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Date: 6/25/2014 GAIN Report Number:

# **China - Peoples Republic of**

Post: Beijing ATO

# **City Profile of Qingdao**

Report Categories: Agricultural Trade Office Activities Export Accomplishments - Other Food Processing Ingredients Food Service - Hotel Restaurant Institutional Retail Foods Promotion Opportunities Approved By: Ralph Bean Prepared By: Veronica Lesny

# **Report Highlights:**

At a 10.6% growth rate and a population of nearly 8 million, Qingdao is home to one of China's largest and busiest ports. This industrial city is flourishing with foreign investment and international trade, partly due to the increasing incomes and over 13% growth in retail sales. Attracting people worldwide with its natural beauty and expanding markets, this coastal resort continues to undergo rapid growth in Eastern China.

# **General Information:**

As one of the country's fastest growing 2<sup>nd</sup> tier cities, levels of consumption and purchasing power are relatively high in Qingdao. Like many major Chinese cities, Qingdao is both a city and a regional administrative unit with a total of seven districts and five county-level cities. Per capita GDP grew by 10.6% in 2012 to reach RMB 82,680. Qingdao is making great effort to build a high-end industry sector to develop advanced manufacturing, high-tech industries, and modern services bases, and the city's North Railway Station opened at the start of 2014. Although year-end population lags China's largest cities, per capita annual disposable income is among the highest in China, reflecting a moderate cost of living relative to income.

City				Per Capita Annual Disposable Income (yuan)		
Qingdao	7.69 million	82680	10.6%	32145.00		
Beijing	20.69 million	87475	7.7%	36468.75		
Chongqing	29.45 million	38914	13.6%	22968.14		
Shanghai	23.80 million	85373	7.5%	40188.34		
Tianjin	14.13 million	93173	13.8%	29626.41		

# Qingdao at a Glance (2012)

Province	Year-End Population			Per Capita Annual Disposable Income (yuan)
Shandong	96.85 million	51768	9.8%	25755.19

Source: China Statistical Yearbook 2013, Shandong Statistical Yearbook 2013

# Background

Qingdao, a major city in eastern Shandong province of Eastern China overlooking the Yellow Sea, is located about 8.5 hours southeast of Beijing by car. Up until 1949, the city was a colony of Germany and Japan, appearing more Westernized than most cities in the country. The European and Asian culture provides a mixture between old and new district, visible particularly through architecture and food. Famous for its beaches, red roofs, green trees, blue sea and clean environment, among many other features, Qingdao is one of China's top cities for quality of life. It is also home to China's most famous domestic beer brand.

Qingdao Fast Facts (2012)				
Population	7.69 million			
Gross Domestic	730,211,000,000			
Product (yuan)				
Per Capita GDP	82,680			
(yuan)				
Growth Rate of GDP	10.6%			
Major Industries	catering, automobiles, petrochemicals, textile and garment, machinery,			
	bio-pharmaceutical, rubber, shipping and logistics			
Key Agricultural	mineral water, wine, beer, green tea, seafood, vegetables			

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#### Foreign Trade & Investment

Located on the south bank of Shandong peninsula, Qingdao is surrounded by sea on three sides and has an economy intimately linked with the sea and ocean trade. In 1984, the port opened its doors to foreign investment and trade to become one of the ten busiest ports in the world, trading with 130 countries and regions. As a major coastal port for foreign trade, Qingdao can accommodate the world's largest vessels. Total import and export volume for Qingdao in 2010 reached \$570.6 million.

The city consists of seven total established and mature business zones that are divided by areas; Hong Kong Middle Road, Zhongshan Road, and Taidong in Prime; Licun in Secondary; and Laoshan, Shibei CBD, Chengyang in Emerging. The Qingdao Economic and Technological Development Zone (QETDZ) is the center of foreign investment in the city. Since 1988, Korean companies entered Qingdao, attracting the largest Korean population in China. Korea is Qingdao's top investor, followed by Hong Kong, Japan, the United States, and Taiwan. Direct foreign investment was up by an impressive 20.0% in 2013, reaching \$5.5 billion.

As one of China's largest ports, Qingdao has a growing interest in e-commerce. The city's application to develop develop cross-border programs to promote international e-commerce was officially approved by the General Administration of Customs. This pilot program hopes to help Qingdao become an important player in e-commerce.

#### Retail Sector

The largest retail market in Shandong province, and 13<sup>th</sup> nationwide, Qingdao's retail sales have been rising steadily over the past few years. In 2013, retail sales increased 13.3% year on year to RMB 290.43 billion. With the city's growing role as a travel destination, approximately 13% of retail sales come from tourist expenditures.

Two of China's largest consumer products manufacturers, , Haier Group, and Hisense, are both headquartered in Qingdao. Haier and Hisense, also retailers, along with Mykal, are very popular in the city's high-end retail scene targeting wealthy Chinese, expatriates, and tourists. Hisense Plaza has a Western-style market, popular for imported drinks, cheese, foods, and personal bathroom products. People can find various international brands at Plaza shopping malls, many of which carry their largest selection of imported products from the United States.

#### Food Service/HRI

Tourism and travel are key enterprises in Qingdao, particularly where consumption of imported food is concerned. As a host city to several events such as the beer festival (see below), the tourism industry is continually booming. A well-developed HRI sector provides opportunities to introduce new products into the market. Emphasis tends to be on seafood, which is largely lightly cooked and flavored.

Qingdao is home to China's largest beer manufacturer, the world famous German-British joint venture Tsingtao Brewery. The city has hosted the International Beer Festival annually since 1991, featuring not only domestic beers but also inviting top brewing countries like Germany, United States, and Denmark.

The festival promotes friendly cultural exchange between people worldwide.

Every July, starting from 1999, Qingdao International Sea Festival has hosted tourists from all over the world to visit their city. Several activities and exhibitions are themed around the ocean, including an opening ceremony and tasting of seafood. Seafood is a traditional part of the Chinese diet here. Qingdao Seafood Restaurant, White Spray Live Seafood Restaurant, and Blue Wave Gulf Restaurant are among the many dining places along the coast that serve seafood dishes. Popular menu items one can find include shark's fin, bird's nest, scallops, shrimp, and sea cucumbers. Although Qingdao is a major seafood producers and processor, demand is sufficient that the city also imports a number of different seafood products. Many consumers prefer imported products because seafood consumers tend to emphasize quality over price, regardless their income.

Qingdao is also known as China's "Capital of Sailing" ever since co-hosting the 29<sup>th</sup> Olympic Sailing Regatta as well as the Paralympic Sailing Competition, both in 2008. Heavy government investment during the Olympics concentrated on reconstruction of aging buildings and improving air quality. Formed less than ten years ago, the Olympic Commercial District has already become an expensive, upper-income district. The games attracted high levels of oversea and domestic investment, bringing a good deal of attention to the city.

The rich presence of senior corporate executives, high-income locals, and tourists draws consumers to spend. In 2010, hotels and catering services accounted for 12.5% of consumption. Proximity and strong trade ties to South Korea and Japan play an impact on the hotel and restaurant sector, particularly in imports. Due to Qingdao's diverse population, restaurants are pressed to carry foods that appeal to the needs of their customers. Along with restaurants, many high-end hotels are users of countless imported products. Major hotels include the InterContinental Qingdao, Crowne Plaza, Shangri-la Hotel, Wyndham Grand Qingdao, Le Meridian Qingdao, and Qingdao Seaview Garden Hotel, among many others.

# ATO Beijing Activities

Qingdao is North China's second major port, following Tianjin. ATO Beijing directs outreach to food manufacturers in Qingdao due to the increasing demand for imported ingredients by the processing industry. ATO is also working to conduct more promotional activities in the region to raise the profile of U.S. food products among consumers in the Shandong Province area. It is important to keep in mind that, in addition to being a major urban market, Qingdao is the leading market for other fast-growing cities in the region such as Yantai, Weihai, Longkou and Dongying. North China's ports tend to be stricter than in South China, and delays in Customs and Quarantine are not unusual, typically due to questions about export documents. This tends to be particularly true for new products, or products where pricing varies widely within the general category, and questions can often be resolved through direct contact between the exporter or ATO office and local officials. Exporters should be careful to work with their importer on document requirements, as Chinese regulations tend to be very broad, and individual ports vary significantly in the specific documents they will require. An experienced importer will typically have a relationship with the local officials that allows him to determine in advance exactly what those officials will ask to see on the documents. Regardless of the barriers, there is significant growth potential especially for imported fruit, and new brands are encouraged into the market.

ATO Beijing organizes the U.S. presence at the largest seafood show in Asia, the China Fisheries &

Seafood Expo. The United States is the second largest seafood exporter to China, so a presence at this show is important. The event alternates locations between the cities of Dalian and Qingdao each year. More than 1,000 companies and over 40 countries attended the sold-out show last year in Dalian, a 30% increase from 2012. In November 2011, ATO Beijing upgraded all U.S. booths with uniform identity. This upgrade created an enhanced image of U.S. products and increasing demand for new products. ATO also set up matchmaking meetings and side visits between U.S. companies and interested importers. These events brought buyers and sellers together, allowing potential for trade agreements.

In July 2012, ATO Beijing organized a Chef Training Workshop in Qingdao. This event attracted 50 chefs and media from Qingdao's 4-5 star hotels to learn about U.S. products and preparation methods. A big constraint in Qingdao is a lack of awareness and exposure to such products for professional chefs. Chefs were able to meet with product distributors and learn their advantages through demonstration and discussion of products and applications. They also got to learn how to prepare products as well as physically taste them. ATO Beijing introduced U.S. products including seafood (Alaskan crab, sea cucumbers), pork, turkey, dairy/cheese (ice cream), and coffee through this event to foodservice establishments.

Qingdao may be home to China's largest brewery, but through the efforts of ATO Beijing, it is now a market for U.S. premium craft beers. Consumers enjoy the strong taste of American imported beer, something very different than Tsingtao's lighter lager-style beer. Even though ATO Beijing's retail promotion at Mykel stores was a one-time promotion, imported craft beer saw success with Brooklyn Beer's India Pale Ale making it onto Mykel's permanent product list, as did Silk Soymilk.

ATO Beijing launched a successful retail promotion and attended the 2013 opening of the new Hisense Plaza Store in Qingdao. Hisense is one of ATO Beijing's long-term success stories in this market. The lineup at the new plaza included U.S. products such as fresh fruit (pears and cherries), seafood (lobsters and crab), wine, snack foods, dairy (ice cream), and beer. Summertime is the best season for sales, due to the many travelers and tourists in the area. The gross rate of return is almost always over 100% for retail promotions with Hisense. By comparison, similar retail promotions in other major North China cities rarely see returns on this level.

Earlier this year in March, focusing on healthy processed foods, ATO Beijing helped to organize a seminar to support North Dakota's second "Better for You Food Ingredients" series, promoting U.S. quality food ingredients. This event was two-fold, including education and sales, hosting an exhibition and conference with presentations from North Dakota Trade Office (NDTO) and the U.S. Northern Crops Institute (NCI). These two organizations presented the many benefits of North Dakota's products (including flax, peas, lentils and dry edible beans, wheat, flour, and soybeans); ingredients widely used in food processing. The event was very successful, with over 200 people in attendance, 14 companies, and 3 of China's industry groups (up from only one in the first seminar series). The three agencies in attendance were China Chamber of Commerce of Foodstuffs and Native Produce (CFNA), Chinese Institute of Food Science and Technology (CIFST), and Bean Products Committee of China National Food Industry Association.

# Conclusion

As Qingdao continues to develop and rapidly grow, it is becoming a strong destination for companies looking to build markets in China Qingdao's holds great promise for imported product growth. Though

there are significant constraints on imported food supplies at the Port of Qingdao, they are placed to better the health and trust of Chinese consumers. ATO Beijing works to expand and diversify markets for agricultural and food products between the United States and Northern China. U.S. exporters definitely do not want to ignore a market like this.

For more information about Qingdao, please visit our website at <u>http://usdachina.org</u> or contact us at:

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