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The challenges for alfalfa hay marketing in China

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Introduction As the production, transportation cost and the valuta of RMB increased sharply within last two years, the alfalfa hay market met the serious challenges in China(Yang, 2004). It is necessary to research in the market mechanism of alfalfa hay in China.

Materials and methods Depended upon the practical and domestic trading and the exportation to Korea, the marketing data of alfalfa hay were collected from the main alfalfa producing areas and the exporting port in China respectively.

Results and discussion In China, the related beneficiaries in the alfalfa industry were peasants, local processing companies, transporters, trading companies and dairy farms. However, each Chinese peasant has about 1ha of alfalfa field in average, thus causing the increasing of production cost and the decreasing of profit. The profit margin from production to marketing was shared by many parties interested. The peasants had low enthusiasm to grow more alfalfa crop as the low income and the machinery limit. Therefore, establishing the company owning large-scale alfalfa fields and all sets of facilities for harvesting and processing would be the breakthrough for the future alfalfa industry in China.

Because of the stiffish of RMB and the increasing of production cost, American alfalfa bales were imported into China during 2007 and 2008. By authentic prediction, within 5 years the monetary exchange rate of RMB/USD would be 4.0. The price change was predicted in table1 based on the value of alfalfa hay in 2007. In the future, the local bales began to lose the competitive ability. The market of alfalfa hay would be shared by American alfalfa bale proportionally.

Table 1 The effect of foreign monetary exchange rate on the price changes of alfalfa bales in China.

origin	density	40 container	price	unit	8.0	7.0	6.0	5.0	4.0
China	350kg/M ³	17 MT	FOB,	USD/MT	245	280	327	392	490
			Tianjin	RMB¥/MT	1960	1960	1960	1960	1960
USA	520kg/M ³	25 MT	CFR,	USD/MT	271	271	271	271	271
			Tianjin	RMB¥/MT	2168	1900	1626	1355	1084

There was significant difference between local and American double-compressed alfalfa bales in density. Only 17MT of the double-compressed bales were carried in 40 feet container (see table1). By estimate, about USD100/MT of extra-cost happened during domestic and export transportation as the lower density. Therefore, It is crucial to develop the double-compressing facility with a density of ≥450 kg/M³ for significantly decreasing the marketing cost.

Conclusions The market of alfalfa hay in China was significantly influenced by three factors of the production organization, bale density and monetary exchange rate between RMB and USD. With the stiffish of RMB to USD, the American alfalfa hay will occupy a certain market in China. For enhancing the competitive ability of local alfalfa hay, the related beneficiaries along the production chain need to reframe and the high-density double-compressing facility should be developed immediately.

Reference

Yang, Z. M. 2004. The preliminary discussion on alfalfa industrialization in China. In: The proceedings of China international grassland research conference, Chinese Grassland society, Huhehaote China, 300-307.