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Market Development Reports
MARKET OPPORTUNITIES IN SHENZHEN
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Report Highlights:

Dairy breeding cattle, swine genetics, and aquatic products opportunities in Shenzhen, the weathiest city in South China, but also opportunities in U.S. seafood processing and cold storage technology, investments in the seafood market, supermarkets and wholesale markets all over China, as well as in supermarket management training and linkage with U.S. agricultural producers' web pages.

Market Opportunities in Shenzhen

After 20 years of development, Shenzhen Special Economic Zone is now the most affluent city in southern China. The total population of Shenzhen is 3.58 million with an average annual income of US\$2,244 per capita in 1997. In contrast, the average per capita national income of China was US\$623.94 in 1997. The gross agricultural output value of Shenzhen in 1997 was more than US\$175 million.

In 1997, the Shenzhen municipal government introduced a new managing system for state-owned companies and three enterprises were formed: Investment Managing Company, Construction Investment Holdings Company and Shenzhen Commerce & Trade Investment Holdings Company. Under this system, Shenzhen Commerce & Trade Investment Holdings Company is the principal owner of all state-owned commercial companies, trading companies and tourism agencies and has the rights to appoint managers to their subordinate companies. That is to say, they do not need to obtain approval from its local government. As a result, the companies are managed without many political interferences.

The food and agriculture related companies under the management of the Shenzhen Commerce & Trade Investment Holdings Company include the Shenzhen Agricultural Products Company, the Shenzhen Aquatic Products Company, the Shenzhen Ocean Fishery Company, the Haijixing Aquatic Products Marketing Company, the Shenzhen Fruit & Vegetables Trading Company and the Wandafeng Trading Company. Senior managers of these companies want to attract U.S. capitals, technology or products to Shenzhen to further its development. Under the new management system, each of these executives owns stocks of their company, therefore it really matters to them whether their company is making profit. Consequently, they all want to find a way to promote their business and dominate the market ahead of others. This group of executives are open minded with a high level of education, and eager to introduce new products and technology to the market.

This October, a meeting will be held in Beijing to decide further reform in state-owned companies. The executives anticipate that the Government will maintain its control over 500 to 1,000 state-owned enterprises and leave the rest to develop on their own. One of these executives said: "There are 100 ways to achieve a goal, but we may head for the wrong direction 99 times before finding the path leading to success." This is why they are eager to meet the director of ATO Guangzhou. They all think U.S. has the necessary technology, capital and experiences that can help them avoid making the 99 mistakes. President Li of the company reiterated the importance of learning from developed country like U.S. He wanted very much to improve the efficiency of his managing team through training.

These executives hope China can join the WTO soon and they are not afraid of competition from abroad as they take it as a motivation factor.

They are very excited about meeting U.S. exporters to discover new concepts of business. They feel that training on supermarket management, computer & inventory system, storage techniques will be very helpful for them.

Among the several enterprises under the Shenzhen Commerce and Trade Investment Holdings Company is **The Shenzhen Guangming Farm**. Occupying 21square miles, Shenzhen Guangming Farm is a major milk provider for Hongkong residents. Milk products of this farm are found in every part of China.

OPPORTUNITY: The farm is looking for suppliers of dairy breeding cattle.

The Shenzhen Ocean Fishery Company is another enterprise under the Shenzhen Commerce and Trade Investment Holdings Company. The Deputy General Manager of this company, Ms. Zeng Fang Qin was a Cochran seafood team member. Also, funded by Shenzhen government, she spent one year at the Houston University studying Business Administration. Ms. Zeng is excited about introducing their new marketing plan. She believes the rising income of Shenzhen residents has shaped their tastes and hobbies. She says that most of Shenzhen residents are accustomed to shopping meat and food from a supermarket now.

This company owes 8 fishing boats and has 20 other boats registered under its name. Being a state-owned company, it enjoys a duty free status which allows it to sell its catch to foreign fishermen then using the revenue to purchase seafood that are favoured by Chinese costumers. Ms. Zeng was impressed by the processing technology of a U.S. fishing company that she visited in 1998 under the Cochran Program. She described how the catch came out of the processing terminal as pieces of fish fillet. Ms Zeng thought this kind of technology would be a major break through for Shenzhen aquatic products. She also mentioned that she intended to set up an information network on fishery products to enable clients to locate information such as catches, fishing boats, prices, market demands and related issues. To prepare for the next phase of development of aquatic industry in Shenzhen, Ms Zeng has completed a market research of the challenge and is writing a marketing report for Shenzhen Commerce and Trade Investment Holding Company. ATO Director offered to read the report as a critic. Ms Zeng accepted the offer.

OPPORTUNITIES: a. This company is looking for U.S. seafood processing and cold storage technology;
b. The company is also looking for import of U.S. aquatic products.

The Haijixing Aquatic Products Marketing Company is also under the Shenzhen Commerce and Trade Investment Holdings Company. There are three ports in Shenzhen: Yantian , Shekou and Nanao. Shekou port is the deepest one with 0.62 miles of coast line. Some sections were recently streamlined for the seafood wholesale business. Haijixing plans to build a major seafood wholesale market at the Shekou port. Like other executives, the general manager of Haijixing is very keen to introduce U.S. technology and capital. The model they have in mind is the Sydney Seafood Market. That market is a popular tourism spot. The Chinese plan to attract a row of seafood restaurants next to the wholesale market.

OPPORTUNITIES: a. Design for the tourist's center of seafood restaurants;
b. Investment in the seafood market.

The Shenzhen Agricultural Products Company is another important company under the Shenzhen Commerce and Trade Investment Holdings Company. It manages the following business:

Minrun Supermarkets, Buji Agricultural Products Wholesale Market, Longjiang Pig farm and China Agricultural Products Information Net. Its total assets reached US\$13 million after nine years of operation.

The sales volume of Buji wholesale market hit US\$1.2 billion in 1998. Sunkist, prunes, table grapes, apples, celery, carrot and broccoli are very popular in this market. The size of the market itself is not very big but trucks from many parts of china are threading through it continuously.

Most updated prices for vegetable & fruit and agricultural policies & news can be found on the China Agricultural Products Information Net. The information made it easier for buyers and sellers to reach a reasonable agreement over prices. The Shenzhen government wants to reduce the number of wet markets, and the Shenzhen Agricultural Products Company plans to open 10 supermarkets in new neighborhoods. Food item will comprise 80% of the products.

OPPORTUNITIES:

- a. Investment in supermarket;
- b. Import of swine genetic to improve swine production;
- c. linkage with large U.S. agricultural producers' web pages;
- d. Training for supermarket management;
- e. Partnership for setting up agricultural wholesale market in other parts of China.