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International Agribusiness in China: Charoen Pokphand Group

Chickens feed the family; families build the village; villages & cities form the country. Agricultural products are a nation's wealth; they are like the oil in the ground, and are the energy source to sustain mankind. Industry develops because agriculture develops.¹

— Dhanin Chearavanont, Chairman, Charoen Pokphand Group (CP)

On the flight home to Bangkok, Dhanin Chearavanont, Chairman of the Thai agribusiness corporation, Charoen Pokphand Group (CP), recounted the day's discussions at the annual Shanghai Mayor's International Advisory Board meeting. Recent food safety issues in China, including a milk tainting scandal and the recurrence of avian flu, were at the top of his mind. The resolution on rural land reform announced at the Third Plenary Session of the 17th Central Committee of the Chinese Communist Party in October 2008 was also an important issue that would affect business. As the leader of the largest agribusiness company in China, Dhanin knew that these matters required CP to further balance its place as a key investor in China's burgeoning agriculture market with an ability to provide guidance and expertise in food safety and technology. In addition, CP also needed to assure China's top leaders that it could help close the income gap between the urban rich and rural poor by educating, training, and empowering the country's rural farmers.

In China, CP operated as Chia Tai Co. Ltd, an entity registered in Shenzhen in 1979. (**Exhibits 1 and 2** provide organization charts of CP's various companies including Chia Tai in China). As the first registered foreign entity in China, CP garnered goodwill among China's leadership through 30 years of diversified business investment on the mainland. Not only was CP deeply invested in 30 provinces, municipalities, and special autonomous regions in its core agribusiness ventures, but it was also a key land developer in Shanghai, a retail giant in China's major cities, and even a motorcycle manufacturer. Despite the economic downturn that ushered in 2009, Dhanin was confident that CP's long history in China and close ties with its government secured its status as a valued partner to help usher in rural reform and modernize agribusiness. Yet, it was not lost on him that an onslaught of international and domestic companies was vying to grab share from CP in China. Was CP doing all it could to maintain its control of the agribusiness market in China or was it taking on too much?

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Rural China: People, Land, and Industry

After the establishment of the PRC in 1949, one of the first initiatives Communist Party leader Mao Zedong inaugurated was land reform. During 1950-56, Mao confiscated land from landlords and redistributed it to landless farming families who set up the land as cooperatives. After this period, farmers were forced to pool their land into “collectives” to create larger fields for greater production output.^a By 1958, with the launch of the “Great Leap Forward,” Mao introduced the commune system whose aim was to create economies of vast scale and to “leap” into Communism in one bound. Property and farm production were owned and controlled by the commune, and labor and income were pooled with the hope that agricultural growth would fuel China’s industrialization. However, the result was just the opposite. Agricultural productivity collapsed and China endured several years of famine and economic depression that cost the lives of tens of millions.

In 1978, after the end of the Maoist period, Chinese leader Deng Xiaoping re-introduced land reform based on the household responsibility system. This system gave an individual household the rights to lease plots of land for an extended period of time from the government. This was, in essence, a return to the family farming model that had made Chinese agriculture so productive before 1949. The state, however, continued to control the land and to set production quotas. Initially, the household farmers assumed the task of working the land to meet government quotas. After meeting the quota, the leaseholder was able to sell on the market any excess production. This reform was a great success and helped improve the livelihood of millions of farmers. As a result, in the past three decades, the official poverty rate in rural China declined from 30.7 percent in 1978 to 1.6 percent in 2007.² The total number of rural population in poverty decreased from 250 million in 1978 to 14 million in 2007, and the annual net income per capita in rural areas increased from 134 yuan (US \$90) in 1978 to 4,140 yuan (US \$650) in 2007.³ However, despite the success of this reform, the state did not make any corresponding investment to improve public welfare and infrastructure in the rural regions beyond what individuals had undertaken for themselves.⁴ In the eighth five-year plan (1991-95), state investment in rural infrastructural development accounted for only 2.8 percent of total investment. In 1999, the state issued RMB 60 billion worth of bonds but none was earmarked for agriculture.⁵

Instead, from the mid-1980s, government investment went into the cities as China’s economy began to open up and modernize. The state again used the rural surplus in labor and production to subsidize the country’s industrialization. (**Exhibit 3** shows the resource outflows from the rural to urban sector). The result was a growing urban-rural gap that has continued to widen to the present. The differential rose 2.9 times in 2001, 3.11 times in 2002, 3.23 in 2003, and 3.33 times in 2007.⁶ Consequently, China’s problems in the countryside were becoming more complex. In particular, there were three central issues, or *sannong wenti*, which experts cited as the contributing factors affecting China’s rural citizens. First, peasants’ income needed to rise to help balance against the growing wage gap and to control unrest. Second, rural development needed to become a priority in order to modernize regions beyond the major cities. Finally, agricultural productivity needed to improve and move beyond subsistence farming. Together these three problems were crucially linked and their resolution would be a first step to improving the livelihood of China’s rural population.

Rural Reform

Beginning in 2006, in an effort to augment agricultural industrialization, the government launched new laws on “farmers’ professional cooperatives.” The law was a further step beyond the household

^a Cooperatives were locally-owned land by shareholders while collectives were government-directed enterprises.

responsibility system to legalize farmers' efforts to voluntarily form and manage cooperatives for economic purposes. Across China, cooperatives focusing on locally-grown agricultural products were launched. Since these types of cooperatives did not require significant capital and the application procedures were much simpler than establishing a company, they spread rapidly across China. The Ministry of Agriculture estimated that there were more than 150,000 such cooperatives in China by August 2006.⁷

The Chinese government continued its efforts to resolve the *sannong wenti* in 2005. First it allocated almost US\$24 billion to benefit rural residents in subsidies for agricultural science and technology training.⁸ Next, the government announced, beginning in 2006, that the centuries-old agricultural tax (almost 2,600 years old) would begin to be eliminated.⁹ Finally, in October 2008, President Hu Jintao announced a new Rural Reform Resolution that was meant to send a clear message to the countryside that he fully supported and was committed to resolving the issues faced by China's farmers. Coinciding with the 30th anniversary of the land reforms enacted by Deng Xiaoping, the resolution pronounced agriculture as a strategic industry and aimed to double the per capita disposable income of farmers by the year 2020. More important, the policy would again allow farmers to legally lease out or transfer land-use rights giving them more options on how to use the land. (By contrast, land in urban areas was already readily traded and could be held for longer leases of 70 years for residential use and 40 to 50 years for commercial or industrial use, respectively, though in theory all land remained state property).¹⁰

Current state of China's agriculture In 2009, agriculture in China was characterized by scarce land, abundant labor, and small-scale production. China was home to 1.3 billion people, or 21% of the world's total population, but had only 10% of the world's arable land. (**Exhibit 4** graphs out the decrease in arable land). About 737 million people (over 55% of the population) were engaged in farming activities that were highly labor and resource intensive,¹¹ and another 200 million had migrated to work in cities and towns. China's land-per-capita ratio was 0.1 hectares^b, 44% below the international average,¹² while water resources per person were less than one-third the average, at about 2,000 cubic meters per year. The majority of crops were produced from tiny farms averaging just 0.65 hectares¹³ Moreover, while full or part-time farmers accounted for 70% of China's total labor force,¹⁴ agricultural output contributed just 11.3% of China's 2007 GDP.¹⁵

Given China's shortcomings in farming and its growing demand for food and animal feed, it was becoming clear that China could not meet the growing demand for meat that has accompanied its economic growth. (**Exhibit 5** maps global meat demand and **Exhibit 6** displays the world's top meat producers). The country was faced with the challenge of producing more with less.

The new rural initiative was shifting away from the household system to a system where land could be consolidated with the hope of achieving economies of scale and efficiency. The liberalization of land rights, however, did not privatize rural land. Rural land was still "owned" by village collectives but according to the new resolution, farmers would be allowed to sublet, lease, swap, and transfer the land rights.¹⁶

Providing Options for A New Livelihood The planned liberalization of rural land exchange promised farmers greater freedom to lease their 30-year land use rights for agricultural or non-agricultural uses. Land was now assignable to larger farming operators, which potentially enabled the creation of more large-scale agricultural operations that had more sophisticated technology and machinery.¹⁷ Alternatively, farmers were able to lease their land to bigger

^b 1 hectare=2.471 acres

agricultural operators while continuing to work it. Furthermore, farmers who previously had left the land to elderly parents or the infirm to work while they toiled as migrant laborers in the cities now had the option of leasing out their parcels and using the income to start small businesses.

Leasing of farmland has occurred in parts of China, but nationwide only 5.68% of agricultural land had been transferred.¹⁸ Some local government officials took collective ownership of land to mean that they were authorized to control and assign land-use rights. Other local officials forced farmers to lease their land, and in some cases seized the land outright. These actions led to protests.¹⁹ Between 1999 and 2006, there were more than a million cases in which land was used in ways that contravened the Land Administration Law.²⁰ To placate farmers concerned about land security, the government promised that the exchange of land-use rights would remain completely voluntary.

By clarifying land use rights, the central government encouraged more transparent land transfers and leases in hopes of developing large-scale agriculture, improving efficiency, increasing production, and raising farmers' income—in short, raising the living standards of rural people.

Resolving the Household Registration (*hukou*) System While the newly proposed rules empowered farmers and gave them greater choice over how they could live their lives and how they could utilize their land assets, it also aimed to relax rules under China's household registration or *hukou* system. Under this system, an individual was considered a permanent resident of a particular area -- usually his rural hometown. Someone with a *hukou* in a rural area often had a very hard time obtaining the right to reside permanently in an urban area. In earlier periods of the PRC, this policy consigned large parts of the country to permanent poverty, without the possibility of out-migration. In recent decades, migration from country to city became easier, but if a rural resident found work in a city as a migrant worker, he was not eligible for the same benefits city residents enjoyed, such as education, housing, health care, and unemployment payments. As a result, China's *hukou* system generated significant social issues in China. Lacking rights, migrant workers were often subject to abuse.

The system was a key source of the two-tier economy. Urban dwellers grew wealthier while villager and villages stagnated as the younger generation left them behind to seek job opportunities in the cities, further exacerbating the urban-rural income gap. On average, rural workers earned less than one-third of those in the cities.²¹ Because the supply of land was limited and indeed contracting, China had many more farmers than its agricultural sector could sustain. China needed only perhaps 100 to 200 million farmers, and the surplus rural labor force, uneducated and unskilled, was unable to improve their livelihood by remaining in the rural villages. Farmers also faced a relatively heavy financial burden. For instance, although the government provided nine years of tuition-free education, various fees for textbooks, activities, and school uniforms were significant uncovered expenses: elementary school fees each year cost 300 RMB (about US\$43), middle school was 1,200 RMB (about US\$175), and university was 5,000 RMB (about US\$730).²² The vast majority of farmers had no access to a social safety net and lacked health care services and pension benefits.

The 2008 Resolution not only renewed the ability for farmers to transfer land-use rights, but it also gave farmers the right to seek a job, housing, and other benefits in the cities as regular urban dwellers.

Increasing Access to Capital Another benefit of the 2008 resolution was that credit and loans were to be made more accessible to farmers seeking to invest in rural development. Chinese agriculture was affected by several issues: lack of overall investment, limited production, and restricted access to efficient markets. On the investment side, too little capital investment limited modernization, restricted access to proper equipment, and left farms inefficient and with limited production. On the production side, while the farms met government quotas, output was subject to

market volatility making agriculture a risky business. There were few farmers' associations in China that represented the farmers' interests, which were vastly underrepresented in China's provincial and national governments. Coupled with the lack of immediate access to commodity market information, farmers were unable to negotiate good prices with the buying agents who set the market price and profited the most from selling farm products. Unlike many other countries, China had no established system for its farmers to sell produce to the government at a subsidized price when market prices fell below a certain level. Chinese farmers received some direct government subsidies in 2005, but the amounts were very small.²³

Private investment in agriculture was also increasing. With the development of China's domestic stock markets in the 1990s, agriculture-related enterprises went public and raised trillions of RMB in capital. In recent years, international funds and private equity investors, such as Deutsche Bank, the DWS Group, and Goldman Sachs, totaled several hundred million US dollars and reflected more outside interest in China's agribusiness industry.²⁴

Potential Setbacks of the 2008 Rural Reform Initiative In 2008, the government spent RMB 562.5 million (US\$82.3 million) that included subsidies for food, breeders, and machinery. This investment was an 85% increase compared to the investment in 2007.²⁵

While the proposed changes in the 2008 rural land reform resolution showed significant promise in improving the lives of China's immense rural population, critics cited potential problems. First, there was a concern that these reforms would accelerate the disappearance of arable land in the country (**Exhibit 7** presents a table showing that from 2001-2007, the amount of arable land reduced 4.6%). If leaseholders sold the rights to the land to developers, then the already limited arable land would shrink even further. Second, the possibility that a small number of landlords would gain a monopoly of land resources was a real issue. Would corporate agribusinesses and private enterprises become too strong in China and further exacerbate the economic disparity? The final issue was the spread of urban slums and the rapid rise of urban unemployment. There was a concern that with the relaxed rules, a sudden rush of rural workers moving into the cities would heighten urban poverty. Despite these concerns, CP saw the new reform initiative as an opportunity to broaden its position in China.

History of CP Group

A Chinese Company in Thailand

In 1921 the Chia brothers, Ek Chor and Siew Whooy, landed in Thailand after a typhoon destroyed much of their coastal village located in the northeastern part of China's Guangdong Province. Ek Chor first began importing vegetable seeds to sell to Thai farmers and Siew Whooy later joined to establish the Chia Tai seed shop in Bangkok's Chinatown district. By World War II the business expanded to include the export of Thai pigs and vegetables to Hong Kong. In 1946 the two brothers adopted the Thai family name "Chearavanont" and gave their company a Thai name, Charoen Pokphand, which meant "prosperity to consumers" in Thai.

By now well-established in Thailand, in 1953 the family built an animal feed mill whose main suppliers were the very farmers that had bought seeds from Chia Tai thirty years earlier. This feed mill became the first of CP's "dragons" or supply chains (a detailed discussion on the "dragon" supply chain is discussed below in the section, "The 'Dragon' Supply Chain in China"). In the ensuing decades, Charoen Pokphand Food Co., a CP subsidiary, would further establish a number of feed mills in Taiwan, Hong Kong, Malaysia, and Indonesia.

In 1969, Dhanin Chearavanont, the youngest son of Ek Chor, rose up to succeed his father as CP Chairman. It was a testament to strong family ties that his three elder brothers were willing to recognize Dhanin's talents and relinquish managerial responsibilities entirely to him even though they maintained their co-equal shareholdings in CP.²⁶

With an eye on growth and more ownership of the agribusiness value chain, in the 1970s, CP partnered with U.S.-based Arbor Acres and Avian Farm to learn about new poultry breeding techniques that took advantage of scientifically-based feed formulas.²⁷ By raising and trading poultry and later, swine, and then seafood (aquaculture), CP set up longer "dragons," which began by raising crops for feed, animals for meat, and processing plants for packaged food. Dhanin saw efficiencies in this model.

After the 1997 Asian economic crisis, CP divested several tangential businesses, such as beer and motorcycles, and turned its focus to three core businesses: food, retailing, and telecommunications. The growth of all three businesses was spurred by a number of strategic partnerships (**Exhibit 8** lists CP's major partnerships). As Thailand's domestic consumption and exports rose during the last three decades, CP established new marketing and distribution groups to meet this growth. Largely as a result of its dominance in livestock (broilers, layers, ducks, and swine) and aquaculture (shrimp and fish), CP became Thailand's leading agro-industrial and food conglomerate.

As of June 2008, CP had a global network with 420 subsidiaries. It operated 4,279 7-11 stores in Thailand, serving an average of 4.5 million customers daily. Lotus Supercenters, its one-stop, self-serve, discount hyper-store concept operated 76 stores in China. As its retail stores developed, CP created new dragons that either linked up with existing CP dragons or stood alone (**Exhibit 9** lists its Corporate Milestones from 1921 to 2008).

CP China

China with its 1.3 billion people is densely populated and contains little arable land. As its growing middle class continues to expand toward 300 million people, the country's purchasing power will also rise significantly.

CP's agri-business is structurally integrated, starting with the sourcing of quality raw materials for its animal feed to selecting healthy animal breeds; from helping farmers construct environmentally suitable growing facilities to teaching them the correct farm management and disease prevention techniques; finally to the marketing of products. This process defines CP's integrated agribusiness, which we call "Yitiaolong" or "one dragon."

CP has proven that the fruits of this process -- its food products -- have met international safety standards for the United States, the European Union, Japan and Australia with the products they import. CP's technology and experience have been well recognized and accepted. What all this translates into is opportunity for CP in China. We have brought our expertise to the Chinese market and we are confident that we will do even better in the future.²⁸

— Dhanin Chearavanont

Enter Early

During the 1960s and early 1970s when agribusiness was rapidly developing in the Western world, China was still recovering from years of famine and starvation. Agricultural modernization was not yet a focus. By 1979, when China first opened its doors to foreign investment, Dhanin secured "Foreign Investor Certificate No. 001" for CP to start operations in China. It formed a joint venture with U.S.-based Continental Grain Corporation to build a feed mill in the newly created

Shenzhen free trade zone adjacent to Hong Kong. CP chose to operate by its original Chinese name of Chia Tai when it re-entered China. CP's return to China followed a natural progression. By 1979 it was already a global company with an extended reach from Southeast Asia to Japan, Taiwan, and Hong Kong. From its base in Thailand, CP first moved into Malaysia in the late 1920s; launched operations in Hong Kong in the 1950s, and entered Taiwan in the 1960s.

CP's market entry strategy was to start small, go slow, and enter new markets at the early stages of development. Entering early enabled the company to make in-roads with minimal investment and maximum opportunity to build greater scale in the future. Having the luxury of experience, CP found that its minimal investments resulted in significant and immediate impact in these emerging markets. In addition, early entry enabled CP to control its growth and at the same time build close ties with the country's leadership. As China enjoyed tremendous economic growth and a rising middle class emerged in the urban areas of coastal China, demand for meat rose. CP was well positioned to profit from this trend. Not only had CP helped its host country modernize farming practices to improve food production and trained local farmers, but it also became a primary distributor of its food products through its retail channels such as 7-11 and other fast food businesses.

Market Makers

Unlike some foreign investors who reduced their China businesses due to political events (1989) or disease outbreaks such as SARs and avian flu, CP was known for its steadfast resolve to remain in China. By creating the first animal feed market in China, CP established a flagship product that formed the foundation of its agribusiness value chain in China. Before CP's feed technology, most animals were fed with grains or leftover food from households. CP was the first company to introduce industrialized feed mills that produced scientifically researched feed mix methods. Its series of feed products included swine feed, broiler feed, duck feed, cattle feed, and aqua feed. CP's "complete mix" was a feed product that included raw ingredients such as corn, soybean meal, fishmeal, wheat bran, rice bran, and other nutrients such as amino acids, vitamins, and minerals, as well as feed additives such as the antibiotic Chlortetracycline (CTC) that the company also produced.²⁹ Raw ingredients were procured from farmers, and then processed in computerized feed production equipment imported from the West. More expensive than industry average, CP's feed in China was considered to be of better quality. CP had come up with an optimized feed conversion ratio - that 1.8 kilograms of feed was needed to produce 1 kilogram of broiler meat, whereas 5 kilograms of feed was needed in the past.

CP has grown to become the number one feed seller throughout China. Its pig feed, aqua feed, and broiler feed had been named one of "China's famous brands" by the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ), the Chinese equivalent of the US Food and Drug Administration. Since 2002, it has produced seven million tons of feed and reaped sales revenue of RMB15 billion (US\$2.2 billion) each year from about 80 feed mills and 24,000 specialized stores nation-wide. Animal feed remained a major source of income in China, accounting for 40% of revenue generated from CP China's agribusiness.

In the 1990s, CP started investing in retail supermarkets and real estate. As a reward for its early investment in post-Mao China, CP was awarded a prime retail location in Pudong, Shanghai just when that new district of China's greatest city was being planned. On this prime piece of real estate, CP developed the 2.69 million square foot Super Brand Mall. The mall was the largest retail center in China when completed in 2001.

Dhanin constantly cultivated close relations with the Chinese government. As an Overseas Chinese (*huaqiao*), Dhanin cared deeply about China's progress and repeatedly stressed CP's

corporate values, emphasizing “three benefits” CP imparted to its host countries: benefit the country, benefit the people, and benefit the company. Dhanin became a well-known figure in China. He was one of a select group of overseas businessmen whom Chinese leaders regularly consulted on business and political affairs.³⁰ In 2008, Dhanin was elected the first president of the Overseas Chinese Entrepreneurs Association, an organization created by some 300 overseas Chinese businessmen to network, discuss, and influence national policies while doing business in China. In January 2009, Dhanin was recognized by the Chinese public as one of “China’s Top 100 People Who Have contributed to China’s Economic Development in the Past 30 Years.”³¹ With these roles of recognition, Dhanin and CP earned a strategically advantageous position. Specifically, many provincial and city leaders approached CP with investment opportunities and the company was given first mover advantage. These opportunities allowed CP to enter in many new business areas with favorable terms.

Localization

Dhanin believed in localization and he made sure the company was entrenched locally and staffed locally. When CP first entered China, most of its technical experts and managers were brought from Taiwan to train personnel in China. Beginning in 1992, CP systematically recruited talent of all levels from China’s governmental institutions, private enterprises, and universities, eventually reaching a staff of 400 local employees. Today, 90% of mid-to-upper level managers in China were groomed from among its local staff. CP focused on giving locals the power to utilize their land, to make sure that they had a role in the community and local investments, and to ensure that they earned their fair share. Dhanin said,

To develop talent, three things are necessary.

1. The opportunity to fully manifest one’s ability.
2. Pride of achievement.
3. Worthy remuneration.

I respect the new generation’s innovative knowledge and energy. Young talent desires fast growth. Speed drives this new century and hence the new saying, “Slow moving fish fall prey to fast moving fish.” However, the young generation lacks experience. The smart approach is to create a new generation of workers in a short time by leveraging the company’s collective experience in a standardized form and combining them with the ability and energy of this new generation. In this way, new talent will not need a lot of time to progress and grow.³²

The “Dragon” Supply Chain in China

At CP, managers customarily referred to a supply chain as a “dragon,” an auspicious symbol of power in China. Because of China’s geographical diversity and the fact that its various regions were in different stages of economic growth and social development, CP’s China operations introduced customized “dragon” systems that varied in length and depth. This supply chain strategy was the first modern end-to-end agribusiness system launched in China.

Each dragon had the potential to represent a fully integrated business model known as “farm-to-fork,” which covered the entire agro-industrial cycle, from raw material procurement for animal feed, feed manufacturing, animal husbandry (CP set up China’s first broiler breeding company), food processing, and distributing food products to domestic and international markets. CP employed its

own food inspectors, food scientists, laboratory technicians, and quality assurance specialists, and maintained on-site laboratory facilities for testing food to ensure the microbiological, chemical, and nutritional qualities of its products. Most of CP's processing companies in China attained ISO9000 and ISO 14000 accreditations and all food products were manufactured according to Hazard Analysis and Critical Control Points (HACCP) standards.³³

Most CP farms were located, designed, and constructed especially for raising animals and were isolated from urban areas and other farms to prevent disease transmission. The highly integrated "farm-to-fork" system also helped the company create records that tracked the entire production process. At any point in the supply chain, CP was able to monitor a product's status and follow its distribution to the end user. These innovations distinguished CP from its competitors in China.

Capturing, Securing, and Preserving the China Supply Chain

To illustrate how CP implemented its strategy in a market as large and diverse as China, **Exhibit 10** shows CP's vertically integrated supply chain operations that ranged from operating feed mills to forward integration into breeding, farming, animal husbandry, and fresh meat processing, and the value-adding preparation of ready-to-eat meals and frozen food. The last steps focused on promotion through branding, marketing, and product distribution both for domestic and export markets.

Depending on economic conditions in the area in which CP was operating, it would use long, short, large or small dragons managed by staff with different skill sets (see **Exhibit 11** for CP's organization chart for their agro-industry and food businesses in China). In China's less-developed regions, the Vice-Chairman tended to be hands-on, whereas in more developed first-tier cities, senior managers with experience in the bureaucracy or government relations were appointed. CP also sought out local talent from agricultural universities and vocational schools. A rotation system allowed personnel to move up from a specialist position to general manager. Promising staff were rotated geographically and were sent to CP's Thai operations to gain greater experience in well-established "dragon" operations.

In China, CP operated 76 feed mills, which supplied around 10% of China's feed market in 2008. Feed products were sold to farmers through specialized stores nationwide. These stores provided professional product consultancy services either via in-store video or by pre-arranged group meetings where farmers learned how to optimally use CP's feeds.

CP bred and reared broilers and pigs utilizing the most modern techniques. For broilers, this involved hatching millions of eggs into day-old-chicks (DOC), which were then fed and raised under controlled environments by independent growers who were able to sell the broilers back to CP for food integration purposes. With modern technology, including multi-level breeding farms, a farmer who formerly raised only scores of native, free-range chickens in his backyard could instead raise 100,000 chickens with the assistance of CP and locally hired scientists. In 2004, CP's DOCs accounted for 20% of the broiler supply in China.

Stretching out the Dragon

Improved living standards in China led to greater demand for meat and protein. In 2008, the Chinese consumed more than 70% of the world's pork.³⁴ To meet these needs, China raised its own swine supply and also had become the world's second largest poultry producer. China produced about 19% of the world's chicken supply and over 40% of the world's eggs.³⁵ (**Exhibits 12 and 13** provide statistics on China's production, consumption, export and import of proteins, as well as the

governmental and individual expenditures on agricultural products.) CP's role in meeting this growing demand was reflected in its partnerships with independent farmers in China. CP processed quality livestock raised from subcontracted independent growers into different types of fresh, chilled, and frozen meat products. Products spanned to over 100 different kinds of cooked food products ranging from Chinese dim sum to satay to frozen dinners. Today, CP runs six fully integrated dragons in China that serve overseas consumers in Japan, United Kingdom, and Europe. All of China's dragons except one also served the domestic market.

By 2007, CP's agribusiness had a strong foothold in China, and the country contributed 40% towards the group's total revenue of US\$14 billion.³⁶ Unlike most foreign multinationals that established a Chinese base in the coastal areas around Shanghai or in Guangdong province, CP had invested about US\$5 billion across China, establishing 213 enterprises located in all of China's provinces except Qinghai, and employing more than 80,000 people. Annual sales exceeded 49 billion yuan (US\$7 billion).³⁷ CP's revenue was forecasted to grow by 15% in 2008.³⁸ (**Exhibit 14** provides CP's 2008 financial results).

Qingdao Chia Tai Dragon One example of a CP dragon in China was the Qingdao Chia Tai Co Ltd (QCTC), a modern large-scale meat processing enterprise established in Qingdao, Shandong province, in 1989 with a total investment of RMB 1 billion (about US\$125 million). Supplying Northeast China as well as exporting to 20 overseas markets ranging from Japan, United States, the European Union, Russia, Middle East, South Africa, Southeast Asia, Hong Kong, and Macau, QCTC enforced the "integrated five management" approach to ensure food quality and food safety. QCTC provided each farmer with standard feed, breed, vaccine, technology, and management techniques. Annual feed production reached 400,000 tons. Modern equipment imported from the Netherlands, Denmark, Japan, and the United States was used to process 9 million broiler breeders, 52 million broilers, 78,000 tons of raw chicken meat, and 30,000 tons of further processed chicken meat each year. (**Exhibit 15** provides key financial results for Chia Tai's China operations).

Land Reform and Private Enterprise

*The future of Chinese agriculture is scientific, industrialized farming. The issue facing China today is how it can assist its 900 million farmers who operate not only with very little income and limited farmland but also have the burden of subsidizing people from the cities. Because the nation does not need such a large number of farmers, China must industrialize its agriculture. A country remains poor if its farmers are poor. Emerging economies need advanced technological assistance more than anything else and such ease-of-use technology for farmers will simplify the operation process, just like a point-and-shoot digital camera makes everyone a photographer. Although the technology is sophisticated, its functions are easily operated by farmers. In the example of chicken farming, if advanced technology is not utilized, how can one person raise up to 150,000 chickens? With advanced technology, operations will be easier and production will be higher. If emphasis is placed on high labor and low technology, operations will be difficult and production will be low. To invest in the poultry business you need to have a fully-integrated system from feed mill to modern breeder farms that will allow for the expansion of the facility. Farmers in emerging economies are poor because they lack the proper funding, technology and market distribution.*³⁹

– Dhanin Chearavanont

In pursuing CP's strategy to become the "Kitchen of the World" through its farm-to-fork tactics, Dhanin also leveraged the interactions between CP, its farmers, and the host government, to create the "three benefits": country; people; and company. As such, in 2003, Dhanin stepped up and established a special chairman's office in Beijing. CP had several top administrators in China overseeing different regions and areas of businesses and reporting directly to Dhanin.

Dhanin foresaw that farmers in China did not have access to modern technology, finance, and distribution. Hence, CP worked hard to establish a partnership between the company, the local government, Chinese financial institutions, and farmers' collectives in China (**Exhibit 16** for a chart of these relationships). Each of the players collaborated and assisted one another to create a better environment, improve food safety, modernize livestock processing and, foremost, to create a "new countryside" with higher rural employment, larger incomes, and increased productivity. In Thailand, CP had already proven the viability of this concept with a cooperative swine farm located in Nong-wa agricultural village, two hours drive away from Bangkok.

Dhanin noted that the environment in China was ripe for its experience. He said,

The situation now in China is that the government is willing to help farmers, banks, and companies like CP. Organizing farmers into cooperatives is the government's responsibility, as well as organizing banks to give loans to farmers.

CP must be a model of modern agriculture. The labor productivity of China's huge rural population is low. The best practice is to have someone absorb the farmer's risks by allowing a farmer to become a partner without engaging directly in any agricultural activities and ensuring an income from dividends. CP is responsible for organizing suitable teams of professionals to manage every step on behalf of farmers that have no capital or capabilities. These responsibilities include securing bank loans, creating income for farmers, absorbing risks in production costs when the market faces a downturn as well as in controlling animal diseases. Due to the lack of contract and selling price guarantees, farmers working alone would face a number of risks related in livestock production such as breed cost and health issues, feed cost, channel issues and selling price. Middlemen with capital, on the other hand, do not bear any risk beyond the day they buy, sell and make a profit. When the market is down the middlemen buy and sell at low prices and it is the farmers who lose. If the market condition is good, then middlemen will buy and sell at high prices. The party that stands to gain in every situation is the middleman.⁴⁰

Typically, CP and local farmers signed legally binding contracts, in which farmers provided labor to raise livestock, and CP provided feed, breeders, and technical support such as on-site veterinarians and technicians to help farmers raise healthy livestock. CP also bought fully-grown animals from these contracted farmers, processing and distributing the end products to the market. Under normal circumstances, contracted farmers could earn a profit of RMB 1.5 (about 22 US cents) per chicken. If each farm raised 10,000 chickens each cycle, and there were five to six cycles a year, each farmer's annual profit was as much as RMB 90,000 (about US\$13,171). Depending on local market preferences, the extent of processing differed. For instance, in the relatively undeveloped areas where locals did not habitually buy processed food, the end product in the market was fresh chicken.

CP also participated in a government program to encourage large-scale agribusiness in rural areas that brought together banks, private companies, and farmers' collectives. CP secured RMB 100 billion (about US\$14.6 billion) worth of credit from China Development Bank to participate in such projects between 2007 and 2012. The bank pledged to provide loans, guaranteed by CP, to farmer collectives chosen by CP, and also to extend loans to CP as working capital. Farmers needed to come up with 10% of the capital requirement and build farms that met CP's standard. The government provided tax incentives or subsidies of up to 20 percent of capital requirement for farmers who were engaged in such projects. CP provided standardized feed, breed, vaccines, management practices, and architectural designs. CP also guaranteed the buy-back of poultry so long as they met the company's standard, and promised a return of no less than 12% to farmers.

By working with people and technology to grow and distribute food to consumers, CP aimed to be the number one agro-business group in China. It hoped that it could parlay this success to other developing countries with similar demographics -- large populations with increasing protein consumption -- and low competitive pressure. CP's financial goal was to have each of its operations be self-sufficient by re-investing local profits. In 2008, CP's newest market entry location was Russia.

An Industry with Room to Grow

CP's rapid development in China and the outstanding results it had achieved attracted the attention of many ambitious entrepreneurs and businessmen in China. Many state-owned enterprises made efforts to establish joint ventures with CP, and CP's product standard was adopted as the industry standard. The feed business, in general, was also growing rapidly, further encouraging new entrants into the business. After 2000, more and more foreign companies began exploring investment opportunities in China.

Local player Hope Group challenges CP An intense rivalry emerged between CP and Sichuan-based Hope Group. The Hope Group was founded in 1982 by the four Liu brothers. From its beginnings as a poultry breeder, the Hope Group pursued vertical integration, starting with its large-scale feed business. The four brothers split the business geographically with East Hope based in Shanghai, and New Hope and West Hope based in Sichuan. The Lius grew their business by forming partnerships with farmers' collectives, financial institutions, and governments similar to the structure CP created. In fact, the impetus that sparked the business was the long queue the Liu's had seen outside a CP feed store.⁴¹ Believing there was room for another integrated agribusiness company in China, the Hope Group entered the market. Globally, including China, it grew to employ about 60,000 staff across 380 subsidiaries.⁴²

While the Hope Group's revenues were only a fraction of CP's, East Hope, New Hope, and CP each held about the same market share due to the fragmentation of the industry.⁴³ As a domestic company, the Hope Group was a serious competitor to CP. The question loomed whether Hope Group would one day receive a more favored role against its international competitors as China moved to protect its local companies.

Tyson builds up its China operations Encouraged by the recent growth of chicken consumption in China, U.S.-based chicken producer Tyson Foods further committed itself to building its position in China. Beginning in 1991, Tyson began exporting chicken into China, focusing mainly on bulk frozen chicken parts, such as chicken feet. By 2006 China was tied with Russia as Tyson's fourth largest international market accounting for six percent of its international sales. Establishing a presence in China, in 2001, Tyson signed its first joint venture agreement with Zhucheng Da Long Enterprises to set up a plant to produce chicken products for export to Japan, East Asia, and the Middle East. Tyson further expanded its operations in China by holding a 70 percent majority interest in a vertically integrated poultry operation Jiangsu Jinghai Poultry Industry Group. This venture included a fully integrated poultry operation, including feed mill and processing plant. The operations produced fresh, packaged chicken products sold under the Tyson name. Delivering high quality products under the Tyson brand was a key strategy and it laid the groundwork for Tyson to sell its products directly to consumers in China.

When the Japanese export market dried up as a result of a 2004 ban against Chinese poultry during the avian flu outbreak, Tyson was well positioned to sell directly to the domestic Chinese market. During this time, Chinese poultry production increased by 1.6% in 2007 but consumption grew at an even greater pace of 2.1%, reaching 10.59 million tons.⁴⁴ Tyson captured the growing

demand in two ways. First, it increased its U.S. exports to China, which grew to nine percent of its international sales of \$3.8million in 2007.⁴⁵ Next, it finalized a joint venture agreement with the Shandong Xinchang Group, giving it 60% ownership of a vertically-integrated poultry operation that included a poultry processing complex, chicken and duck breeding and broiler farms, feed mills, and hatcheries. Tyson's move to capture a greater portion of the value chain was an effort to gain a greater share of the food industry and quick service, retail restaurant business that was fast growing in China. Finding long-term international growth has been a key driver for Tyson as the U.S. market was reaching saturation.

European and other companies round-out new rivals Nutreco Holding N.V., and Taiwan-based DaChan have also successfully entered the agribusiness market in China as independent entities putting pressure on CP. In 2006, Nutreco took over the Beijing Dejia Animal Husbandry Technology Company, a producer and distributor of minerals and concentrates for animal feed. This acquisition became an expansion of its existing business in China, which had sales of US\$48.62 million and over 600 employees.⁴⁶

DaChan Greatwall Group (DCG), a Taiwan-based company, was actively involved in chicken processing in Mainland China for over 20 years and was the largest chicken meat supplier to the mainland's local fast food restaurants such as KFC and 7-11. In early 2008, DCG invested RMB260 million (US\$38.1 million) into its facilities in Shandong province, which was earmarked to establish feed and meat production facilities. Developing a similar strategy to expand into all parts of the value chain, in June 2009, DCG announced that after years of research and development, it would enter the animal feed business, with a specific focus in China. It planned to actively transfer its production technology of animal feed into the Chinese market in late 2009. In a statement seemingly pointed at CP, DCG Chairman Mark Han Jia-hwan said, "We're good at the upstream business, which is feeding and processing. To concentrate our resources on core competency means we invest more than our competitors, who dilute their resources in multiple businesses."⁴⁷

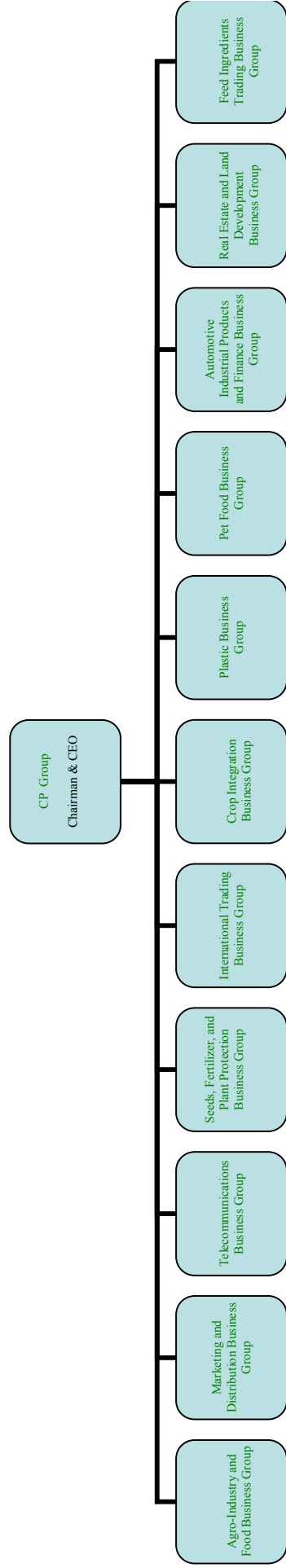
Future Challenges

As Dhanin prepared to meet with his senior management team, he reflected over CP's development in China. He had reason to be pleased. Dhanin's children had taken significant responsibilities in the company, including in China, and had helped expand the business into new areas. His eldest son, Soopakij (Chris), had become vice-chairman of CP group; his second son, Narong (Alex), oversaw the group's retailing business, including the Lotus brand supermarkets and hypermarkets in China. (His third son, Supachai, was in charge of CP's telecommunications business, True Corporation, in Thailand). But Dhanin still had concerns. As a matter of principle, he favored active expansion only in developing countries because they had the greatest potential for growth. Dhanin recognized that China was the world's largest developing country, but after three decades of growth and reform, it offered new and significant challenges.

Feeding 1.3 billion people was a huge business. As was the case with agriculture worldwide, the difficulty was how to produce more from less. To ensure healthy long-term growth, CP needed to capture and sustain the benefits of recent Chinese reforms while at the same time addressing the enduring difficulties of operating in rural China, where technology, quality control, disease prevention, food safety, and environmental protection measures still lagged significantly behind international standards, not to mention the fundamental challenge of operating in such a large, regionally disparate county against a backdrop of new and old competitors. At the same time, CP had to deal with China's unique social and political environment, where it faced different leaders and multiple agendas at the provincial, municipal, and village levels.

China presented rich opportunities and complex challenges for CP. Outside of building on its core strength in nourishing and building its dragons, Dhanin pondered if he had exhausted all avenues to improve CP's standing in China. This question dominated his thoughts as the pilot announced preparations for landing.

Exhibit 1 Organizational Chart of CP Group



Source: CP Group.

Exhibit 2 Types of Business in China invested by CP Group up to 2008.

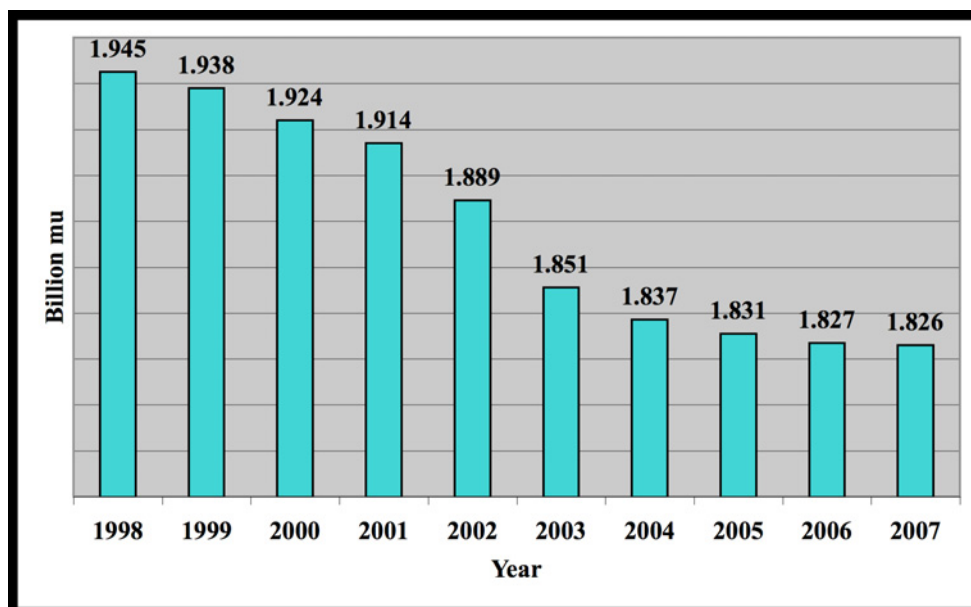
Industry	Number	Description
Agribusiness	6	Biochemical seed
	2	Food processing
	5	Aquaculture
	74	Feed
	44	Animal Husbandry
	7	Food integration
	6	Oil Seed
	2	Antibiotics
	1	Rice plantation and integration
	1	Tea plantation and integration
	1	Winery
	1	Brewery
	Restaurant	1
3		Thai food chain restaurant
1		Chinese-style fast food restaurant
Real Estate	1	Shopping center of 2.69 million square feet
	1	Property & land development
Finance	2	Property development, capital investment, and investment in Lotus
Retail	76	Supermarkets & hypermarkets
Department Store	1	Department Store
Automotive & Industrial	7	Caterpillar dealer for Southwest China
	3	Motorcycle manufacturing
Entertainment and Media	1	TV and radio production
Pharmaceutical	8	Drug manufacturing
Others	1	Mechanical engineering

Source: CP Group.

Exhibit 3 Resource Flows from Agricultural and Rural Sectors to Non-agricultural and Urban Sectors (in RMB billions), 1995

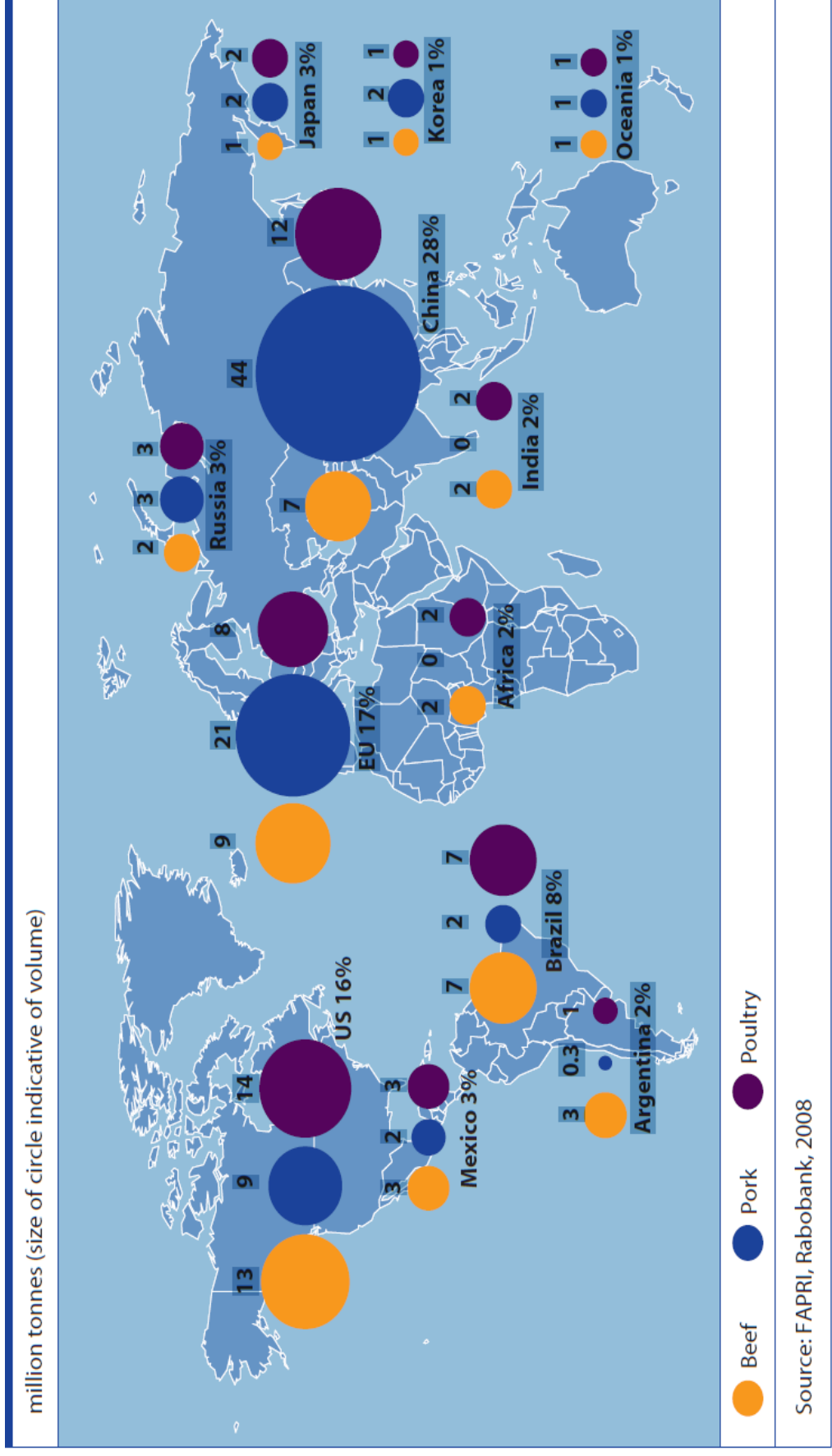
	Fiscal System		Financial System		Grain Marketing (implicit tax)	Total Resource Flow	
	Agricultural to non-agricultural	Rural to Urban	Agricultural to non-agricultural	Rural to Urban		Agricultural to non-agricultural	Rural to Urban
1980	-38.5	-30.0	13.2	3.7	46.0	20.8	19.7
1985	-18.4	11.8	23.5	7.4	15.6	20.7	34.8
1990	-31.1	16.1	68.9	47.8	43.0	80.8	106.9
1991	-35.6	20.0	59.4	28.3	27.9	51.6	76.2
1992	-35.8	38.5	536.9	17.3	20.8	41.8	76.5
1993	-28.5	103.8	49.1	8.6	24.9	45.5	137.4
1994	-26.4	105.2	53.4	38.3	59.5	86.4	203.1
1995	-21.3	122.5	51.1	27.8	50.2	80.0	200.6
1996	-22.1	113.2	44.0	27.6	32.9	54.7	173.7

Source: "Accelerating China's Rural Transformation," The World Bank, Washington, DC, 1999, p. 8. Note: Fiscal expenditures include allocations for investments in irrigation, land improvement, specialty crop production bases, etc.

Exhibit 4 Decrease in China's Arable Land (1998-2007)

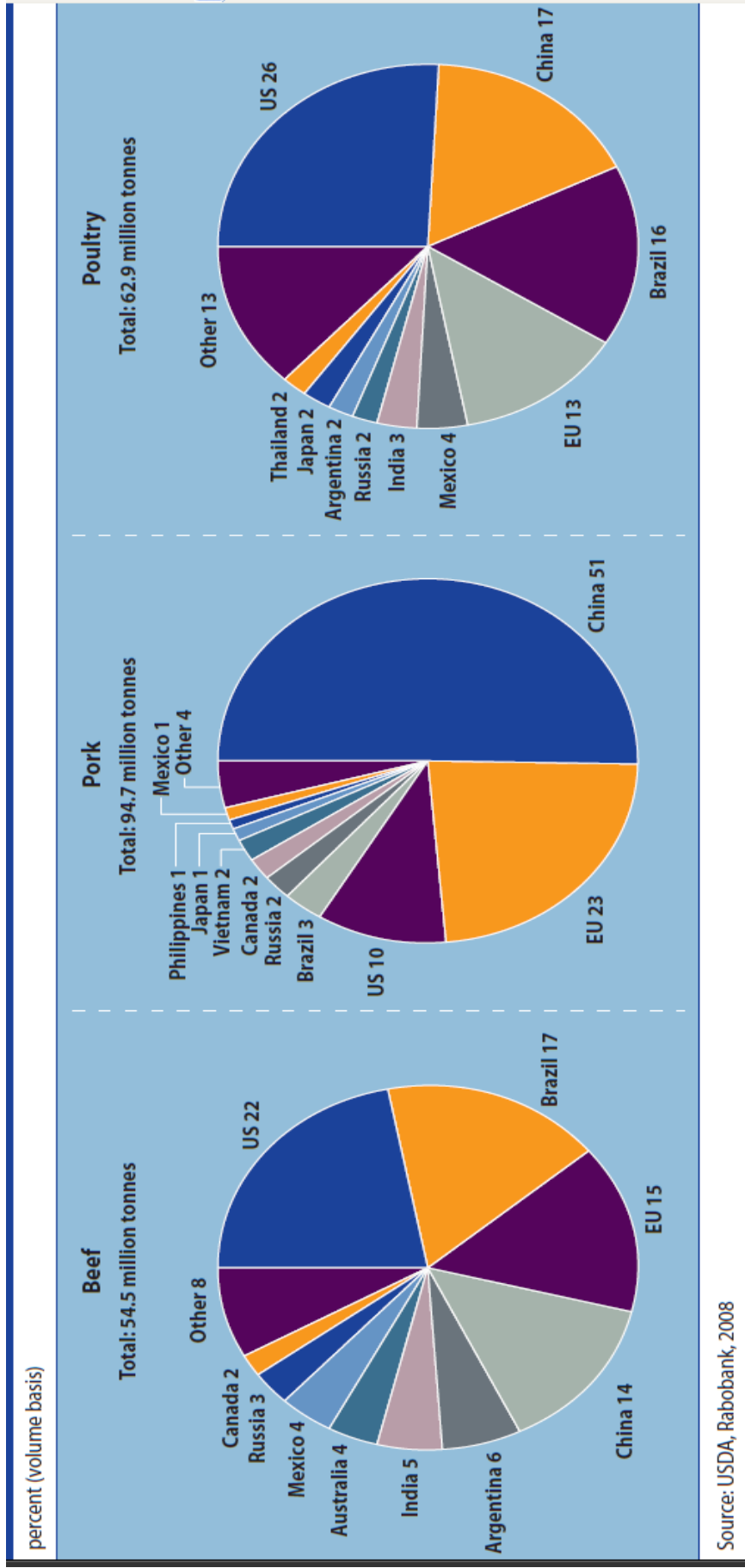
Source: Li, Cheng, "Hu Jintao's Land Reform: Ambition, Ambiguity, and Anxiety," *China Leadership Monitor*, No. 27, Winter 2009, Hoover Institution, Stanford University, p. 27. Accessed via Internet at <http://media.hoover.org/documents/CLM27CL.pdf>, accessed April 13, 2009.

Exhibit 5 Global Meat Demand, 2007



Source: "The Boom Beyond Commodities: A New Era Shaping Food and Agribusiness, 2008" Rabobank International Food and Agribusiness Research and Advisory, p. 9.

Exhibit 6 Global Meat Producers, 2007



Source: "The Boom Beyond Commodities: A New Era Shaping Food and Agribusiness, 2008" Rabobank International Food and Agribusiness Research and Advisory, p. 10.

Exhibit 7 China's Arable Land, in million hectares

	2001	2002	2003	2004	2005	2006	2007
Arable Land	127.6	125.93	123.4	122.47	122.07	121.8	121.73

Source: Modified by casewriter based on information from the Ministry of Land and Resources.

Exhibit 8 Selected Strategic Partnerships

Business	Partner	Country of Origin	Type of Venture
Agro-Industry	Arbor Acres	United States	Poultry
	Avian	United States	Poultry
	Continental Grain	United States	Feed mills in China
	Meiji	Japan	Milk products
Seeds	DeKalb Genetics	United States	Seed corn
Marketing	Tesco	United Kingdom	Lotus Supercenters
	Makro	The Netherlands	Makro Stores
Telecommunications	Verizon	United States	Telecommunications
	Orange Plc.	United Kingdom	Mobile services
	KFW	Germany	Telecommunications
Petrochemicals	Solvay cie	Belgium	Petrochemicals
	BBA	United Kingdom	Nonwoven fabrics
Insurance	Allianz AG	Germany	Insurance

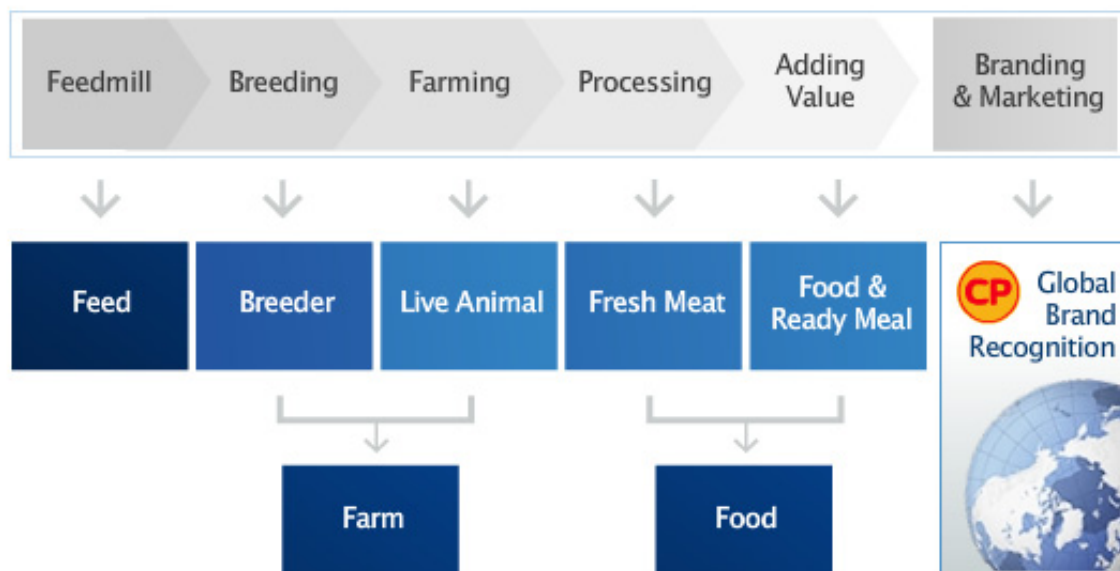
Source: CP Group.

Exhibit 9 CP Group’s Milestones from 1921 to 2008

Year	Events
1921	The Chia brothers Ek Chor and Siew Whooy established Chia Tai seed shop in Bangkok, Thailand.
1959	Establishment of Charoen Pokphand's first feed mill operation in Thailand.
1960	Establishment of CP Group's first international branch, located in Hong Kong.
1968	Becomes Thailand's number one animal feed producer.
1970	Strategic Alliance with US-based company Arbor Acres.
1972	Establishment of CP Group's first international feed mill operation in Indonesia.
1978	Registered as Charoen Pokphand Feed mill Co (CPF) in Thailand.
1979	Began agribusiness investments in China, registered as Chia Tai Co. Ltd., in Shenzhen.
1987	CPF is listed on Stock Exchange of Thailand.
1997	Establishment of CP Group’s Lotus Supercenter in Shanghai’s Pudong New Area
1999	Joint-venture partnership between CP Group and Japan’s Meiji to create dairy product
1999	CP Group opened first 7-11 in Bangkok, Thailand.
1999	Establishment of UBC, Thailand’s first ever subscriber-based television network
1999	Establishment of UBC, Thailand’s first subscriber-based TV network.
2002	Grand opening of Super Brand Mall, China’s largest ever retail center located in Shanghai
2004	CPF establishes its first ever aquaculture feed and farming operations in China (Hainan)
2005	Seven-Eleven Co. Ltd is listed on the Stock exchange of Thailand.

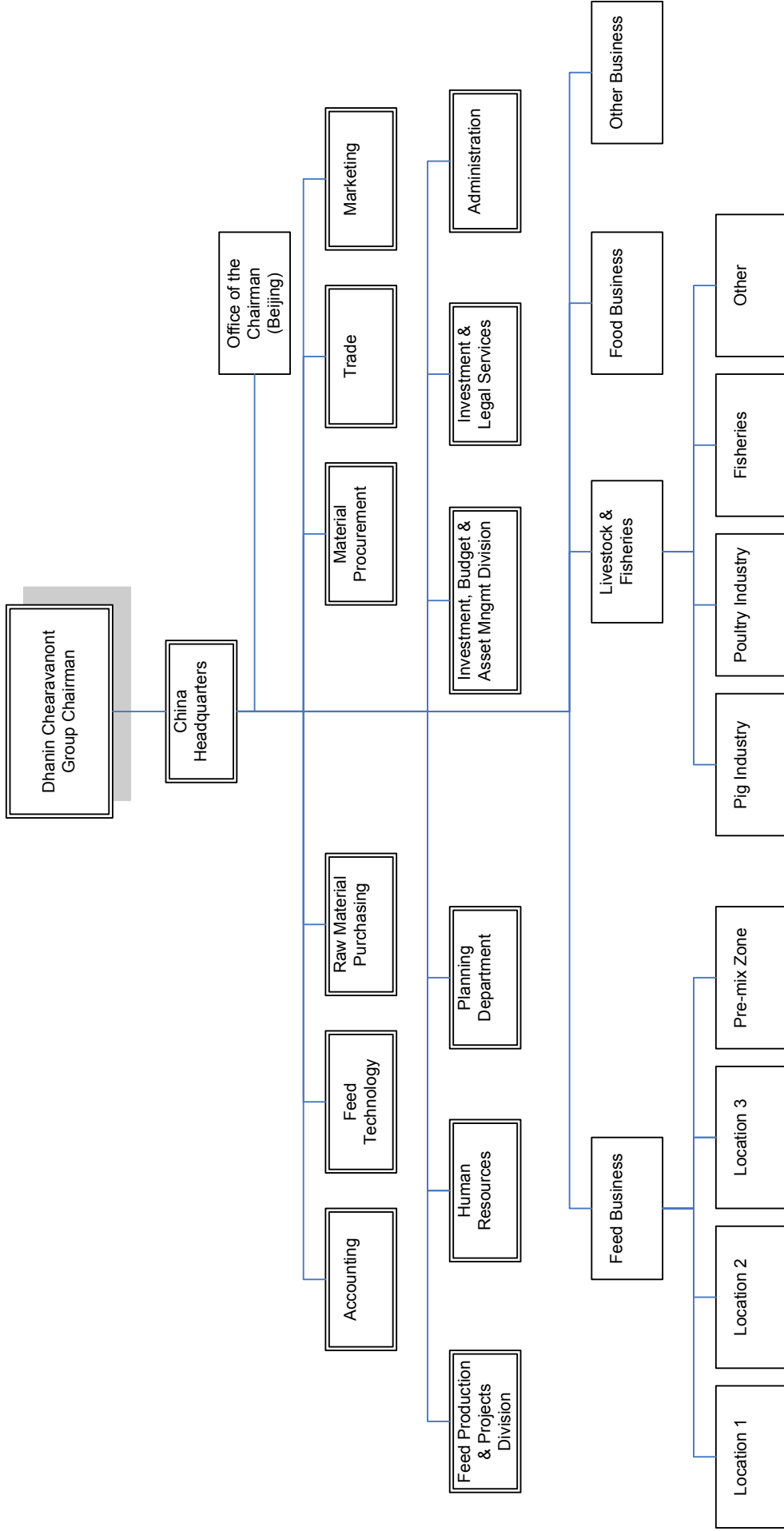
Source: CP Group.

Exhibit 10 An illustration of CP Group's vertically integrated operations



Source: Company website, http://www.cpfworldwide.com/cpd/en/page/about/fully_integrated_process.aspx.

Exhibit 11 Organizational Chart of CP Group's Agro-Industry and Food Business in China



Source: CP Group.

Exhibit 12 Production, consumption, export, and imports of China's eggs, chickens, and pigs, 1998-2007.

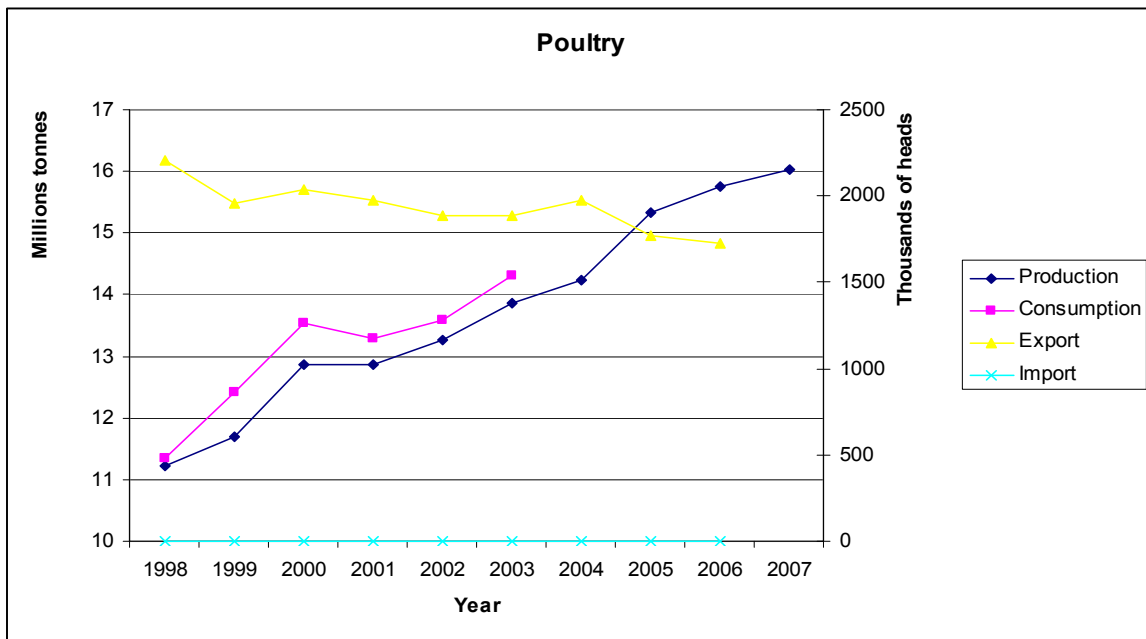
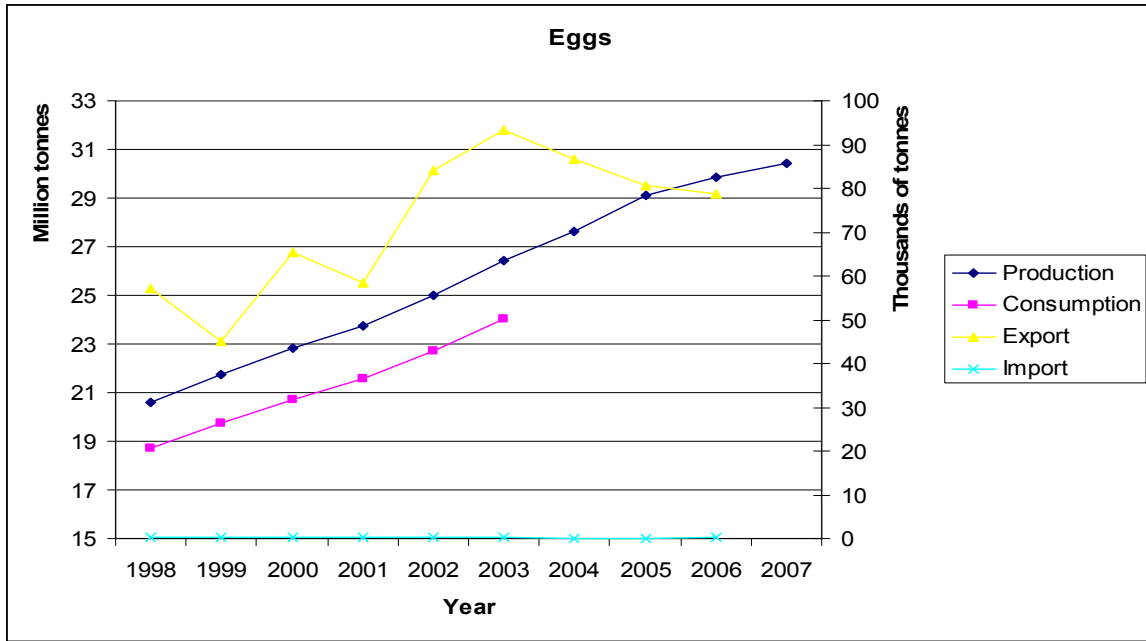
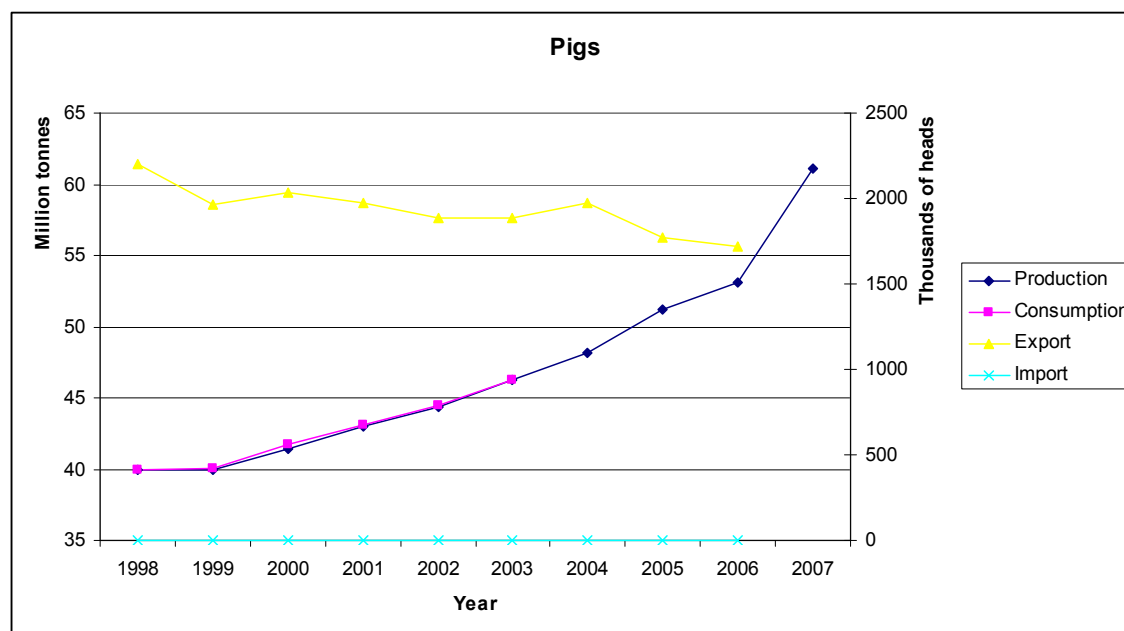


Exhibit 12 (continued) Production, consumption, export, and imports of China's eggs, chickens, and pigs, 1998-2007.



Source: Casewriter graphs based on data from the Food and Agriculture Organization of the United Nations, Statistics Division, <http://faostat.fao.org/>, accessed January 7, 2008.

Note: Consumption data for 2004-2007, and export and import data for 2007 are not available.

Exhibit 13 Government and individual spending on agriculture, 1997-2006

Year	Per capita living expenses (RMB)		Per capital food expenditure (RMB)		Government expenditures on agriculture (billions of RMB)
	Rural	Urban	Rural	Urban	
1997	1,617.2	4,185.6	890.3	1,942.6	76.639
1998	1,590.3	4,331.6	849.6	1,926.9	115.476
1999	1,577.4	4,615.9	829.0	1,932.1	108.576
2000	1,670.1	4,998.0	820.5	1,971.0	123.154
2001	1,741.1	5,309.0	830.7	2,028.0	145.673
2002	1,834.3	6,030.0	848.4	2,272.0	158.076
2003	1,943.3	6,511.0	886.0	2,417.0	175.445
2004	2,184.7	7,182.1	1,031.9	2,709.6	233.763
2005	2,555.0	7,942.9	1,162.2	2,914.4	245.031
2006	2,829.0	8,696.6	1,217.0	3,111.9	317.297

Source: United States Department of Agriculture Economic Research Services, China Agricultural and Economic Data, <http://www.ers.usda.gov/Data/China/>, accessed January 5, 2008.

Exhibit 14 CP Foods Consolidated Income Statement 2006-2008

	2006		2007		2008	
	THB million	%	THB million	%	THB million	%
Revenue from sale of goods	124,931	98	134,809	98	156,238	98
Share of profits from investments in associates						
accounted for using the equity method	763	1	959	1	1,176	1
Other income	1,841	1	1,893	1	1,257	1
TOTAL REVENUES	127,535	100	137,661	100	158,671	100
Cost of sale of goods	108,158	85	117,936	86	135,738	85
Selling and administrative expenses	14,472	11	15,852	11	16,983	11
Share of losses from investments in associates						
accounted for using the equity method	37	-	11	-	14	-
Others	38	-	38	-	36	-
TOTAL EXPENSES	122,705	96	133,837	97	152,771	96
Profit before interest expense and income tax expense	4,830	4	3,824	3	5,900	4
Interest expense	1,953	2	2,347	2	2,458	2
Income tax expense	329	-	49	-	218	-
Profit after income tax expense	2,548	2	1,428	1	3,224	2
Add net profit of minority interest	(38)	-	(153)	-	(96)	-
Profit for normal activities	2,510	2	1,275	1	3,128	2
NET PROFIT	2,510	2	1,275	1	3,128	2

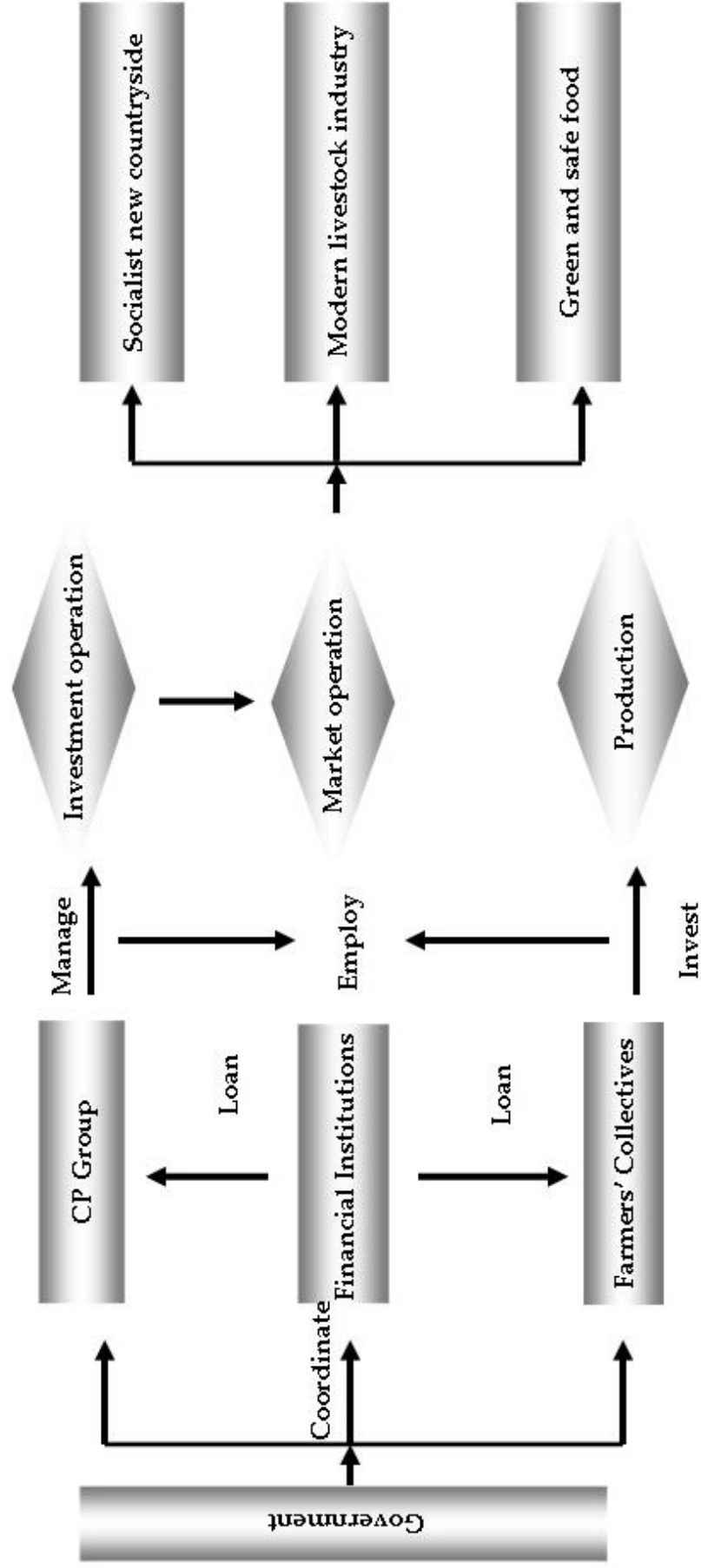
Source: CP Foods 2008 Annual Report.

Exhibit 15 Highlights of CP's Six Fully Operating Dragons in China, 2007 (in U.S.\$ millions)

Name	Beijing Dafa Chia Tai	Heilongjiang Chia Tai	Qinhuangdao Chia Tai	Qingdao Chia Tai	Xianghe Chia Tai
Year Established	1986	1993	1995	1989	1997
Business location	Beijing	Heilongjiang	Hebei	Shandong	Hebei
Share Structure	<ul style="list-style-type: none"> • Chia Tai Group, 50% • Beijing Dafa Animal By-Products Co., Ltd. 45.8%, • Beijing 4.2% feed company 	<ul style="list-style-type: none"> • Chia Tai Group, 80% • Harbin Limin Economic and Technological Development Co., Ltd. 20% 	<ul style="list-style-type: none"> • Chia Tai Group, 77% • Qinhuangdao broiler demonstration farm, 23% 	<ul style="list-style-type: none"> • Chia Tai Group 100% 	<ul style="list-style-type: none"> • Chia Tai Group 100%
Total investment (In millions of U.S. dollars)	84.9	114.24	73.2	100	16.7
Fixed (In millions of U.S. dollars)	68.6	109.5	46.4	90	16.9
Employees	5600	5500	4500	5200	1800
Revenue (RMB million)	1869.6	1216.6	1240.5	1175.5	493.4
Sales expenses (RMB million)	34.4	39.0	31.0	24.9	17.3
Net (RMB million)	40.9	-8.5	33.5	26.3	12.1

Source: CP Group.

Exhibit 16 An illustration of the partnership among CP Group, the government, banks, and farmers



Source: CP Group.

Endnotes

¹ Casewriter interview with Chairman Dhanin on November 5, 2008.

² Li, Cheng, "Hu Jintao's Land Reform: Ambition, Ambiguity, and Anxiety," *China Leadership Monitor*, No. 27, Winter 2009, Hoover Institution, Stanford University, p. 3. Accessed via Internet at <http://media.hoover.org/documents/CLM27CL.pdf>, accessed April 13, 2009. In 2007, the official poverty threshold was an income of 1,067 yuan (\$152) or below a year. The global yardstick for poverty defined by the World Bank was an income of \$1.25 a day.

³ Ibid.

⁴ Day, Alexander, "The End of the Peasant? New Rural Reconstruction in China," *Boundary 2*, Volume 35 Number 2, 2008, p. 57.

⁵ Li, p.4.

⁶ Li, p. 3.

⁷ Zhou Li and Liu Yonghao, *The War on Grains*, p. 200.

⁸ Xing Qinjian, "Agricultural Tax to be Scrapped from 2006," *China Daily*, March 6, 2005, accessed via Internet on July 8, 2009 at http://www.chinadaily.com.cn/english/doc/2005-03/06/content_422126.htm.

⁹ Stakelbeck, Jr., Frederick W., "Beijing's "Separate But Unequal" Tax Dilemma," *Asia Times Online*, Marcy 28, 2006, accessed via Internet on July 8, 2009 at http://www.atimes.com/atimes/China_Business/HC28Cb05.html.

¹⁰ *The Economist*, "Land Reform in China: Promises, Promises," October 16, 2008, http://www.economist.com/world/asia/displaystory.cfm?story_id=12437707, accessed November 17, 2008.

¹¹ Josephine Ma, "Beijing's Goal: 95 pc Self-Reliant in Grain to 2020," *South China Morning Post*, November 14, 2008.

¹² Chen Zhongcheng, "The Problems with *Sannong*—Farmers Are Bitter, Villages Are Poor, and Agriculture Is Risky," <http://www.mac.gov.tw/big5/risk/4-3.pdf>, accessed November 15, 2008, p. 3.

¹³ Organization for Economic Co-operation and Development (OECD), "Agricultural Policy Reform in China," October 2005, p. 2, www.oecd.org/dataoecd/3/48/35543482.pdf, accessed November 13, 2008.

¹⁴ Zheng Lifang, *Harmonious Society and New Countryside Development*, Shanghai: Shanghai University Press, 2007, p. 21.

¹⁵ Yang Zhongxu, "After 30 Years, Rural Reform once again," *China Newsweek*, October 20, 2008, Vol. 392, No. 38/2008, p. 23.

¹⁶ Batson, Andrew, "China to Create Market for Land Rights in Effort to Boost Farmers' Prosperity," *The Wall Street Journal*, October 20, 2008.

¹⁷ China Journal, "Land Reform Thoughts from China's No. 1 Farmer," *Wall Street Journal*, October 24, 2008, http://blogs.wsj.com/chinajournal/2008/10/24/land-reform-thoughts-from-china%E2%80%99s-no-1-farmer/?mod=googlenews_wsj, accessed November 17, 2008.

¹⁸ Wang Zhuoqiong, "Joining hands and Land for a Better Future," *China Daily*, November 21, 2008, http://www.chinadaily.com.cn/china/2008-11/21/content_7228043.htm, accessed January 5, 2008.

¹⁹ *The Economist*, "Land Reform in China."

²⁰ Yang Jun, "Why Did the Central Government Initiate Land Reform Again?" *Nan Feng Chuang Magazine*, October 22, 2008 (issue 22), Nan Feng Chuang Magazine Publishing, Guangdong: Guangzhou, p. 35.

²¹ Chris Hong, "China to tackle rural problems," *BBC News*, February 22, 2006, <http://news.bbc.co.uk/2/hi/asia-pacific/4739866.stm>, accessed November 15, 2008.

²² Chen Zhongcheng, "The Problems with *Sannong*," p. 2.

²³ Zhou Li and Liu Yonghao, *The War on Grains*, Beijing: China Machine Press, 2008, p. 185.

²⁴ *The Telegraph*, "Chinese Farmers Bring Home Bacon for Banks," <http://www.telegraph.co.uk/finance/economics/2795222/Chinese-farmers-bring-home-bacon-for-banks.html>, accessed October 2, 2008.

²⁵ Zhou Li and Liu Yonghao, *The War on Grains*, p. 113.

²⁶ Ek Chor was a Chinese who patriotically and presciently named his four sons, each with one of the four Chinese characters "Zheng", "Da", "Zhong", "Guo", which strung together meant "Upright China".

²⁷ Funding Universe.com, "Charoen Pokphand Group – Company History," <http://www.fundinguniverse.com/company-histories/Charoen-Pokphand-Group-Company-History.html>, accessed August 18, 2008.

²⁸ Casewriter interview with Chairman Dhanin on November 5, 2008.

²⁹ Charoen Pokphand Co. Ltd, "Corporate Profile," <http://www.capitalfp.com.hk/eng/index.jsp?co=43&page-profile&doc-&date1=&date2=&pageno=1>, accessed via Internet on November 18, 2008.

³⁰ *The Economist*, "Emerging Multinationals: A Bruiser from Bangkok." Vol.333, no. 7891, (November 26, 1994) p.70.

³¹ Tan, Emily, "Thai agribusiness leader voted China's top foreign biz leader," *The Edge Financial Daily*, February 23, 2009.

³² Casewriter interview with Chairman Dhanin on November 5, 2008.

³³ ISO 9000 and ISO 14000 are known as generic management system standards. ISO 9000 is primarily concerned with quality management. ISO 14000 is primarily concerned with environmental management specifically that the organization ensures that it eliminates harmful effects on the environment caused by its activities. When an organization has a management system certified to an ISO 9000 or ISO 14000 standard, this means that an independent auditor has checked that the process influencing quality (ISO 9000), or the process influencing the impact of the organization's activities on the environment (ISO 14000), conforms to the relevant standard's requirements. More information on ISO standards can be found at http://www.tc207.org/PDF/News_Articles/2000/2000_7.pdf accessed on June 22, 2009.

HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product. The U.S. Food and Drug Administration manages HACCP applications for the United States. Application processes may differ among countries but the underlying seven principles of HACCP have been universally accepted by government agencies, trade associations and the food industry around the world. More information on HACCP standards can be found at <http://www.fda.gov/Food/FoodSafety/HazardAnalysisCriticalControlPointsHACCP/default.htm>, accessed on June 22, 2009.

³⁴ Steven McOrist, "China Is the Place for Profit." Steven McOrist, "China Is the Place for Profit," *Pig-International.com*, July 7, 2008, <http://www.pig-international.com/ViewArticle.aspx?id=26252>, accessed November 24, 2008.

³⁵ *Xinhua News Agency*, "Chinese Chicken Farm Expects Growth after Bird Flu," *China Daily*, February 10, 2004, http://www.chinadaily.com.cn/china/2004-02/10/content_543622.htm, accessed November 25, 2008.

³⁶ Walailak Keeratipitpong, "CP's China Unit Hopes to Win Gold Medal from Olympics," *Bangkok Post*, April 9, 2008.

³⁷ Chia Tai Group, "About the Group," <http://www.cpgroup.cn/web/ctbrief.asp>, accessed July 31, 2008.

³⁸ *The Nation (Thailand)*, "CP Group Plans Big Investment in Quake Zone," July 3, 2008.

³⁹ Casewriter interview with Chairman Dhanin, November 5, 2008.

⁴⁰ Ibid.

⁴¹ Casewriter's interview with CP executives, Shandong: Qingdao, October 31, 2008.

⁴² New Hope Group website accessed via Internet on April 28, 2010 at <http://www.newhopegroup.com/EN/AboutUs.aspx?CategoryID=23>.

⁴³ Flannery, Russell, "Feed Fight," *Forbes*, March 30, 2009, accessed via Internet at <http://www.forbes.com/global/2009/0330/041-billionaires-china-feed-fight.html> on October 5, 2009.

⁴⁴ "Tyson turns to China As Profits Falter," *BMI Industry Insights - Food & Drink, Asia*, Business Monitor International February 4, 2008, accessed via Factiva on October 16, 2009.

⁴⁵ "Tyson Enters Third Poultry joint Venture in China: Venture Involves Vertically-Integrated Operations in Eastern China," *GlobeNewswire*, September 10, 2008, accessed via Factiva on October 16, 2009.

⁴⁶ "Dutch TNI Acquires Beijing Deji," *Dutch News Digest*, April 12, 2006, accessed via Factiva on October 16, 2009.

⁴⁷ "China's DaChan to focus on upstream meat operations," *Xinhua financial Network*, October 8, 2007, accessed via Factiva on October 16, 2009.