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# CHINESE ALFALFA MARKET: NEW OPPORTUNITIES FOR RUSSIAN PRODUCERS

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## Abstract

At present, China and Russia are increasing co-operation in various areas, including agriculture. There is a great demand for alfalfa in China. However, due to natural-geographical (limited area for cultivation) and socio-political conditions, China cannot achieve self-sufficiency. Currently, the Chinese alfalfa import market is dominated by the USA and Spain, while Russian alfalfa is just beginning to appear on the market. This article introduces the prospects for Russian alfalfa exports to China and offers some recommendations for Russian companies. China and Russia have strategic opportunities for comprehensive co-operation and have great potential for cooperation in agriculture. There is a high demand for high quality alfalfa in China. However, due to natural geographical and socio-political conditions, China has limited area for alfalfa cultivation and poor soil conditions. Local alfalfa production also lacks advantages in terms of quality and price. Currently, the Chinese alfalfa import market is dominated by the United States and Spain, while Russia is just beginning to supply alfalfa to the Chinese market. This article analyses the demand for alfalfa in China, its production characteristics, import methods and the reasons for the absolute dominance of alfalfa from the USA in the Chinese market. The article also presents the prospects of Russian alfalfa exports to China and offers some recommendations for Russian companies to improve quality, reduce transportation costs, create a brand name, establish an effective industry association for quality after-sales service and access to market information.

## Keywords

Alfalfa, agriculture, China, Russia, international trade, livestock.



## INTRODUCTION

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Agriculture is a very important part of international trade. China is a large agricultural country with high demand for dairy products and alfalfa for dairy farms. The Chinese alfalfa hay market has been developing in its own directions for a long time. However, nowadays, a large amount of alfalfa hay products have to be imported from abroad. China and Russia are geographically close to each other, and trade between them seems quite promising. Understanding the situation in the Chinese alfalfa hay market may allow us to identify our own advantages and strengthen cooperation with China in alfalfa.

## ANALYSING CONSUMER DEMAND FOR ALFALFA IN CHINA

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The demand for dairy products in China is growing vigorously [1], as evidenced by the increasing demand for alfalfa hay [2]. The growth of milk production in China is due to the increase in the number of Holstein breed cows on large dairy farms (more than 100 cows) and the increase in the productivity of individual cows. Influenced by the stance of Chinese scientists and the National Alfalfa and Forage Alliance (NAFA), the plant has been widely introduced on large dairy farms in China. Currently, each Holstein cow producing milk requires 1 tonne of alfalfa per year. The number of Holstein dairy cows in China will be 5.6 million in 2021, 6.5 million in 2022 and 7.13 million in 2023. About 55% of them are lactating cows. Thus, China needed 3.08 million tonnes of high quality alfalfa hay in 2021, 3.57 million tonnes in 2022 and 3.92 million tonnes in 2023. However, due to the declining demand for dairy products, large Chinese dairy farms are suffering losses and about 25% of them will close in 2023. As a result, the number of Holstein cows is expected to decline further by 12% in 2024 and total demand for alfalfa hay is expected to fall to 3 million tonnes, returning to 2021 levels.

## ALFALFA PRODUCTION IN CHINA

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There are not many areas in China suitable for alfalfa cultivation, mainly concentrated in the north of the country. However, China's agricultural policy aims to prioritise staple food production and has an extremely strict system of arable land protection [3], so alfalfa can only be planted on low-quality land and the cultivated area cannot be increased. Only a small portion of the land can produce high quality alfalfa for sale.

Alfalfa yields in China are generally low due to poor land [4]. In 2012. The PRC Ministry of Agriculture issued a document that the alfalfa yield in the demonstration area was to reach 6 t/ha in dry crops and 12 t/ha under irrigated conditions. In 2018, this target was almost achieved. In 2020, the average yield of Chinese commercial alfalfa was 9.21 tonnes/ha. However, due to natural conditions, experts believe that it is difficult to further increase the yield of commercial alfalfa. In addition, Chinese dairy companies are making increasingly high demands on alfalfa quality. Therefore, producers will not blindly increase yields at the expense of alfalfa quality.

Currently, large dairy farms in China adhere to alfalfa grading for feed allocation in Total Mixed Ration. Prices and purchases are determined based on test reports following feed grading in accordance with North American alfalfa grading standards.

In general, due to climate and soil quality, areas producing alfalfa for sale, with the exception of Gansu, Inner Mongolia and Xinjiang, cannot produce high quality alfalfa hay [5]. In 2012. The Ministry of Agriculture issued the

«Guidelines for the Implementation of High-Yielding and High-Quality Alfalfa Demonstration Project 2012», and since then, the government has continued to increase subsidies for agricultural companies. Producers have accelerated the process of upgrading machinery and equipment. By 2018, alfalfa quality had generally improved, and 70% of commercial alfalfa had reached grade 2 or higher. However, it is difficult for Chinese enterprises to consistently produce feed grade 1 or higher [6]. Premium alfalfa with RFV (Relative Feed Value) over 185 is mainly imported.

In general, domestic alfalfa has no advantage over imported alfalfa.

Firstly, the productivity of quality alfalfa is low, making it difficult to meet domestic demand. Second, the stability of quality is not high enough, the nutritional index varies greatly from batch to batch, and many enterprises face the problem of inaccurate grading. Third, supply is unstable because alfalfa growing areas are located in regions with unstable climate. Finally, Chinese alfalfa has yet to become a premium brand.

In recent years, rising land rental costs have severely undermined producers' profitability. For example, in Inner Mongolia, government-supported companies planted about 10,000 hectares of alfalfa in 2013, but after 2016 they almost completely went out of business as excessive land rents reduced their investment in machinery and technology, making it difficult to produce sufficient quantities of quality alfalfa. As a result, the profitability of alfalfa production in China has not increased in tandem with rising prices and consumption [7]. China also has regions with low land value. For example, the land rent for alfalfa in the sandy areas of eastern Inner Mongolia is 3,000 to 4,500 yuan per hectare. And Ar Horqin Banner, after ten years of development, has become a developing industrial zone with the largest cultivated area, the highest coverage of modern large-scale machinery (up to 85%) and the most advanced technology in China [8]. However, such alfalfa area is very limited to fill the alfalfa gap in China.

Excessive transport costs deprive the national alfalfa of price advantage. First, there is a geospatial mismatch between alfalfa production areas and demand areas: alfalfa hay often has to travel thousands of kilometres to reach dairy farms. These costs already exceed the cost of shipping from the US to China [9]. Second, due to a lack of technology, neither containerised transport nor transport in rail wagons is economically viable at the current density of hay shipments in China. As a result, transport by truck continues to be the dominant mode of transport in China.

Higher machinery cost thresholds also constrain alfalfa development. The basic machinery needed to produce and harvest alfalfa has to be imported from abroad. For every 100 hectares of alfalfa, 400,000 to 500,000 yuan is invested in agronomic harvesting equipment, accounting for more than 20% of the total investment.

Thus, there is always a shortage of alfalfa in China. China's agricultural policy to prioritise major grain crops limits the land area and soil conditions for alfalfa cultivation, which makes it difficult to produce high quality alfalfa. The long distance between production and consumption areas increases transport costs. In addition, lagging behind in the development of forage harvesting technology makes it difficult to reduce transport costs. The development status of the alfalfa industry in China suggests that the Chinese alfalfa market has a strong demand for imported alfalfa, especially high quality alfalfa.

## ALFALFA IMPORT SITUATION IN CHINA

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China's imports of high quality alfalfa grew from 2008 (19,000 tonnes) to 2021 (1.78 million tonnes), peaking and maintaining this level in 2022, before imports started to decline in 2023 due to the dairy industry downturn. However,

imports will increase in the medium to long term and are expected to reach 2.1 million tonnes by 2030.

The average price of imported alfalfa hay is also increasing. In 2020 it was \$362 per tonne and in 2021 it is \$377 per tonne. In 2022, the average CIF (Cost, Insurance and Freight) price is \$518 per tonne, up 36% over the year. From January to June 2023, despite a decline in the volume of alfalfa hay imports over the year, the average CIF price continued to rise to \$573 per tonne, up 33% over the year. However, the price of imported alfalfa hay declined rapidly as milk prices continued to decline and dairy farms struggled to operate. As a result, alfalfa imports were 43% lower in 2023 compared to 2022, and the average import price was also 1% lower. The econometric analysis also shows that until 2019, China's alfalfa import volume was mainly driven by the growth of large dairy farms. However, after 2020, price increases led to lower import volumes. Thus, China's alfalfa imports will continue to grow, but it will be difficult to avoid short-term fluctuations.

Currently, China imports alfalfa grass products mainly from the USA (91.11%), Australia (7.30%), Canada (0.82%) and Spain (0.75%). The USA is the leading exporter of alfalfa hay to China [9] and Spain is the leading exporter of Chinese alfalfa pellets, meal and blocks. The Chinese market is dominated by alfalfa from the US: until 2017, its hay accounted for 93.5% (1.307 million tonnes) of all imports, although this declined in the early months of the US-China trade war. However, US alfalfa's market share increased again as countries such as Spain began producing less alfalfa [10], making it more difficult to fill the US alfalfa deficit. Overall, the trade war did not have a significant impact on the market share of U.S. alfalfa in China.

Alfalfa prices in China depend on alfalfa prices in the U.S. market. After 2018, alfalfa acreage in the U.S. decreased and demand for alfalfa increased due to higher milk prices in the country. As a result, alfalfa prices in China followed the rise in US alfalfa export prices. Thus, in general, Chinese buyers have no advantage over U.S. alfalfa due to international supply and demand.

The Chinese market for alfalfa pellets and meal is small, with annual imports of approximately 30,000 tonnes. Spain dominates Chinese imports of alfalfa meal and pellets, accounting for about 90%. In 2019 and 2020. China has started imports from Italy and South Africa.

China's demand for imported alfalfa is quite high. When the price of alfalfa hay is high, dairy farms will use feeds such as corn silage, oats and soya meal (of which Australia is the main importer of oats to China). When the price of alternative feeds rises, dairy farms will still choose alfalfa. Meanwhile Australia, as a US ally, has been hit hard by the US-China trade war, despite China's very hesitant sanctions on US agricultural products. Restrictions on renewing licences for Australian companies to export oats to China after February 2021 have led to a sharp decline in oat exports to China. And they were not eased slightly until late 2023.

The dominance of US alfalfa in the Chinese market is also due to the contribution of the American Plant Products Association. It patiently developed the Chinese alfalfa market, exported grading standards to China, developed a quality control mechanism to remove weeds and floating soil, popularised the knowledge of alfalfa-to-milk conversion and provided training on TMR (Total Mixed Ration) feed blending technology. The association established a neutral arbitration mechanism for fair mediation between Chinese importers, dairy farms and U.S. producers. The Association also advised U.S. producers on China's GMO zero-tolerance policy. As a result, they have successfully penetrated and dominated the Chinese market.

## CONCLUSION

In the next decade, the consumption of dairy products by the Chinese population will increase. Accordingly, the demand for alfalfa hay will also increase. However, due to agricultural policies in China, there will continue to be a long-term demand for imported alfalfa. Of course, there are cyclical changes in commodity prices in this market, so the Russian alfalfa industry should also be oriented to the risk of market fluctuations.

The Chinese alfalfa hay market is mature and dominated by alfalfa from the US. Russian alfalfa exports to China should consider «American standards» and actively compete with US alfalfa.

Russia can take an example from the USA and Spain in terms of establishing industry associations. They can actively study the Chinese market, assist domestic enterprises in doing business, form a full-fledged sales system, act as mediators and arbitrators in disputes. The Russian alfalfa industry should also look for suitable transport routes. Considering the current sea freight rate of \$20 per tonne from the US and road freight rate of \$100 per tonne in China, the freight rate from St. Petersburg and the Black Sea to China's eastern ports is about \$40 per tonne, which is still competitive. In addition, it is worth paying attention to China's policy on the One Belt, One Road initiative and the China-EU liner to get subsidies to enter the Chinese market at a lower price.

Thus, the Chinese alfalfa hay market has a huge potential, which offers great opportunities for Russia. At the same time, the Chinese hay market has its own peculiarities in terms of imports, setting standards, etc. Russian hay should be well prepared before entering the Chinese market.

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# BRAND BUILDING: THE ROLE OF PR IN MODERN BUSINESS

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## Abstract

In the interview with Dmitry Ozman, President of Forbes Club and Development Director of Forbes Russia, the importance of PR and media in business is discussed, emphasising their key role in a company's success. It is argued that quality PR is a basic component of any business, as it forms the face and character of the company, which becomes especially important in a highly competitive environment. As technology and new media formats are actively evolving, companies are forced to adapt and utilise modern tools such as social media and artificial intelligence to remain relevant and visible to their audience. An important part of a successful media product is the characteristics of the target audience and their needs. The process of creating compelling content involves preliminary market research as well as interaction with peers and experts. Examples of successful projects illustrate how innovative formats and joint work with market players help to create in-demand products and effective business communities. In addition, the interviews emphasise the importance of early professional experience for young people and the importance of the first step in career choices.

## Keywords

PR, media product, compelling content, technologisation of the media business, target audience.