

Deyu Agriculture Corp. is a vertically integrated agricultural value chain from farmland to consumer market, which produces, processes, markets and distributes organic and other agricultural products made from corn and grains operating in Shanxi Province in China. The Company has access to over 109,000 acres of farmland in Shanxi Province for breeding, cultivating, processing, warehousing and distributing grain and corn products. **Deyu Agriculture Corp.** has an extensive wholesale network in over 15 provinces and a retail distribution network of approximately 20,000 supermarkets and convenience stores in 29 provinces across China. **Deyu Agriculture Corp.'s** facilities include sophisticated production lines and modern warehouses with a total production capacity of over 105,000 tons for grain products, storage capacity of over 100,000 tons and annual turnover of 700,000 tons for corn products. The Company's website is located at www.deyuagri.com.

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Outlook on Grain Market in China

HIGHLIGHTS

- CHINA'S ARABLE LAND REMAINS STEADILY ABOVE 121 MILLION HECTARES FOR PAST THREE YEARS;
- CHINA'S GRAIN OUTPUT INCREASED 3.2% IN 2012 TO 589.57 MILLION TONS;
- CORN OUTPERFORMS WHEAT AS THE LARGEST GRAIN VARIETY IN CHINA;
- CHINA GREEN FOOD EXPO SHANGHAI 2012 ATTRACTED NEARLY 1,000 DOMESTIC AND FOREIGN PURCHASERS;
- THE U.S. GRAINS COUNCIL 2012 CHINA CORN HARVEST TOUR PROJECTS ANOTHER GOOD CHINESE CORN CROP¹.

According to the recent findings of the Ministry of Land and Resources, China's total area of arable land has been kept steadily above 121.6 million hectares for the past three years². Maintaining steady arable land minimizes the risk of land losses. Some of the most important objectives of the Chinese government include the improvement of the quality of the farmland and to increase grain production.

The latest data from the National Statistical Office of China suggests that the country's grain production is constantly increasing³. The National Bureau of Statistics (NBS) of China reports that China's grain output increased 3.2% in 2012 from 2011 to 589.57 million tons, marking the ninth consecutive year of growth. According to the NBS, corn output increased 8% to 208.12 million tons in 2012 from a year earlier, while rice and wheat output increased 1.6% and 2.7% to 204.29 million tons and 120.58 million tons, respectively. These numbers show that corn has replaced wheat as the largest grain variety in China.

The China Green Food Expo Shanghai 2012, which was held from Dec 14th to Dec 17th, attracted 603 exhibitors within 1,141 categories of products, and nearly 1,000 overseas and domestic purchasers⁴. The main focus of the Expo was the promotion and development of pollution-free food, green and food and farm produce of geographical indications (GI), as China endeavors to enhance the quality of farm produce and to ensure food safety for domestic consumption. Ma Aiguo, Director-General of Bureau of Quality & Safety Supervision for Agro-products of MOA, emphasized that the nation has to strive to develop its organic food industry, grow more organic crops and promote cooperation between producers and distributors.

The U.S. Grains Council 2012 China Corn Harvest Tour projects another good Chinese corn crop, driven both by higher yields and an increase in planted acreage. «The U.S. drought and short 2012 crop is pressuring buyers in all sectors,» said USGC President and CEO Tom Sleight. «But corn trades in a global system, and the safety net is the capacity of other producers to step up. The United States is by far the world's largest corn producer and exporter, but in a tough year for U.S. corn, it is a relief that the world's number two producer (China) is having a good year.»

SPOTLIGHT ON DEYU⁵

- **Deyu Agriculture Corp.** Adds New Subsidiary, Extends Business Coverage to Northeast China (from Jan 14, 2013)
- **Deyu Agriculture Corp.** subsidiary's coarse grain processing development supported by Shanxi Provincial Development and Reform Commission (from Jan 2nd, 2013);
- **Deyu Agriculture Corp.** explores institutional sales segment and reaches supply agreement valued at USD 18.4 million (from Dec 14th, 2012).

¹ «USGC Projects a Strong China Crop: Good News for Drought-Impacted Global Markets». <http://www.grains.org>.

² Ministry of Agriculture of China. http://english.agri.gov.cn/ga/news/201212/t20121213_5871.htm

³ Corn or demand gap in China's biggest grain crops. Published: 2012-12-10 08:59 article source: China Science and technology network author: Lu Qi.

⁴ Ministry of Agriculture of China. http://english.agri.gov.cn/ga/news/201212/t20121218_5886.htm

⁵ For more information on Deyu Agriculture Corp. press releases visit the website: <http://www.ir-site.com/deyu/press.asp>