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Bustling Ports in South China

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Approved by:

Joani Dong

U.S. Agricultural Trade Office Guangzhou

Prepared by:

Evid Liu

Report Highlights:

China's renowned economic growth has resulted in rapid port development. In CY 2006, China's ports handled 5.6 billion tons of cargo, ranking first in the world for total cargo volume for the fourth consecutive year. Bustling ports in southern China, of which Shenzhen and Guangzhou are the key hubs, function as the main entries for agricultural and food imports into China, especially for wood, poultry, fruit and nuts, cereals, cotton, soybeans and dairy products. This report provides an overview of the water transportation network for agricultural and food cargo in southern China with details on the key ports in the region.

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A container terminal in Shekou, Shenzhen – China's second largest container port

I Background

China's renowned economic growth over the past decades has soared, resulting in rapid port development. However, enhancement has not been restricted to ports. A water transport system consisting of seven key hub seaports (*refer to table 1*) and major coastal and river ports now serves international and domestic cargo delivery. Moreover, cargo handling capacity and turnover consistently break records year after year.

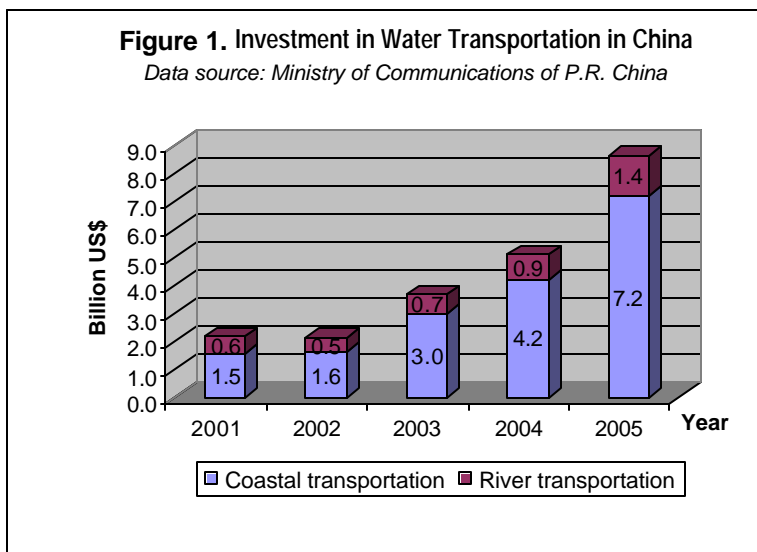
Table 1. Key Hub Ports in China

Region	Key Hub Ports	Import of Main Agricultural Commodities	Total Cargo Handled 2006		Total Container Throughput 2006	
			Million Metric Tons	Increase (06/05)	Million TEUs	Increase (06/05)
South China	Shenzhen	Grains & cereals, poultry and meat, fruit and nuts, wood products, cotton, fish and seafood	176	15%	18.4	14%
	Guangzhou	Grains & cereals, fruit and nuts, soybeans, cotton, hides and skin, poultry and meat, dairy products	303	21%	7.0	45%
East China	Shanghai	Cotton, wood products, poultry and meat, dairy products, hides and skin, fish and seafood, fruit and nuts, cereal	538	21%	21.7	20%
	Ningbo	Soybeans, cotton	424	18%	7.2	37%
North China	Dalian	Fish and seafood, poultry and meat, grains & cereals, fruit and nuts, poultry and meat, dairy products	200	17%	3.2	21%
	Tianjin	Dairy products, cotton, cereals, soybeans, wood and wood products, fruit and nuts, cereals, poultry and meat	258	7%	5.9	22%
	Qingdao	Fish and seafood, hides and skin, cereals, soybean, cotton, fruit and nuts, wood and wood products	224	20%	7.7	22%

Data source: trade data from China customs and estimate by China Ministry of Communication

Since 2002, China ports' cargo and container turnovers have placed first internationally. In CY 2006¹, China's ports handled 5.6 billion metric tons of cargo, an increase of 15% from the previous year; meanwhile, container turnover rose 26% from CY 2005 to 93 million TEUs². In addition, fourteen ports nationwide exceeded over 100 million tons of cargo throughputs. In the same year, Shanghai (22 million TEUs) and Shenzhen (18 million TEUs), ranked third and fourth in the world in terms of container turnover.

Fast development and reliable profits have fueled investment in the Chinese port industry. From 2001 to 2005, the annual increase rate of port infrastructure investment was 32% (See Figure 1). Nine hundred and twenty newly built specialized terminals began operations, adding 540 million metric tons in capacity. Some world-renowned foreign port investors, e.g., AP Moller Maersk, Hutchinson Whampoa and PSA, are already shareholders of ports in China. Investments from these global operators have resulted in upgrades of port construction and improvement of operations and efficiency, and, in turn, have led to better handling, warehousing and distributing of cargo.



An objective in the country's eleventh five-year plan (from 2006-2010) is to increase the handling capacity of coastal ports by a minimum of 80%. One way to accomplish the objective is to increase the number of coastal ports to 1,750 ports with a berthing capacity over ten thousand tons. Strategically the plan is to further develop large scale integrated ports in the five most economically active regions, which include Bohai Bay Rim economic region, Yangtze River Delta, and the three south China regions:

- ❑ Southeast coastal region
- ❑ Pearl River Delta and
- ❑ Southwest coastal region

II Transportation of Agricultural and Food Cargo in South China

In this report, South China refers to the area of five provinces, i.e. Guangdong, Guangxi, Fujian, Hainan, and Hunan. The water transport network coverage in this area is more extensive than in any other region in China. Consequently, cargo can be shipped to any major city in the region via water route. The most developed region in the country, the Pearl River Delta, hosts two of the country's key hub ports, Shenzhen and Guangzhou. In addition, other major and large river ports actively contribute to the area's stronghold on trade.

In South China, barges, together with trucks and trains, serve as the major container carrier to link the hub ports with other ports. Frequent barge services are operated between Shenzhen and other ports in the region, making the movement of goods work smoothly and

¹ Source: China Daily, www.chinadaily.com.cn

² TEU: twenty-foot equivalent unit

promptly at a reasonable cost. The barge service network has continuously expanded to cover a broader area. Companies enjoy the benefit from having the cargo barged between large seaports and smaller ports.

Empty containers that return to China provide U.S. exporters with a cost-effective option to ship product to China. As a result of China's aggressive export strategy, a large number of containers loaded with products for export are shipped to countries such as the US, and later return empty to China. Take Shenzhen as an example. Seventy percent of the returning containers from overseas are empty. Exporters have started shipping conventional bulk products in containers to China at relatively low sea freight rates, thereby lowering costs significantly.



Active barge service connecting key hub ports and secondary ports in South China

Over the past five to ten years, Hong Kong has been losing its share of cargo to the ports in South China. An increasing amount of cargo is directly imported to South China instead of being transshipped via Hong Kong. Theoretically, direct shipment reduces cost from freight rate and related logistics expenses. However, in reality, traders still like to use Hong Kong for transshipment in certain circumstances. Being an international logistics hub in the Far East, Hong Kong receives more frequent ship callings than other ports in the region. In addition, Hong Kong offers advantageous services that benefit trade, for example, reliable port operations, and world class banking service. In the short term, Hong Kong will continuously play an active role in south China's foreign trade and, in the long term, Hong Kong will gradually differentiate itself from its counterparts in south China.

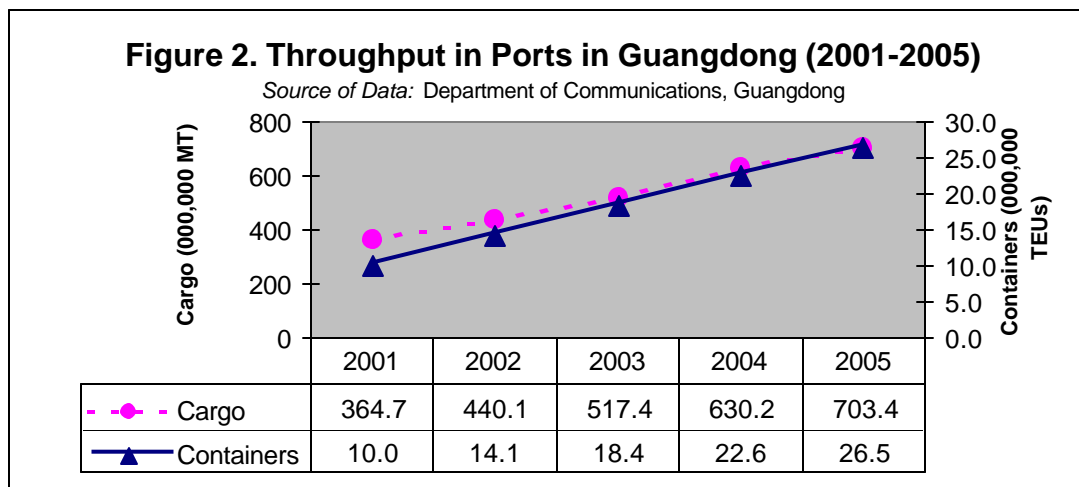
The majority of China's imported agricultural and food products enter via a limited number of ports. For example, Shanghai and Shenzhen are the largest importing port for wood; the majority of dairy products, eggs and honey, and cereal are imported via Tianjin, Shanghai and Huangpu; Guangzhou, Shenzhen, Qingdao and Shanghai are the key ports of entry for fresh fruit and nuts; Qingdao and Dalian for seafood; Shanghai, Shenzhen, Guangzhou and Dalian for meat products; Shanghai, Qingdao and Huangpu for cotton; and Nanjing and Qingdao for oil seeds and miscellaneous grains. *(Refer to Table 2 for details on the share of import commodities via the top 5 ports in China)*

It is worth mentioning the importance of cold chain and cold storage in the logistics network for temperature sensitive products such as food. Despite the rapid growth of the port industry in China, the development of cold storage is lagging. In most of the ports, there is a lack of cold storage facilities and expertise on hand. This void affects the quality of high-valued temperature-sensitive products. *(For more detail on the cold storage infrastructure in South China, please refer to GAIN report CH5617.)*

III Key Ports for Agricultural Imports in South China

Shenzhen and Guangzhou in Guangdong province are the key hub ports in South China's extensive water transport network that incorporates large seaports and numerous feeder ports. Guangdong, hailed the southern gateway to China, has a long shipping and foreign trade history. It also boasts a relatively well-developed transportation infrastructure. The province has over 30 ocean ports and 70 strong river ports with a total of 2,603 berths, of which 191 are of over 10,000 DWT berthing capacity. About 73% of Guangdong's cargo was

handled by water transportation. The hub and feeder ports do not compete against each other, but rather work cooperatively to efficiently pass on specific types of cargo. The past several years have seen steady growth of cargo throughput in ports in Guangdong (Figure 2). A highlight of key ports closely related to agricultural and food product import follows.



Shenzhen

Shenzhen, one of China's largest and rapidly growing cargo ports, is a major port for U.S. agricultural products exported to China. These include wood and wood articles, cereals, poultry and meat. It is also a main port for China's import of fruit and nuts, hides and skin, cotton and seafood. It has been ranked as the fourth largest container port in the world for four consecutive years since 2002, and the second largest container port in mainland China for the past ten years. In 2006³, it handled 176 million tons of cargo, up 15 percent from the previous year. Container throughput in 2006 reached 18.4 million TEUs. Estimated volume of handled cargo for 2007 is expected to climb to 200 million tons, and estimated container throughput is expected to rise to 20 million TEUs.



The ports of Shenzhen consist of the Eastern Port Area (mainly Yantian) and the Western Port Area (including Shekou, Chiwan and Mawan). The western ports handle approximately 70 percent of the cargo volume, and more than 50 percent of the container throughput, whereas the eastern ports handle the rest. Linking barge and road transport networks, the port of Shenzhen serves not only the Pearl River Delta, but also the whole of Guangdong province and the neighboring provinces in south China.

³ Data source: www.szport.net

Guangzhou

Guangzhou, the third largest port in China in terms of cargo volume, serves both domestic and international trade in South China. It has been the largest importing port in China for U.S. cereals as well as fruit and nuts. It is also the main importing port for U.S. poultry, meat and dairy products. A significant share of China's import of fruit and nuts, poultry and meat, as well as dairy products from other countries enter through Guangzhou. Shipping lines connect Guangzhou with more than 100 domestic ports and over 300 ports abroad. In 2006, it handled 303 million tons of cargo, an increase of 21 percent from the previous year, ranking it the fifth largest port in terms of cargo turnover in the world. Container throughput in 2006 jumped to almost 7 million TEUs, a 45 percent surge from the previous year. Completion of the first stage of the Nansha port is expected to double Guangzhou's container turnover in 2007.

The ports of Guangzhou consist of a modernized deep-water seaport and numerous river ports:

- ❖ Nansha, a newly developed deep-water seaport for long haul international cargo, can accommodate large container vessels of 8,000-10,000 TEUs. Presently, two container berths and two multi-purpose berths are operational. Another six large container berths will be completed by the end of 2007.
- ❖ Guangzhou Container Terminal, river port, for short haul international or domestic sea freight handles container vessels of up to 3,000 TEUs.
- ❖ Huangpu, a river port for domestic trade and transshipment from and to Hong Kong and Shenzhen, accommodates small container vessels or barges of fewer than 800 TEUs.
- ❖ Xinsha, the largest inland river port in South China, focuses primarily on bulk commodities. Large grain processing business, including four large soybean millers and warehouses, has been developed near the port. Additionally, the port and the warehouses nearby provide logistics and warehousing services for grain processors in Guangdong.
- ❖ Lanshi and Huadu, active river ports in Pearl River Delta, are the major ports for fruit import. More than 50 percent of China's fruit import enters via Guangdong, of which the majority goes through Lanshi and Huadu. Imported fruit includes longan, durian, oranges, table grapes, apples and plums, from Thailand, New Zealand, USA, Chile, Malaysia and Taiwan respectively.

In addition to Shenzhen and Guangzhou, a number of seaports in South China, including Xiamen, Zhuhai, Shantou, and Zhanjiang have been rapidly developed in recently years, serving the neighboring region outside of Guangdong province, i.e., Fujian, Hunan, Guangxi and Hainan provinces. These ports will become a gateway for products to access to the markets outside of the current one in the Pearl River Delta.

Xiamen

Xiamen, a fine deep-water seaport in southeastern China with an extensive transport network connecting regions both domestic and abroad, serves Fujian and the surrounding inland provinces. It operates 70 lines to main overseas ports. In 2005, Xiamen port handled 47.7 million metric tons of cargo and 3.34 million TEUs of containers, ranking the ninth in China and 23rd worldwide.

Zhanjiang

Located in western Guangdong province, Zhanjiang port occupies a good position to support the trade between southwest China and the rest of the country as well as overseas. The port now has 37 productive berths, of which 26 are for vessels over 10,000 deadweight tons. The

port possesses south China's largest iron ore terminal, as well as China's largest coastal oil terminal and the deepest navigational channel.

Zhuhai

Located in southern Guangdong province, Zhuhai serves the west portion of the PRD region. Major commodities handled in Zhuhai are coal, oil and gas, and the minor import is agricultural products. With the economic growth in the western PRD region, Zhuhai will be developed into a regional transshipment hub for bulk commodities and international trade in the near future.

Shantou

The port of Shantou in Guangdong province serves the eastern part of Guangdong, southwestern part of Fujian, and the southern portion of Jiangxi province. Commodities handled in Shantou ports include wood and grains etc. It operates shipping lines to 268 ports abroad. In 2004, the port handled cargo of 15.8 million tons, and 285 thousand containers. There is a well-developed road and railway network linking Shantou and the surrounding area.

Post Contact Information

For further information about the China market, as well as updates on our upcoming events and activities, please visit our website at www.usdachina.org or contact one of the USDA's six offices in China:

FAS/Office of Agricultural Affairs (OAA), Beijing

5-2 Qijiayuan Diplomatic Compound
Jianguomenwai, Beijing, China, 100600
Phone: (8610) 6532-1953
Fax: (8610) 6532-2962
E-mail: agbeijing@usda.gov

Agricultural Trade Office (ATO), Beijing

Kerry Center, South Tower
24th Floor Suite #2425
No. 1 Guanghua Lu, Beijing 100020
Phone: (8610) 8529-6418
Fax: (8610) 8529-6692
E-mail: atobeijing@usda.gov

IPR Office

E-mail: yuanchuan.liang@usda.gov

Agricultural Trade Office (ATO), Guangzhou

14/F, Office Tower
China Hotel, Guangzhou 510015
Phone: (86-20) 8667-7553
Fax: (86-20) 8666-0703
E-mail: atoguangzhou@usda.gov

Agricultural Trade Office (ATO), Shanghai

Shanghai Center, Suite 331
1376 Nanjing West Road
Shanghai 200040
Phone: (8621) 6279-8622
Fax: (8621) 6279-8336
E-mail: atoshanghai@usda.gov

Agricultural Trade Office (ATO), Chengdu

Opening June 2007

Animal and Plant Health Inspection Service (APHIS), Beijing

Room 618, Beijing International Club Office Building
No. 21 Jianguomenwai Avenue
Beijing, China 100020
Phone: (8610) 6532-3212
Fax: (8610) 6532-5813
E-mail: theresa.boyle@aphis.usda.gov
gary.greene@aphis.usda.gov

Table 2. Major Import Ports in China

HS Code / Imported Commodities	Import from	Total Import* (Mil US \$)	Top 5 Import Ports and Respective Share of Total Import Value										Top 5 Ports' Share (%)			
			Port 1	Share (%)	Port 2	Share (%)	Port 3	Share (%)	Port 4	Share (%)	Port 5	Share (%)	South China	East China	North China	Total
12 Oil seeds etc., miscellaneous grains, seeds, fruit and plant etc.	All Countries	8,159.00	Nanjing	23.0	Qingdao	18.0	Huangpu	8.2	Nanning	7.2	Tianjin	6.1	15.3	23.0	24.1	62.5
	U. S. A	3,199.39	Nanjing	25.3	Qingdao	20.8	Xiamen	6.7	Tianjin	6.7	Ningbo	6.0	6.7	31.2	27.5	65.4
52 Cotton, including yarn and fabric	All Countries	7,079.27	Shanghai	24.9	Qingdao	20.1	Huangpu	14.1	Guangzhou	8.6	Shenzhen	8.3	31.1	24.9	20.1	76.1
	U. S. A	1,476.38	Shanghai	38.7	Qingdao	26.5	Tianjin	13.3	Nanjing	8.2	Ningbo	3.4	0.0	50.3	39.8	90.1
44 Wood and articles of wood	All Countries	5,705.32	Nanjing	17.4	Shanghai	15.1	Manzhouli	12.4	Shenzhen	12.2	Harbin	11.7	12.2	32.5	24.1	68.8
	U. S. A	449.59	Shanghai	39.7	Shenzhen	21.8	Qingdao	7.2	Tianjin	6.2	Xiamen	5.3	27.1	39.7	13.4	80.2
41 Hides and skin	All Countries	4,826.13	Qingdao	13.8	Shanghai	12.3	Huangpu	11.8	Shenzhen	11.7	Guangzhou	11.3	34.9	12.3	13.8	60.9
	U. S. A	842.73	Qingdao	26.0	Shanghai	15.7	Hangzhou	11.5	Nanjing	8.2	Xiamen	6.7	6.7	35.4	26.0	68.1
03 Fish and seafood	All Countries	2,890.27	Qingdao	62.5	Dalian	21.6	Shanghai	4.6	Changchun	1.5	Shenzhen	1.5	1.5	4.6	85.6	91.7
	U. S. A	342.55	Qingdao	57.6	Dalian	33.6	Shanghai	3.0	Haikou	1.4	Hangzhou	1.3	1.4	4.3	91.2	96.8
10 Cereals	All Countries	1,394.91	Qingdao	20.0	Huangpu	15.0	Dalian	14.2	Shenzhen	13.3	Tianjin	8.4	28.2	0.0	42.5	70.8
	U. S. A	105.23	Huangpu	53.2	Shenzhen	13.3	Tianjin	11.0	Shanghai	7.5	Nanjing	6.9	66.5	14.3	11.0	91.8
08 Edible fruit and nuts	All Countries	656.29	Guangzhou	24.7	Shenzhen	24.2	Dalian	11.4	Shanghai	9.8	Nanning	7.5	48.8	9.8	11.4	77.5
	U. S. A	108.85	Guangzhou	56.2	Qingdao	11.1	Shanghai	10.0	Tianjin	5.1	Dalian	4.8	56.2	10.0	20.9	87.2
02 Meat	All Countries	587.19	Shanghai	40.1	Dalian	19.8	Shenzhen	11.7	Guangzhou	11.1	Tianjin	6.8	22.8	40.1	26.6	89.5
	U. S. A	247.18	Shanghai	35.9	Shenzhen	26.0	Guangzhou	14.1	Dalian	9.4	Tianjin	4.8	40.1	35.9	14.3	90.2
04 Dairy, eggs, honey etc.	All Countries	462.43	Tianjin	30.7	Shanghai	29.3	Huangpu	7.5	Gongbei	6.9	Beijing	4.2	14.4	29.3	34.8	78.5
	U. S. A	60.91	Shanghai	37.4	Tianjin	26.9	Huangpu	10.8	Dalian	6.5	Beijing	4.6	10.8	37.4	38.0	86.2

* Import value as of CY 2005.

Source of Data: China Customs