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China, Peoples Republic of

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Report Highlights:

This report provides an update on South China current urban market situation, hot prospects for US exporters, plans for Chinese trade teams visiting the United States, select trade shows in South China, and plans for supermarket and restaurant promotions.

Includes PSD changes: No
Includes Trade Matrix: No
Annual Report
Guangzhou [CH3], CH

I. South China General Market Situation

South China, consisting of Guangdong, Fujian, Guangxi, and Hainan provinces, covers 220,000 square miles along the Taiwan Strait and the South China Sea. It has 175 million residents and a USD 213 billion economy.

Guangdong province's Pearl River Delta is one of the wealthiest regions of China and a showcase for U.S. food and agricultural products. Guangzhou, the capital of Guangdong province, is the paradise of Chinese traditional and exotic food and a testing ground for new cuisine. The five Special Economic Zones (SEZ) in South China (Hainan, Shantou, Shenzhen, Xiamen, and Zhuhai) are among the most vibrant markets in China.

Guangdong province, the home of many of China's food and beverage importers, processors and distributors, has 86.4 million residents. Fujian province, with vital links to the Southeast Asian nations and some of the more wealthy overseas Chinese, has 34.7 million people. Guangdong and Fujian together account for over 15 per cent of China's USD one trillion-plus economy and about 40 per cent of China's international trade. In Year 2001, the GDP of Guangdong exceeded RMB one trillion yuan (USD121 billion) and the GDP of Fujian reached RMB 426 billion yuan (USD52 billion).

Guangxi province (officially known as the Guangxi Zhuang Autonomous Region) is a poorer and under-developed rural region bordering Vietnam. It has a population of about 45 million people. Hainan province, a small tropical island with about 8 million residents, is also a Special Economic Zone. It and Guangxi enjoy special privileges for economic development. [Note: Statistics in above paragraphs are from a briefing paper dated May 20, 2002, and the reporting cables Guangzhou 01874 and Guangzhou 02083, prepared by the U.S. Consulate General, Guangzhou.]

Seasoned with years of external and internal trading and established connections with the business networks in the Special Administrative Regions (SAR) of Hong Kong and Macau, South China importers bring in millions of dollars worth of products annually for consumption in the region, distribution to domestic markets further north and west and, after needed processing, re-export to regional markets in Asia. In Year 2000 (for which the most recent published data are available), South China's share of import was USD 10.6 billion, which was 39 per cent of the national total. (Source: China Statistical Yearbook, 2001)

The urban residents of Guangdong and Fujian enjoy one of the highest standards of living in China. In Year 2000, only the urban residents of Shanghai and Beijing had higher average disposal income. The Chinese urban market size as shown in Table I is USD 348 billion. Guangdong with an urban market size of USD 56.1 billion is one and a half times larger than Shanghai and three times larger than Beijing. South China, as a whole, accounts for 17 per cent of China's total urban population and 23 per cent of the urban market. South China, especially Guangzhou and the SEZs, is where the market is for imported food products. Some China "experts" have stated, "If you want fashions and glamour, you go to Shanghai. If you want politics and culture, you go to Beijing. If you want trade and deals, you go to Guangzhou."

Table I
The Chinese Urban Market Size in Year 2000

Major Cities	Disposal Income in RMB	Urban Population in thousands	Market Size in USD million	Per Cent of National Total
National Total	6,279.98	458,440	348,336	
Beijing	10,349.69	10,720	13,424	3.85
Shanghai	11,718.01	14,780	20,955	6.02
Jiangsu	6,800.23	30,860	25,391	7.29
Zhejiang	9,279.16	22,770	25,564	7.34
Shandong	6,489.97	34,500	27,091	7.78
Chongqing	6,275.98	10,230	7,768	2.23
Yunnan	6,324.64	10,020	7,668	2.20
Fujian	7,532.26	14,430	13,151	3.78
Guangdong	9,761.57	47,530	56,136	16.12
Guangxi	5,834.43	12,640	8,923	2.56
Hainan	5,358.32	3,160	2,048	0.59
Ratio of South China to National		16.96	23.04	

Source: China Statistical Yearbook, 2001.

South China urban consumers have ready access to imported products. Western food products in the form of raw materials, processed food or food ingredients are available from western (joint ventured) supermarket giants such as WalMart, Park N Shop, Makro, Jusco, Carrefour in the major cities in South China and in other Chinese supermarkets such as Friendship Store, Trust Mart, Xin Da Xin, Hua Run and Min Run. Western food restaurants are active in the major cities. Chinese restaurants are using U.S. food ingredients and raw materials in creating new dishes. Both Chinese households and the hotel and restaurant sectors prefer to buy western food products in small or moderate quantity, rather than bulk packages.

Much of China's imported food and beverage products enter the country through Guangdong's numerous ports, often as re-export from Hong Kong. Within Hong Kong's financial network and local importers' established networks in import and distribution and their connection with the various inspection and regulatory authorities, imported products are moved efficiently and relatively inexpensively from the Pearl River Delta area in a fan-shaped radius to China's hinterland, reaching a population of over 500 million people. At least 50 million of this people are willing and able to try and assimilate U.S. consumer ready products. Wholesale markets for fresh fruit (at Lishui), seafood (at Yantian), frozen meat and poultry (Panyu), and nuts and consumer products (in Guangzhou) draw buyers from across China.

Most U.S. food and agricultural groups are familiar with the South China market conditions. A number

of them have representatives either in South China or in nearby Hong Kong. If you are interested in exporting to this market, you might begin with a telephone call to your industry or trade association or to one of the State Regional Trade Groups (SRTG). The website from which you get this report has links to the industry/trade associations and the SRTGs. You may also find more information about the associations and the SRTGs from www.fas.usda.gov.

II. Hot Prospects in the South China Region

Bulk commodities such as wheat and soybean, forest products for interior design and building, agricultural by-products such as rendered materials, frozen products such as beef, poultry parts and potato, fresh products such as apples, grapes, cherries, and oranges, dried nuts such as pistachio, almond, prunes and raisin, and seafood such as salmon and king crabs continue to have market appeals in South China. Several well-known U.S. food and beverage processors and producers have joint ventures in South China.

Trade groups such as

- US Wheat Associates
- American Soybean Association
- American Hardwood Export Council
- American Forest and Paper Association
- National Renderers Association
- US Meat Export Federation
- USA Poultry and Egg Export Council
- U.S. Potato Board
- Washington Apple Commission
- California Table Grape Commission
- Northwest Cherry Growers
- Florida Department of Citrus
- California Pistachio Commission
- California Almond Board
- California Prune Board
- Raisin Administrative Committee and
- Alaska Seafood Marketing Institute

conduct trade seminars, technical workshops, in store demonstrations and food festivals to help penetrate and gain shares in the South China market. Contact your trade/industry group if you wish to export to this market. They are able to provide you trade-specific requirements and the essential business data for exporting to China.

The promotional efforts of the Agricultural Trade Office Guangzhou are focused on what the industry/trade groups are NOT doing. While our services are available to all exporters of U.S. agribusiness, our primary customers are exporters of branded products and our key partners are the SRTGs. We also work closely with trade offices of various state governments; the most active ones

are California, Ohio and Virginia.

Urban consumers in South China, especially the younger ones, are adventuresome in their food taste and preference. They are interested in what's new and a bit beyond the reach of the common populace (the snob factor). That's why McDonald, Pizza Hut, and Kentucky Fried Chicken are popular, besides their food value.

Chinese consumers are also interested in what's healthy and nutritious for them, their children, and their parents. Food products that enhance fitness and physical or mental well-being are popular.

Thus, a list of hot prospects in South China would include

- health foods and beverages
- fresh fruit
- dried nuts
- pasta and sauces and
- processed food items such as infant formula, candies, snack foods, canned goods, and cookies.

The hard to find food items (as some expatriates reported in an orientation package dated August 10, 2001) might fit under the rubrics of novelty and snobbery. They include marshmallows, holiday candies, tomato sauce/paste, cranberry juice, cake/cookie mixes, cake icing, brown sugar, gourmet cheese, potato chips, sour cream, pita bread, olives, lemon juice, breakfast cereals, Mexican and other ethnic foods, pickles, cold cuts, bacon, and sliced cheese, limes, (iceberg) lettuce, flour, freshly roasted coffee, fresh herbs, western spices, rolled oats, and desiccated coconut.

If you feel your products might have a niche in South China, you might consider using the unique Product Assessment Support Services (PASS) of our office to test their market potential. The services are free as of now and the details are available from the website from which you get this report or from www.fas.usda.gov.

III. FY 2003 South China Trade Teams

The Agricultural Trade Office in Guangzhou (ATO/Guangzhou) will work with U.S. cooperators and Chinese trade associations to enable self-financed trade teams from the South China region visit trade shows, producers and food processors in the United States. We will also support teams traveling to the United States for technical training under the Cochran Program or other industry programs. In addition, ATO/Guangzhou plans to recruit a self-financed trade team to the National Restaurant Association's annual exposition in May, 2003. Hosting the Chinese visitors by showing them your company and your town is among the best ways for you to develop contacts with a potential business partner. If your company is interested in showing hospitality to members of any of the trade teams, contact the U.S. offices of the cooperators or our office.

IV. FY 2003 Trade Shows in South China

Most of the trade shows in South China are not yet up to the U.S. standards of a trade show. The exception is the Food and Hotel South China Show organized under the supervision of the Montgomery Group and that show is held in Guangzhou every other year. It will not be held in South China in FY2003.

If your company is interested in getting a first-hand experience of the South China market, you might consider attending or exhibiting at the following shows or trade shows in other parts of China. Consult the website of ATO/Shanghai (www.atoshanghai.org) for a full list of shows. However, ***our office does not work with nor endorse any of the shows.*** When our office receives information on other shows, we will post it on our website www.atoguangzhou.org.

China Famous Town Expo
November 7-10, 2002
China Export Commodity Trade Fair Center, Guangzhou
Sponsor: China National Furniture Association, Guangdong
Contact: Ally He & Cindy Shi.
Fax: 011-8620-3873 2256
E-Mail: new-time@163.com

China (Dongguan) Food Expo 2002
November 14-17, 2002
Dongguan International Conference & Exhibition Center, Dongguan
Sponsor: China Food Industry Group
Contact: Dongguan International Trade Exhibition Company
Fax: 011-86769-211 7910
E-Mail: Chinafoodexpo@hotmail.com

CFI 2002 (China Foodstuff Industries Trade Fair 2002)
November 21-24, 2002
China Export commodity Trade Fair Center, Guangzhou
Sponsor: Shikong Exhibition & Trade Center
Contact: Chen Yong
Fax: 011-8620-3868 0200
E-Mail: sales@2t2.net

Shenzhen Food Expo
December 6-9, 2002 (Tentative)
China International Hi-Tech Products Exhibition Hall, Shenzhen
Sponsor: Shenzhen Food Industry Association
Contact: Shenzhen Food Industry Association
Fax: 011-86755-2337745
E-Mail: szfood@public.szptt.net.cn

Foodex 2003
January 8-11, 2003
China Export Commodity Fair Center, Guangzhou
Sponsor: Guangdong Economic & Trade Commission
Contact: Royal Dutch Jaarbeurs China
Fax: 011-8620-3887 0229
E-Mail: xcher@hotmail.com

As an alternative to these shows, ATO/Guangzhou will co-host branded product shows for select Chinese importers and distributors. If your company is interested to have a private show in South China, contact our office. Also, please review our Product Assessment Support Services (PASS) for another way to show and market your products.

V. Supermarket and Restaurant Promotions in South China

In-store promotions in supermarkets and menu promotions in select restaurants are essentially activities initiated and implemented by U.S. cooperators. ATO/Guangzhou provides promotional materials and arranges staff visit to support these activities. In cooperation with ATO/Hong Kong and the California Office of Trade and Investment, ATO/Guangzhou will also organize in-store promotions in Guangzhou to promote new food products from California and other states. The Californian Food Showcase will probably be held in late January 2003, before the Chinese New Year. The New Products Promotion will be held later. If your company is interested in promoting your products through this program, contact ATO/Hong Kong, the California Office of Trade and Investment, or our office. The fax number of ATO/Hong Kong is 00852 2845 0943, Attention: Lloyd Harbert. The number of the California Office of Trade and Investment is 00852 2877 2691, Attention: Janie Fong.

ATO/Guangzhou plans to have two menu promotions in FY2003. The first one, an "Open House" in November 2002 will celebrate the completed renovation of the ATO facilities in the China Hotel. The second one in August or September 2003 will be a reception for the new ATO Director. We expect 200-300 guests at the first event and 300-500 guests at the second event. Both receptions will feature U.S. products prominently. If your company wishes to showcase your products, contact our office. We can use the full range of U.S. food and agricultural products in our menus.

In addition to the menu promotions, ATO/Guangzhou plans to host regularly business luncheon or dinner for local Government officials and trade contacts. If you travel to the South China area for business and are interested in meeting some local business people, we would be glad to co-host a reception with your company to promote your products.

VI. Post Contact Information

ATO Guangzhou is a field office of USDA Foreign Agricultural Service (FAS) located in Guangzhou. Our mission is to promote and expand the import of U.S. food and agricultural products to South China. We serve primarily the consular territory of Guangdong, Fujian, Guangxi, and Hainan. You can reach us at the following address:

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China Hotel Office Tower, 14th Floor
Liu Hua Lu, Guangzhou, China 510015
Telnum: 011-8620-8667 7553
Faxnum: 011-8620-8666 0703
Website: www.atoguangzhou.org
E-Mail: info@atoguangzhou.org or atoguangzhou@fas.usda.gov

For further information about exporting to China and the South China current market situation, please visit the ATO Guangzhou website or the FAS homepage. We invite you to link your company website to our website. We invite you to contact us directly. We invite you to explore the South China market for your company's prosperity!

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