk output. He added that Northeast businesses are well poised to offer them know-how.

“This holistic approach would help increase and enhance productions levels, getting the Tongliao dairy industry stabilized, which sets the basis for them to buy other products, like embryos from the U.S.,” said Rep. Smith, House Chair of the Business, Research and Economic Development Committee.

Several Chinese farmers have already visited Pennsylvania farms and businesses involved in embryo transplant technology, according to Rep. Hershey, chairman of the agriculture committee in the Pennsylvania House, and he hopes to have the farmers he met in Tongliao explore purchasing opportunities in the Northeast.

“I hope to invite individuals from China important to our mission to visit farms in the Northeast, and show them our best stuff including cheese making and crossbreeding systems for beef cattle. Such partnerships will help strengthen Northeast-based businesses,” said Rep. Smith.

Hershey added that the relationship is a two-way street and that dairy farms in the region have some things to learn from China as well. For example, he was impressed with the Tongliao dairy farmers’ recycling efforts.

## The Importance of Trade Missions

Exploring an untapped market such as Tongliao and establishing networks and contacts provides essential information to small to medium sized enterprises based in the Northeast.

“There are numerous small and medium sized Northeast companies who would benefit from increased trade with China,” said Rep. Hershey. “This trip allowed us to establish a network and presence that will be good for the regional economy as we increase foreign trade.”

The legwork done by the legislators in conjunction with the Eastern Trade Council (ETC) and Northeast States Association for Agricultural Stewardship provided the foundation for future growth.

“Real farmer-to-farmer exchange is a significant factor in building credibility and trust with the Tongliao farmers,” explained Rep. Hershey.

Building these long-term relationships is particularly important with many constituents and legislators concerned about outsourcing and the trade deficit.

“We are in a global market, like it or not ... it’s better to have input now, be proactive and take advantage of opportunities that would otherwise pass us by,” said Assemblyman Aubertine.

## Next Steps

Cheese is one of the fastest growing food markets in China, and has seen a 30 percent increase over the last five years. This breakthrough area should be of interest to several Northeast cheese companies.

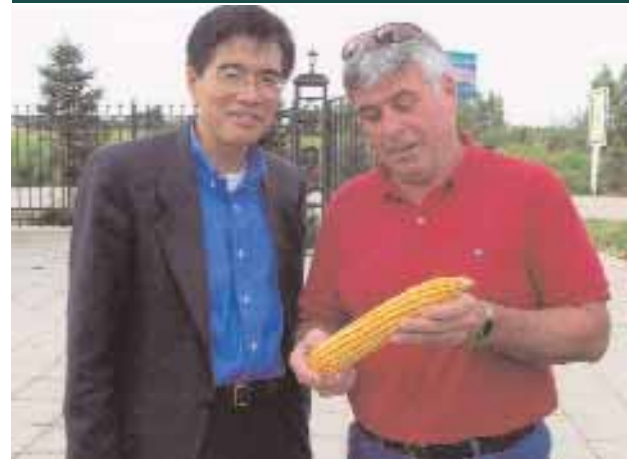
“As the Chinese people’s incomes increase, their diets are also changing, becoming more Westernized,” said Rep. Hershey. This dietary shift creates trade opportunities for those companies willing to invest time and effort. Companies that choose to participate in future trade missions to the region will already have crucial background information and substantial contacts.

Through the work of the participating legislators, ETC has been able to establish connections with Tongliao universities and officials in the economic development zone to promote trade between the Northeast and Inner Mongolia.

—Karen Imas is publications manager for The Council of State Government Eastern Regional Conference.

There are numerous small and medium sized Northeast companies who would benefit from increased trade with China.

—Rep. Hershey



Trade consultant Jeffrey Qi, left, and Assemblyman Darrel Aubertine in Tongliao, Inner Mongolia.