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ATO ACTIVITIES reports

Cold Chain Activity Report

2004

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Report Highlights:

ATO's Cold Chain Seminar series was received with great enthusiasm. The program both evaluated the state of Shanghai's cold storage and transportation facilities, and provided the industry with important information to help improve their capabilities.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Shanghai ATO [CH2]
[CH]

Phase I of USDA's Cold Chain Initiative: Improving Perishable Foods Distribution in Shanghai/China

After months of planning, ATO Shanghai hosted the Executive Conference on Perishable Foods Distribution and Logistics in eastern China, also known as Phase I of the Cold Chain initiative, from June 8–10, 2004. The event attracted enormous attention, and was heavily oversubscribed. Attendance was limited to 150, but the final number was closer to 200. ATO director Ross Kreamer delivered the opening address and moderated the conference. U.S. Consulate General's DPO welcomed participants. The press was also in attendance, with at least four major dailies and one freelance journalist in the audience. Six feature articles were published in the days following the conference. Although the official event spanned only two days, ATO hosted many of the expert team members for as long as one week as they completed their evaluations, reviewed sites for practical evaluation and prepared for the main event. The team overwhelmingly endorsed following through with Phase II of the project.

Day 1: Fundamentals of Cold Chain Management

The first day of activities focused on lectures by the experts. The speakers and their key points included the following:

Dr. Chen Haigang, Deputy Director of the Economic Commission of the Shanghai Municipal government addressed the audience on the need for improving the infrastructure for distribution of perishable food and the development of Shanghai's economy. Chen noted that Shanghai's robust economic development and modern retail format has encouraged private sector investment and expansion of refrigerated warehousing and goods distribution. He estimated that Shanghai currently has about 6,070 supermarkets and convenience stores. He projected 10% growth in total Shanghai retail sales for 2004; total value last year was 130 billion RMB (+/- US\$16 billion). He mentioned that the USDA/WFLO cold chain conference served as an excellent means of focusing attention on the entire refrigerated logistics system – a sector that needs to be strengthened if Shanghai intends to develop frozen import/export potential of the rapidly expanding container ports

Mr. Liu Longchang, Secretary General of the Shanghai Association of Refrigerated Warehouses (SARW), provided an overview of the evolution of the SARW, a member of IARW, and the history of Shanghai's cold chain infrastructure. Shanghai has about 350,000 MT of frozen storage and 180,000 MT of refrigerated storage. As 65% of that storage was built in the 1970s and 80s, current technology and operating practices need to be updated and improved.

William Hudson, President and CEO of the IARW and WFLO, then gave an overview on the services and strengths of the IARW and WFLO in Shanghai and around the world. Hudson informed the audience – retailers, wholesalers, cold chain operators, food distribution representatives and members of the press – that WFLO and IARW provide industry specific education, training and best practice methods for member companies in over 50 countries.

Mark Hawthorne of USDA/FAS then discussed USDA and WFLO programs for developing cold chain infrastructure around the world. Mr. Hawthorne stated that the main goals of USDA's cold chain project are to: 1) raise awareness, 2) provide practical solutions to problems in refrigerated logistics, and 3) build and encourage sustainability. In particular, Hawthorne explained Phase II of the initiative, which ATO and USDA look forward to kicking off in Shanghai next year. Chinese application forms for Phase II were passed out at the conference and are available at ATO Shanghai. September 1, 2004, was named as the deadline for turning in Phase II application forms.

Len Ebersberger, President of Refrigerated Warehouse Consultants, then delivered an informative address on the practical issues of cold facility construction and safety issues. He emphasized five key elements in the construction of a cold store facility: 1) cold consistent temperatures, 2) good location, 3) responsible workers, 4) building and equipment maintenance, and 5) superior pest and rodent control. Ebersberger proceeded to outline the important details and safety precautions that operators should consider when constructing and running their facilities. Ebersberger's presentation was particularly well-received, and the Q&A session was filled with specific questions regarding the operations of cold warehousing.

Stephen Neel, IARW/WFLO's Director of International Programs gave a detailed presentation on food safety and handling practices, using the example of fresh meat as a benchmark. He outlined six primary goals of cold chain management: 1) decrease harmful bacteria, 2) enhance product safety, 3) protect customers, 4) extend usable shelf life of products, 5) increase product quality, and 6) increase profitability. Neel also outlined the Hazard Analysis of Critical Control Point (HACCP) plan as the minimum government-required standard for facility operations, and encouraged managers to exceed HACCP if possible.

Jim Caron, of USDA's Agricultural Marketing Service then lectured on the practices of shipping and transportation companies, particularly of perishable food and produce in the U.S. Caron stated that while just 23% of U.S. goods exported to China are refrigerated (the majority of cold goods enter the region through Hong Kong first), improvements in cold chain infrastructure to, from and within China are still necessary.

The last expert speaker of the day was Ed Odron, President of Ed Odron Produce Marketing & Consulting. Mr. Odron addressed the retailing and merchandizing of perishable foods and produce, mainly fruits and vegetables. His presentation outlined methods of increasing sales by improving product handling, storage and merchandizing. In addition to stressing the need for solid refrigeration practices, Odron offered various suggestions for increasing produce sales, such as making creative improvements to store displays.

Mr. Lu Xianghua, senior engineer of the Shanghai Frozen Food Association (SFFA), which co-organized the event, delivered the closing address. Mr. Lu praised the mutual support and cooperation of the USDA, WFLO and SARW on behalf of the SFFA for organizing and supporting the event. He stated that such cooperation, along with government dialogue, are important factors in the growth of Shanghai's cold chain industry and market development.

Directly after the first day's seminars, an industry reception, co-sponsored by Perdue Farms, was held at the Pudong Shangri-La Hotel. The many press that attended were able to conduct interviews and follow up on discussions that were started during the day. The following periodicals were represented: *Xinmin Evening News*, *Shanghai Science and Technology News*, *Youth Daily* and *Shanghai Business News*. Additionally, a freelance journalist noted that he expects to have two to three articles based on the seminars in the following magazines: *Asian Hotel and Catering Times* (July 2004 issue), *Seafood International* (UK) and *Asia Pacific Shipping* (Australia).

Day 2: Practical workshops at Metro Hypermarket and Wujing cold storage facility

On Thursday, June 10, the experts and attendees split between two sessions at Metro supermarket and Wujing Refrigerated Warehouse for hands-on practical workshops. The attendees and experts participated in rigorous Q&A sessions at both sites. After two hours of Q&A in the morning, each group walked through the respective venues and inspected their operations. Metro was praised in particular for its standardized delivery, distribution and

stocking of produce, as well as its innovative color-coded system of signs on the aquatic product displays. Experts noted that attendees seemed particularly interested in the idea of designing cold storage facilities with specific products in mind prior to construction. As it turns out, most of China's cold storage is designed and built without a specific product category in mind.

The program brought the following experts to Shanghai: Mr. J. William Hudson, President and CEO of the International Association of Refrigerated Warehouses (IARW) and World Food Logistics Organization (WFLO); Mr. Mark Hawthorne, FAS/USDA International Agribusiness Specialist; Mr. Len Ebersberger, President of Refrigerated Warehouse Consultants, Inc.; Dr. Stephen Neel, Director of IARW/WFLO International Program; Mr. Jim Caron, Program Manager of the Agricultural Marketing Service, USDA; Mr. Ed Odron, President of Ed Odron Produce Marketing & Consulting. Mr. Keith Sunderlal, Agricultural Economist and Representative of IARW/WFLO's New Delhi, India, office, organized the logistics of the event with the assistance of ATO Director Ross Kreamer and staff Christina Wu and Xu Min, and Mr. Li Haidong, Washington State Department of Agriculture in-market representative and staff. Two additional members of the team were Mr. Mike Henningsen, Chairman and President of Henningsen Cold Storage Co. of Hillsboro, Oregon, and Mr. Richard Jamison of Jamison Door Company of Hagerstown, Maryland, co-sponsor of the event.

Phase I an overall success

In addition to the events on the official program, ATO scheduled appointments and site visits for those expert team members who extended their stay in Shanghai to explore business opportunities. Team members and attendees voiced satisfaction with the week's schedule of events. The seminar's large and diverse audience, including the attendance of several members of the media, enlarged the scope of Phase I in Shanghai. Each of the 200 audience members received a cold chain textbook (in Chinese), resource directory for greater Shanghai (in English and Chinese), CD-ROM, and copies of the experts' presentations. ATO looks forward to launching Phase II of cold chain in 2005.

Any inquiries regarding the Conference on Improving Perishable Foods Distribution in Shanghai on June 9-10, 2004, or regarding Phase II of the initiative should be directed to Ross Kreamer, ATO Director (ross.kreamer@usda.gov) or Xu Min, Agricultural Specialist (xu.min@usda.gov). Mr. Kreamer and Mr. Xu can both be reached at +86-21-6279-8622.