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Competitor Promotional Activities Profile

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Report Highlights:

China continues to attract interest from food exporters across the world, many with promotional support from their industries and governments. This report provides a partial profile of competitor promotional efforts.

General Information:

Rapid growth during a time of recession has made China a prime target for countries seeking to expand their exports of food and agriculture products through promotional activity. Competitor approaches vary widely, with some countries seeking to promote a wide range of products under a national 'brand,' while others focus on a key product and promote it aggressively. Industry associations, most with government support, are active in most areas, and their presence is often critical to success. In cases where a country is promoting a broad basket of products but seeing runaway success with one, the critical factor is usually a strong industry association. With the exception of single-product exporters, few countries appear to have a comprehensive strategy for market development in China. Most follow the common pattern of targeting high-end outlets in Beijing/Shanghai/Guangzhou first, then moving on to second tier cities. Korea and Taiwan have made use of cultural links and large expatriate communities in strategies that are novel, but these would be difficult for other countries to replicate.

This report profiles the market development activities of 14 competitors, including Argentina, Australia, Brazil, Canada, Chile, Denmark, France, Italy, Japan, Korea (R.O.K), New Zealand, Norway, South Africa, Spain, the island of Taiwan, and Thailand (the selection is based not on export value, but on each country's role as a competitor to the U.S.). A short analysis of key product sectors follows to put nation-by-nation information into a different context. The sectors profiled are dairy, confectionary & baked goods, fruit, meat & poultry, wine, and seafood. Products for which the United States lacks major competitors with promotional capacity were excluded.

Note that much of the information in this report is anecdotal, as many competitors will not discuss their activities in detail. Figures contained in this report are not official USDA data. Those seeking more detailed data on the sectors of interest in mainland China can consult the reports listed in table I. Some competitor activity in the retail, food processing, and HRI sectors can be found in relevant reports from the Agricultural Trade Offices in China. The USDA FAS study "The competition in 2002" provides competitor information that is not limited to mainland China.

Table I: Product Sectors Summary

Product Sectors	Key Products	U.S. Competitors	Relevant Reports
Wine	Bottled wine	France, Australia, Italy, Chile	National Wine Market, Shanghai ATO, 9/4/2009
	Bulk wine	Chile, Australia	Wine: World Markets and Trade, OGA, April 2010
Fruit	Citrus	Thailand, South Africa, Taiwan	China Citrus Annual, Beijing OAA, 12/7/2009
	Deciduous	N. Hemisphere: France, Japan S. Hemisphere: Chile, New Zealand	China Fresh Deciduous Fruit Annual, Beijing OAA, 11/27/2009
	Juice	Brazil, Israel, Argentina	

Meat & Poultry	Pork Beef	Denmark, Canada, Spain, France Australia, New Zealand	Livestock and Products, Beijing OAA, 5/3/2010
	Poultry	Brazil, Argentina	Poultry and Products Semi-Annual, Beijing OAA, 4/14/2010
Seafood	All (except fish meals)	Russia, Norway, Canada, Japan	Fishery Products Annual, Beijing OAA, 12/25/2009
Dairy	Milk Powder	New Zealand, Australia, France	Dairy and Products Annual, Beijing OAA, 11/16/2009
	Whey	France, Holland, Gemany, New Zealand	
	Consumer Products	New Zealand, Australia, France	
Confectionary and Baked Goods	Chocolates and Candy Baked Goods	Italy, Germany, Belgium, Switzerland Hong Kong, Denmark, Indonesia, Taiwan	Confectionery Product, Shanghai ATO, 8/1/2007
Other Resources:			
Global Competitor Activity			The Competition in 2002, USDA FAS, Aug 2004
Retail			Retail Food Sector, Shanghai ATO, 1/20/2010
HRI			HRI Food Service Sector, Beijing ATO, 3/1/2009
Food Processing			Food Processing Ingredients Sector, Beijing ATO, 7/15/2010

General Notes:

1. Unless otherwise specified, throughout this report "China" refers to the customs area of mainland China, excluding Hong Kong, Macau, and Taiwan.
2. All monetary figures are presented in the currency in which they were obtained by Post and converted to U.S. dollars based on exchange rates prevalent between June and September of 2010.

Competitor Countries

Argentina Argentina was the third largest food and agriculture exporter to China in 2009 with $3.4 billion in exports, mostly soybeans and soybean oil. However, its promotional efforts are relatively minor. Exports to China are dominated by commodity soybeans and soybean oil, but Argentina has also been able to export significant amounts of poultry from roughly 10 plants cleared by China's quarantine authority, AQSIQ. Because it has advantages in cost and packaging, Argentina doesn't appear to regard its poultry exports as meriting promotional support. Despite being a major global beef exporter, Argentina exported only 5 metric tons of beef to China in the second quarter of 2010. This is the first time in at least a decade that Argentina was able to officially export beef to China, and it is unclear if this one shipment was or was not a special allowance for the

Shanghai Expo as has been the case with other countries.

Fundación Export.Ar is the federally-supported export promotion agency for Argentina. While Export.Ar devotes about a third of its promotional activities to agriculture, food, and beverages, it is not yet active in promotions in Asia beyond participating in trade fairs. Fundación Export.Ar activities in China in 2009 were limited to attending three large events: the World Soybean Research Conference (Aug 10-15, Beijing), SIAL China (Shanghai), and Asia Fruit Logistica (Sept 2-4, Hong Kong). Fundación Export.Ar does use federal funds to assist Argentine firms to attend trade fairs. Given that some major Argentine products have yet to gain access to the Chinese market, Argentina will likely continue to focus on expanding market access and promoting trade fair attendance for Argentine export firms.

Australia Australia is a major competitor in the wine and dairy sectors, and one of the top promoters of wine in China, although it is only ranked 11th in overall agricultural exports to China. At $97 million USD in 2009, China is Australia's fourth largest overseas market. Australia is the second largest wine exporter to China with a 21% market share in 2009, up from just 2% in 2000, still a distant second to France. Australia has also been the primary beef exporter to China since the United States, the European Union and Canada lost market access due to BSE concerns. However, growing competition from Uruguay, New Zealand and Brazil has eroded their market share from nearly 100% in 2006 to 43% in 2009.

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General: The Australian Department of Agriculture, Forestry, and Fisheries (DAFF) has two staff in China that work on technical issues. While DAFF provides funds to Australian export associations through its "Promoting Australian Produce" grants, only one of these, a $216,000 AUS grant to promote kangaroo meat, was specifically aimed at the Mainland China market. Otherwise, export promotion, including that for food and beverage products, is handled directly by the Australian Trade Commission (Austrade) in the Ministry of Foreign Affairs and Trade. Austrade has 12 offices in Mainland China and one each in Macau and Hong Kong. It operates on a regional-hub model with primary offices in Beijing, Shanghai, and Guangzhou. Each primary office has 2-4 Australian staff and 10-15 Chinese staff. The primary offices oversee two to four satellite offices each. Satellite offices are located in Nanjing, Qingdao, Dalian, Xian, Hangzhou, Chengdu, Shenzhen, Kunming, and Wuhan, each staffed by two to three Chinese. Seven Austrade staff are dedicated to food and agriculture, all located in the primary offices. Satellite offices and other primary office staff assist with food and beverage promotional activity as needed.

Austrade covers a wide range of food and beverage products, including wine, horticultural products, meats, seafood, and processed products. It also engages in a wide range of promotional activity, including market research, organizing buyer's missions to Australia, matching importers and exporters, and supporting Australian firms at major Chinese food and beverage exhibitions. They also organize direct-to-consumer promotions in the retail and HRI sectors. The exact scale and number of such consumer-oriented promotions is unclear, but as an example, the Guangzhou primary office has been conducting about one in-store promotion per month (not including its satellite offices), whereas the satellite office in Qingdao has organized no more than two promotions per year.

Wine: Although Austrade includes wine in its portfolio, it takes a back seat to Wine Australia (formerly the Australian Wine and Brandy Corporation). Wine Australia is a government entity, but draws its AUS $14.9

million ($13.2 million USD) in revenue primarily from industry levies, export charges and contributions (56%), and program membership fees and paid promotions (26%), rather than government grants (1%).

Wine Australia is new to China, having entered in 2008 and begun promotional work in 2009, but its strategy is aggressive and comprehensive, putting it in the same league as France's Sopexa. Wine Australia is concentrating on promotion of fine wines in first-tier cities, with the goal of elevating the perceived quality of Australian wine in the Chinese market. China is already a relatively high value market for Australia with an average price of USD $5.74 per liter compared to USD $3.57 for overall exports. The 2010/2011 promotional strategy, "A+ Australian Wines," is the first major effort to move away from "Brand Australia" by educating importers and VIPs about the people and cultures behind Australia's wine regions.

Wine Australia provides a range of services to members and levy payers including market reports and strategic information on China. China members can also participate in the twelve or more events being held in mainland China in 2010/2011, as well as year round meetings for media, importers, and distributors. These events are targeted mostly at VIPs in first-tier markets of Beijing, Shanghai, and Guangzhou. Consumers are also a target audience in five of these promotions and in a series of "A+ Australian Wine School" events in first and second-tier cities. In addition to these promotions in China, Wine Australia is hosting a media tour for eight and a "scholarship" for two traders to visit Australia. Wine Australia will also conduct a consumer-oriented retail and a Trade/Media/Consumer targeted "Grand Tasting" in Shanghai.

While only three of twelve promotions and some of the "A+ Australian Wine School" events are located in second-tier cities, Wine Australia has expressed an interest in more outreach to second-tier markets in the future. The current focus on first-tier markets and VIPs is a necessary first step, given Wine Australia's very recent entry into the market. Should the reach and scale of Wine Australia's events expand further, it could surpass French wine promotional activity in China, posing an even greater challenge to U.S. wine exports.

Brazil Brazil's promotional efforts in China are limited, with market access having the higher priority. Brazil is seeking to diversify away from bulk commodities and targeting its efforts on higher value products, especially meat. Brazil is the second largest exporter of agricultural products to China with $8.4 billion in exports in 2009, primarily soybeans and soyoil. Brazilian non-commodity exports to China are limited, however Brazil has emerged as a major poultry exporter to China. Low production costs and a willingness to adapt to the demands of consumers have helped, as have smaller packaging sizes and lower water content that add to the product's popularity in China. Brazil is also the number one supplier of fruit juice to China (by value) with $64 million in exports in 2009, nearly all of it frozen concentrated orange juice. All of the above products are intended for Chinese processing industries: there are very few exports of packaged consumer foods from Brazil to China.

The Brazilian Embassy in Beijing and the Consulate in Shanghai have three diplomats and five Chinese staff dedicated to trade issues and market access. Although agricultural products constitute the bulk of Brazil's exports to China, the Brazilian Embassy's trade staff in Beijing is focusing promotional efforts on diversification toward manufactured goods. For agriculture, the Embassy is seeking to diversify exports away from bulk commodities by expanding market access for poultry, beef, pork, and fresh fruit. During recent discussions on market access for fresh fruit, China has expressed interest in temperate stone fruit from Southern Brazil while Brazil has expressed more interest in exporting oranges from the Northeast. As a South American producer, Brazilian stone fruits would only compete to a small degree with U.S. apple and pear exports, but Brazil's orange harvest includes varieties that ripen from July to January, which could compete with U.S. orange exports to China.

APEX-Brasil is the primary export promotion agency for Brazil. It is a quasi-public organization with significant support from both industry and from the Ministry of Industry, Development, and Foreign Trade. The APEX regional office for Asia is located in Beijing, and has one Brazilian and three Chinese staff, none of them devoted exclusively to agricultural products. APEX is moving away from a focus on the Japan to concentrate more on the Chinese market. APEX frequently hires third-party contractors for major events and receives staff on temporary assignment from Brasilia. APEX's efforts in food and agriculture are focused on honey, fruit juice, meat, poultry and some confectionery, but meat has been and is likely to continue as the center of their promotional activity. APEX conducts educational seminars and exporter-importer matchmaking sessions about six times per year, with each visiting between one to three cities and attracting between fifty and two hundred Chinese distributors. For all such events, APEX negotiates with the Brazilian MOA and the participating Brazilian firms to determine the share of costs. As of mid-2010, no Brazilian food companies have offices in China. Therefore, APEX considers the coordination it provides for seminars to be highly valuable to Brazilian exporters.

APEX also supports the Brazilian presence at Chinese trade shows, and coordinates trade missions to China. All trade show activities are coordinated with the Brazilian Ministry of Agriculture, which pays the conference fees for some participants, and with participating companies, who cover their own travel costs. Although a wide range of products have participated, the emphasis remains on meat and poultry. Trade missions are conducted by Brazil's state governments and coordinated by APEX, with the goal of having all 26 states send a trade mission. Over the past two years there have been 6-7 trade missions per year, typically involving 60-100 representatives from state governments and local industrial and agricultural firms. APEX provides all services and accommodation for these trade missions, including a forum to meet with Chinese distributors, then bills the state governments for an average of $64,000 US per mission. In addition the, state governments cover travel expenses for participants, which APEX estimates at $120,000-200,000 per mission.

APEX has expressed an interest in consumer-oriented promotions, but states that it does not yet have a precise strategy for HRI or retail activities. Among the products APEX eventually hopes to promote are Brazilian wine, pork, and Amazonia specialty products (e.g. acai). The first step in promoting these products will be finding distributors or processors in China for export-ready Brazilian firms. APEX is reluctant to promote fresh tropical fruit due to market barriers and the limited number of distributors in China who can handle tropical fruit.

Canada Canada has a strong presence in China targeting the full range of agricultural products, but promotional efforts are not supported with a market development strategy, and activities and resources do not appear to be integrated. The fifth largest agricultural exporter to China, Canada's exports are dominated by oilseeds and vegetable oil. Canada is a major competitor for pork (mostly offal for use in processed meat), and although exports to China dropped to $34 million in 2009, its market share increased to 25% as U.S. pork exports plummeted due to market access issues. Canada is also a major competitor in seafood, supplying a small volume of fresh product to the food service sector and a large quantity of frozen seafood for processing. Canada's market share in seafood declined from 6% to 4.6% between 2005 and 2009 as exports held steady at around $150 million USD while the Chinese market grew. Canada also exports malting barley, wheat and peas for processing. Like the U.S., Canada is working to restore market access for beef that it lost due to BSE. Canadian is not a major exporter of packaged foods, facing similar obstacles to the United States: package sizes and taste and texture profiles are often incompatible with consumer preferences in China.

Agriculture and Agro-food Canada (AAFC) has a food and agriculture team in China that works on market access and provides promotional support to Canadian exporters. The team consists of one officer, a veterinarian, a market access specialist from Canada and 9 Chinese staff. The team has at least one staff member in each of Canada's Trade Commissioner's offices in Beijing, Shanghai, Guangzhou, and Chongqing. It is unclear whether the Agriculture and Agro-food Canada will expand to the new Canadian Trade Commissioner offices planned for Nanjing, Chengdu, Shenyang, Qingdao, Shenzhen, and Wuhan.

AAFC promotions in China are driven by the immediate demands of Canadian agriculture and food exporters, not by strategies developed in Beijing or Ottawa. Most promotional activity is undertaken directly by exporters and their distributors without the Canadian Embassy's direct involvement, and while activities funded through the Agricultural Marketing Program (AMP) of AAFC are reviewed by the office in China, the final reports on promotions are sent back to Ottawa. AMP grant recipients rarely seek support from the agriculture and agro-food team in China. Support for AAFC travel to events in China must be sought from Ottawa and is approved on a case-by-case basis, and funding for training and activities by China-based staff appears to be limited. Promotions are generic, as AAFC regards "Brand Canada" as carrying strong positive associations with natural, healthy and 'green' food.

A snapshot of activity from October 2008 to November 2009 gives some idea of AAFC's efforts. During this time AAFC conducted six HRI-focused seafood promotions in Shanghai (2), Guangzhou (1), Chongqing (1), Wuhan (1), and Hangzhou (1). (The presence of a trade office in Chongqing has made that city a primary venue for second-tier promotions). Canada also held its first retail promotion of packaged foods and beverages in 10 Beijing stores over three weeks in 2009, followed by a promotion held for two weeks in one department store in Chongqing that featured workshops, cooking demos, and a wine tasting. AAFC has limited in-store promotions due to the high cost of these events relative to the returns. Other promotional activities organized by AAFC between Oct 2008 and Nov 2009 included two receptions at the Consul's Residence in Shanghai featuring Canadian products; one for restaurant owners and chefs and another for government and business representatives. In addition, AAFC led a trade mission of four Shanghai buyers and two trade association representatives to SIAL Montreal. A Canadian Icewine training and tasting event for 57 wine professionals and media was held for one day in Shanghai. Wines, including Icewine, have been included in retail promotions, however the presence of counterfeit Icewines has made many Canadian exporters reluctant to promote the product heavily.

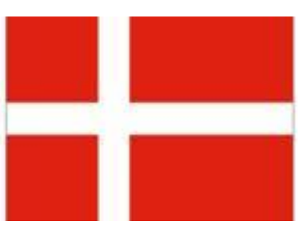
Chile Chile has several different organizations involved in promotion food and beverage exports to China, but efforts to date have been modest, focused mainly on supporting small and medium-sized enterprises (SMEs). China remains a low priority market for Chile compared to North America and Europe. Chile is is a major U.S. competitor in China in exports of fresh fruit, wine, fruit juice, seafood, and poultry. In 2009, Chile was the 4th largest supplier of fresh fruit to China after Thailand, Vietnam, and the United States, with $168 million in exports, particularly in exports of grapes, apples, and stone fruit. Chile is the top wine exporter to China by *volume* with

49.6 million liters of exports in 2009, but only third by value. Bulk wine accounted for 86% of exports, and while bottled exports have grown, Chile has only managed to hold onto a constant 6-7% market share of the bottled market while bulk exports have fallen 40% from their peak in 2007.

Export promotion in China is handled by ProChile, a part of the General Directorate of International Economic Affairs of the Chilean government. ProChile assists small and medium enterprises to export a wide range of agricultural and industrial products and services as part of a strategy to diversify Chilean exports away from minerals. ProChile has three Chilean and four Chinese staff in their two mainland China offices in Shanghai and Beijing and an office in Hong Kong. Promotional efforts for agriculture center around assisting SMEs (mostly fruit exporters) to attend trade shows, typically one event per year in Shanghai and Hong Kong related to fruit, and to help SMEs find distributors in China. Funding for up to half of the costs of attending trade shows can be sought from ProChile, and on occasion ProChile's offices in China have covered air tickets or freight costs for product samples.

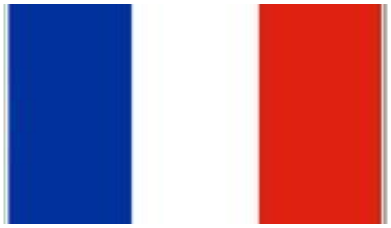
ProChile has expressed interest in holding HRI or retail sector promotions in food and beverage in China, but hasn't done so yet. At the 2010 Shanghai Expo, a special "Flavor of Chile" and two "Grand Tasting" wine events were held. One such event, sponsored by "Wines of Chile" presented 43 wines bottled in Chile to 250 guests from media, trade, and the HRI sector. "Wines of Chile" is an exporter association founded in 2007 to promote Chilean wine in Chile and abroad, however, it primarily targets North America and Europe and has no permanent offices or representatives in Asia. As demand for bulk wine imports shrinks, it is likely that ProChile and Wines of Chile will undertake more bottled wine promotion in China aimed at media, HRI, traders, and, potentially, consumers.

While the Chilean Fresh Fruit Association (CFFA) undertakes promotions in Chile's major export markets in North America and the E.U., it has not identified China as a priority market (only 8% of Chilean fresh fruit exports went to Asia in 07/08, mostly Japan and Korea). At present, member participation in trade fairs and tours for AQSIQ officials to Chile constitute the full extent of promotional activity in China. Of $2.5 million in support that CFFA received from ProChile for global promotions in 2008/2009, $73,000 was allocated for Japan and Korea for media and importer education through workshops and tours of Chile.



Denmark Although Denmark has a presence in China, its efforts are focused on market access rather than product promotion. A minor exporter overall (ranked 22nd), Denmark nonetheless is a major supplier in certain niche markets, such as raw animal furs, seafood and pork by-products. Denmark became the largest supplier of pork to China in 2009 with $39 million in exports, a full 29% market share. Denmark is also the second ranked supplier of packaged baked goods (after Hong Kong) at a value of $14 million and a market share of 13%, primarily in the form of tins of butter cookies.

Denmark has Trade Council missions in Beijing, Shanghai, Chongqing, and Guangzhou, and covers a broad range of products. Post has not learned of any promotional activity for agricultural or food products by these offices. The Trade Council in China is currently focused on market access for processed consumer pork products like ham and bacon. The embassy appears to regard promotions of pork offal as unnecessary.



France France has one of the largest and most sophisticated promotional programs in China, with offices in a number of cities, dedicated staff, and multiple government and quasi-governmental agencies involved. However, the bulk of this activity is focused on a single product category: wine. France ranks 10th in exports to China with $1.05 billion in 2009, but is number one in wine, with $197 million in exports in 2009. Other exports include dairy ($103 million, mostly cheese), pork products ($16 million), seafood ($7.1 million), and confectionery ($6.5 million).

France's promotional activity is divided among multiple agencies and organizations, including UBI France, the overseas Missions Economiques (ME) of the Economic Ministry, the Organization for the Increase of Agriculture and Food Product Exports (known by its French acronym: SOPEXA), and the Ministry of Agriculture. UBI France handles overseas economic assistance to French firms, working in partnership with the MEs overseas. There are six MEs in Greater China (Beijing, Shanghai, Chengdu, Wuhan, Guangzhou, and Hong Kong) with a total of 88 staff, covering the full range of products, services and financial sector and market analysis activities, and a UBI office in Beijing. ME/UBI France's role appears to be that of organizing and coordinating between the private and semi-public agencies that comprise France's "Export Team in China," particularly Sopexa and Adepta.

Sopexa is the primary French agency for food and beverage promotions in China. It has at least 16 staff in China, including a minimum of two French nationals, and 14 Chinese. The Beijing and Shanghai offices are the largest, with at least five and eight staff, respectively, and the Guangzhou office has two staff. Sopexa is planning a presence in Chengdu and Xiamen, but not to create permanent offices in these cities. Sopexa's activities in China in 2009 included programs supported by five different regional wine producer associations and a series of events for the Ministry of Agriculture and Fisheries (MAP). MAP activities in 2009 and 2010 included; food promotions related to "France Weeks" in Shanghai; French Food Festivals in Beijing and Guangzhou; managing the French pavilion at the SIAL food show and two different wine shows in Hong Kong; a French Wine trade tour in Beijing, Shanghai, Guangzhou and Taipei; a food promotion in Beijing; French food training events in Beijing, Shanghai, Guangzhou, and Hong Kong; a cooking competition; French aperitif promotions in Beijing and Shanghai, and a wine tasting for small and medium wineries.

In addition to the MAP activities, Sopexa works closely with industry groups. Activities with five regional wine associations in 2009 included training events/"wine schools", media/VIP tours of wine areas in France, and large-scale "Grand Tastings." These regional wine events require more of Sopexa's time than the MAP promotions. Support from the regional wine associations varies between €30,000 ($39,000) and as much as €200,000 ($257,000) with an average near €100,000 ($129,000). The Interprofessional Council of Wines from Provence (CIVP) is particularly active, having worked with Sopexa in 2009 for its SIAL exhibit and a series of seminars in Beijing, Shanghai, Hangzhou, Qingdao, and Dalian aimed at importers and distributors. The Interprofessional Council of Wines from Bordeaux (CIVB) is also very active. CIVB's promotional budget for Asia was € 2.8 million in 2010 with mainland China representing a small slice. Bordeaux's primary effort is in their four "Wine Schools" with 25 educators, although CIVB also held an introductory event at the Shanghai Expo in September.

Although wine promotion appears to account for roughly 80% of Sopexa's activities, the agency does promote other products that compete directly with the U.S. At least two recent Sopexa promotions have covered a broader range of products, including cheese, confectionery, baked goods and fruit. The results appear to have been mixed. For these efforts, Sopexa partners with importers, who are expected to bear a share of the cost.

Adepta is listed as a participating agency for seven events undertaken with UBI-France in the Agrotech sector, all of which are related to trade fairs. Whereas Sopexa tends to undertake activities involving consumer goods, Adepta is more focused on agricultural inputs, technology, and agro-industry. Adepta events include Viticulture Tech, Asia Fruit Logistics, Bakery China, and the symposium of the China Dairy Association. Also, while Sopexa seems to work independently, Adepta is listed as a partner with ME-UBIFrance in all activities but one. In no cases in 2009 or 2010 were Sopexa and Adepta were ever listed as collaborating on an activity. Beyond these two private organizations, ME-UBI-France works with a number of other private and public agencies on promotions in China. It also includes a number of French Chambers of Commerce in China and industrial associations in its promotions.

Italy   Italy maintains a modest promotional presence in China, but with unusually good coverage of second tier cities. Efforts are focused on a fairly narrow range of products, making them more effective. Overall, Italy is a very minor exporter to China with just $130 million in 2009. However, in specific sectors such as chocolates, wine, olive oil, cheese, and pasta, Italy is a formidable competitor. Italy is the largest exporter of chocolate and sugar confectionary to China, at $45 million in 2009 and a 31% market share. Italy is ranked 5th in total wine exports to China by value with $25 million and 4th in bottled imports. Following the rapid growth in popularity of olive oil, Italy has been able to increase olive oil exports to China from $2.4 million in 2004 to $17 million in 2009. Dairy exports to China are dominated by cheese, for which Italy is ranked 4th by value at $2.7 million. Italy also dominates the relatively small market for pasta, with $4.2 million in exports.

Italy and its regional governments undertake promotions mostly through the Italian Trade Commission, known by its Italian acronym ICE. ICE covers all sectors of exports and focuses heavily on industrial goods, fashion, and furniture. In the Mainland offices in Shanghai, Beijing and Guangzhou, there are 10 Italians and 37 Chinese staff. In addition, ICE has satellite offices in Nanjing, Tianjin, and Chengdu with one or two Chinese staff each as well as a main office in Hong Kong. Both the Beijing and Shanghai offices have one person dealing with food and wine. Other staff assist with food promotions as needed. Recent funding figures are not available, but in 2003, ICE's global food and beverage promotional budget in 2003 was $25.8 million USD (half government and half private) of which less than a quarter went to Asia (<$6.5 million).

Beijing and Shanghai average one food-related activity per month, described by ICE as including wine tastings, olive oil promotions, restaurant promotions, trade fairs, in-store promotions, and media tours. For wine tastings and HRI promotions, it is usually ICE, not the importers, that supply the wines. In 2010, the Shanghai office of ICE has been involved heavily with the Shanghai Expo. Most of its promotions have been wine tastings held at the Italian exhibit. During retail promotions, Italian products are allowed onto supermarket shelves without paying the usual stocking fees; however, importers of these goods typically resume paying fees after the promotion ends. Support appears to vary, with reports that ICE provided complete support for a retail promotion in 2008, but none for another in 2010 (producers were required to cover the cost). ICE also conducts tours for Chinese media to different regions in Italy, covering travel costs while the regional governments offer other support. ICE also recruits Italian food and beverage companies to attend Chinese trade shows, typically splitting the cost of participation with the companies.

Japan Information on Japan's promotional efforts is China is scant, with Japanese government officials expressing little interest in discussing the subject. As far as Post has been able to determine, however, these efforts have been small. Japan is a minor food exporter to China ($414 million in exports in 2009) and exports continue to decline despite its proximity to the Chinese market and the increasing popularity of Japanese cuisine. The only sectors in which it competes with U.S. products are seafood, fruit, and some packaged goods. Japanese brand names are a common sight on Chinese grocery store shelves, but most of these products are manufactured in China by joint ventures or under license.

Seafood is Japan's largest agricultural export to China at $181 million in 2009, however these have been declining since 2006 and market share has dropped from 8.1% to 6.7%. Japan is, however, and important exporter of apples, ranking 3^{rd} (actually Apples, Pears and Quinces, commodity code: 080800) with $1.2 million in exports to China. It also supplied about $7 million in chocolates and sugar confectionary products to China in 2009, but it has slipped to 6^{th} in market share for these products from 3^{rd} in 2005.
Post has learned of two Japanese food promotions in Shanghai retail outlets. These include Japanese food festivals lasting roughly two weeks each and an exclusive section for fresh Japanese food (mostly sushi). It is unclear whether these promotions had any support from government agencies. The Export Promotion Office of the Ministry of Agriculture, Forestry, and Fisheries (MAFF) has established an English-language consumer-oriented website to promote seafood, fruit, rice, wagyu beef, vegetables, and tea in major markets overseas. Press sources indicate that overall funds for agricultural export promotion have increased over recent years, but no information on how much of this has been directed at China is available.

Republic of Korea Although a minor agricultural exporter to China, Korea maintains a significant promotional presence in China, with a well-considered approach that makes good use of Korea's proximity and strong local ties. Total agricultural exports to mainland China in 2009 were nearly $350 million. Exports of unprocessed products to China are limited to some vegetables and seafood. Seafood exports to China were $130 million in 2009, some of which were processed for re-export. In recent years, large numbers of Koreans have taken up residence in Shanghai, Beijing, Qingdao and other cities. Wherever South Koreans have settled, Korean restaurants and retail products have followed.

The Korea Agro-Fisheries Trade Corporation (aT), a quasi-governmental entity under the Ministry of Food, Agriculture Forestry and Fisheries (MIFAFF), is the primary entity for export promotion of Korean food, beverage, and flowers. Korea currently has offices in Beijing, Shanghai and Hong Kong (some sources note a presence in Qingdao as well). Their mainland staff includes four Koreans and 6 Chinese in the Beijing and Shanghai offices. Both the Shanghai and Beijing offices handle export promotion activities. The Qingdao office concentrates on market analysis. In mainland China, Taiwan and Hong Kong, aT averages roughly ten in-store promotions per year. A minimum of three retail locations are required for any one promotion. Retail promotions have focused on specialty products, like sauces, grapefruit tea, and seaweed. aT support is limited at RMB 150,000 ($22,000) per event.

Korea has taken a novel approach to retail market development. In recent Korean-themed promotions in Qingdao and Shanghai, the event was intended not to increase sales in that specific department store, but rather to introduce customers in Chinese stores to a range of Korean products (including non-food items) that they could then find in Korean shops throughout the city. In addition to individual promotions, aT also offers direct, long-term support through agreements with stores that carry a large number of Korean products. aT offices also provide assistance with communication on food and beverage for Korean embassy activities across China. Typically the embassy will undertake Korean-Chinese friendship events in two to four provincial-level regions of China each year. aT supports delegations to participate in Chinese trade shows, but this seems to be handled directly from Seoul and not through offices in China.

New Zealand New Zealand maintains a significant promotional presence in China, but staffing and budget constraints limit promotional activity to a small number of events focused mainly in the 'big three' cities (Shanghai, Beijing, Guangzhou). New Zealand's exports to China have grown rapidly in recent years and market share has risen from 1.9% in 2007 to 2.5% in 2009 amounting to $1.1 billion. Trade agreements with ASEAN-China in 2009 have increased New Zealand's tariff advantages compared to the United States, and New Zealand is increasing its focus on dairy, seafood, fruit, wine, and meats. New Zealand dominates dairy exports to China with $585 million in sales and a staggering 57% market share in 2009. It is number one in milk powder (whole milk powder), butter, cheese and fresh milk. New Zealand continues to be a significant exporter of fresh fruit to China, but has rapidly lost market share to Chile, which has the advantage of lower labor costs. Wine, meat and seafood are also products where New Zealand has a significant presence in the Chinese market. Declining prices have allowed wine exports to grow, but New Zealand's white wine heavy industry is disadvantaged in a market that favors red wines. New Zealand has also benefitted from the absence of the U.S., Canada and Europe in China's beef markets, with exports to China growing rapidly, but still only amounting $7 million in 2009.

Export Promotion of all New Zealand products is undertaken by New Zealand Trade and Enterprise (NZTE). NZTE will have five offices in Mainland China (Beijing, Shanghai, Guangzhou, Qingdao, and Shenzhen) by the end of 2010 with 60 staff (including New Zealand-born citizens, Chinese-born New Zealand passport holders, and locally hired staff). However, only five staff will be devoted to promotion of food and beverage products. NZTE appears to be focused primarily on high value consumer products, leaving support of commodity dairy products to New Zealand's semi-monopoly exporter, Fonterra. Information on Fonterra's promotional activities was unavailable, but heavy investment in joint ventures has given Fonterra a substantial advantage in the Chinese market.

In promotions, NZTE is focusing on HRI and wholesale sectors with dairy, meat, seafood, and wine. In China, there are roughly four promotions a year with at least one in Shanghai, Beijing, and Guangzhou. NZTE has expressed a desire to expand to second-tier cities in its HRI promotions, particularly seafood promotions in Shenyang and Qingdao. In one relatively large "New Zealand Month" promotion Beijing, NZTE brought in a chef from New Zealand to provide training, and provided assistance for the chef's table and wine tastings.

Importers supplied all products at cost during the month and NZTE paid for the wine, meat, and seafood used in the tastings and chef's table. According to NZTE, funding and organizational constraints limit the scope of promotional activities to about this level. NZTE does not attempt to bring new products to market, instead relying on importers who are already active in the market to supply existing product. NZTE has conducted retail promotions and continues to be interested in doing so, but has expressed dissatisfaction with past results. Post has learned of a joint Australia/N.Z. promotion in a Shanghai retail/wholesale outlet featuring meats and seafood, but it is unclear if it had NZTE support.

Norway Norway is a canny and systematic single-product promoter in China, focusing on farm-raised fresh salmon with impressive results. Norway's ranking as the number three seafood exporter to China is deceptive, as the top two, Russia and the United States, export large quantities of seafood to China for further processing and re-export, while Norway exports fresh, air freighted product direct to HRI and retail for consumption in China. Of Norway's $284 million in food and agriculture exports to China, $273 million were seafood.

Norge Seafood, an agency under the Ministry of Agriculture and Coastal Affairs, has had a presence in mainland China since 1998. While Norge has conducted research on other seafood products, only salmon has been successful. Norge takes the lead in generic "Norwegian Salmon" promotions while the five main producers conduct branded promotions through their offices and distributors in China. It is relatively rare for Norge to do joint promotions with the producers or importers and they only promote generic "Norwegian Salmon".

Norge's campaign has evolved over time, and approaches markets at different stages of development differently. Once dominated by high-end HRI events, Norge has shifted to middle class oriented retail promotions in recent years. In 2010, 1,800-2,000 promotion-days are scheduled for hypermarkets in 25 first and second-tier cities. HRI continues to be a focus, but events are currently limited to 5-star hotels in third-tier cities, where HRI helps to build new markets. Having a single product to promote has greatly simplified the promotional message and made follow-up and evaluation of the effectiveness of events vastly easier as only one or two SKUs need to be tracked.

A typical retail promotion involves training on how to filet and package salmon in-store, followed by customer-oriented training on cooking or preparing fresh salmon. Norge Seafood carefully monitors sales numbers during and after promotions. They typically conduct three activities in each hypermarket location looking for improvement in retailer handling and customer purchases. This approach enables Norge to determine the relative receptiveness of the clientele and the capacity of the retailer. The Chinese-language website of Norge seafood (www.seafoodfromnorway.com.cn) features a wide variety of salmon recipes suited to Chinese cooking styles, and its effectiveness is enhanced by Norge's public relations efforts through other online media.

South Africa South Africa's government appears to have little involvement in promoting food and agriculture exports. Most promotional activity is being undertaken in support of wine exports, and carried out by South Africa's wine producers themselves. South Africa is a minor food and agriculture exporter in the China market, and the only exports that compete directly with U.S. products are wine and oranges (and some grapes).

South African wine producers have launched a number of promotional activities over the past two years, focusing on media and promotional displays, and rewarding their importers in China with World Cup trips. They have also been bringing Chinese media and importers on tours of wineries. In this they are said to have received some support from their industry association "Wines of South Africa" (WoZA) and from the Department of Trade and Industry, but most of the financial support is coming from the wineries themselves. WoZA does not have a representative based in Asia, and is scheduled to attend trade shows in Singapore, Korea, Japan, and Hong Kong, but none in mainland China. Without the support of WoZA or South African government agencies in China, there is no effort to conduct generic promotion of "South African Wine."

The exception to this are the events at the Shanghai Expo, and annual wine tastings held at the Embassy. The Shanghai Expo events include a "Food and Wine Week" once a month with a South African chef, by invitation only. Currently the embassy is only providing a platform with the wineries and their importers supplying the product. The embassy is not taking an active role in promoting the products.

Spain Spain has a significant promotional presence in China, but appears to be struggling to build a product portfolio that extends beyond olive oil. For olive oil, however, promotional efforts are substantial with strong industry support. Once the top exporter of wine to China, Spain's exports to this market have only held steady while the market has grown rapidly, causing a rapid drop in market share. Olive oil exports, however, have boomed, and recent progress in gaining market access to China for ham, cheese and seafood have also attracted interest from Spain's export promotion agencies.

The Spanish government agency responsible for export promotion is the Spanish Institute for Foreign Commerce (ICEX). Its staff in China includes 8 Spanish officers and 32 Chinese in its offices in Beijing (15), Shanghai (14), Hong Kong (7), and Guangzhou (4), however only one Spanish officer is dedicated exclusively to food and beverage products. Traditionally, ICEX has focused on promotion of wine and olive oil, but declining market share for wine has caused private support for wine promotions in China to dry up. ICEX has reported success in gaining increased market access for pork and ham, cheese and seafood, however, and expressed an interest in promoting ham and cheese in particular, although no specific plans were outlined.

The bulk of promotional efforts are now focused on olive oil. In addition to ICEX, oil is promoted by Extenda, a trade promotion agency of the government of Andalucía, which has offices in Shanghai and Beijing. The annual promotional budget varies between €200,000-300,000 ($258,000-$387,000), roughly one third of it coming from the participating brands (3 brands in 2010) and the balance from Extenda, presumably through grants from the government of Andalucía. These branded promotions have included a consumer-oriented website (www.spainoliveoil.com), sponsorship of nearly 60 episodes of a satellite TV cooking show, magazine promotions, and in-store promotions. In 2009, Extenda held over 1800 promotion-days in Shanghai, Beijing, Shenzhen, Qingdao, Wuhan, Shenyang, Chongqing, Zhengzhou, and Nantong. In the first two months of 2010, Extenda already undertook over 600 promotion-days in Beijing, Hangzhou, Qingdao, Heifei, Wuhu, Fuzhou, Nanjing, Ningbo, and Wenzhou.

Extenda is entering into a partnership with ICEX for generic olive oil promotions. This, combined with fiscal challenges for the national and regional governments, is leading Extenda to reconsider its financial support for branded promotions. Joint ICEX/Extenda promotions will include Asoliva, an association of olive oil exporters; Inter-professional Organization of Olive Oil, a multi-sector group that includes producers; and IPEX, the export promotion agency of Castille-La Mancha. According to Extenda, ICEX support will account for a quarter to one-third of the budget. The events scheduled for this fall include 72 promotion-days in 24 Beijing and Shanghai fitness centers. The promotions will focus on the health attributes of olive oil and include tasting and free samples of olive oil for a "seven day health plan." Plans also include support of 12 olive oil firms at the Food and Hotel China trade show in Shanghai.

Taiwan The island of Taiwan has a small but very active promotional footprint on the mainland, mainly focused at promoting Taiwanese packaged goods for direct sale to consumers. Although overall trade between Taiwan and mainland China has grown rapidly, agricultural exports have been limited, amounting to just $174 million in 2009. However, under the Early Harvest provision of the ECFA trade agreement between Taiwan and China, eighteen Taiwanese products will receive tariff-free access to the mainland, and Taiwan's Council of Agriculture expects exports of these products to more than double over the next three years. The products under Early Harvest most likely to compete directly with U.S. products are citrus and seafood. Taiwan was the 10th largest exporter of fruit to China in 2009, but the 4th top supplier of citrus with $2.4 million. In seafood, Taiwan was only a minor player with $17 million in exports in 2009.

Outside of Early Harvest, Taiwan is a formidable competitor in packaged goods: it is the 4th supplier of baked goods with $8.4 million in exports and the 13th ranked exporter of confectionary with $2.9 million in 2009. Taiwanese packaged goods match Chinese tastes closely, and both proximity and packaging sizes give them a distinct advantage. The downside to this is the lack of distinctiveness from mainland products, and the tendency of Taiwanese food manufacturers to simply move their production to mainland China when markets become large enough.

Promotion of Taiwanese exports is handled by the Taiwan External Trade Development Council (Taitra). Taitra has ten offices in Mainland China with at total of eleven Taiwanese and thirteen local staff. While none of these are devoted exclusively to promotion of food and agriculture, three of the offices reported food and beverage promotions taking up about 10 percent of their time. Most food and beverage promotions consist of "Taiwanese Food Festivals" held in major retail locations. The Beijing office also conducts wholesale promotions for fruit and vegetables once a year.

The Shanghai office is the largest and most active with two Taiwanese and 3 local staff. It conducts 5-7 Taiwan Food Festivals per year, typically related to the opening of exclusive Taiwan food zones in retail stores. These food zones have received considerable attention from the Bureau of Trade in Taiwan, and are the centerpiece for retail promotions. One example in a high-end Shanghai retail outlet covered 120 m^2 with 500 SKUs of Taiwanese products. Shanghai Taitra reports providing between 100,000-200,000 NTD ($3,100-$6,200 USD) in support per retail event. According to one retailer that conducted a two-week Taiwan promotion, total support for the event (including all of the retail outlets across several provinces) amounted to between $30,000-50,000 with much of the support coming from participating traders. The Qingdao, Beijing, and Guangzhou offices reported conducting between four and six promotions per year with levels of support varying between $4,700 and

$29,500.

Taitra will support five large Taiwan product fairs in five cities around China each year. In 2010, these were held in Dongguan, Jinan, Tianjin, Nanjing, and Chongqing. The Nanjing event brought in over 800 firms and the Dongguan event topped 1,000, including locally invested Taiwanese firms. One-quarter to one-third of the Taiwanese firms participating in these events are food and beverage firms. The trade fairs provide an opportunity for outreach to both consumers and professionals with food tastings and other events. On average, half the costs for the event are borne by Taitra and the other half by the participating businesses. Taitra also leads Taiwanese exporters to three to four trade food-related trade shows each year in mainland China. It also manages Taiwanese visa recommendations for supermarket representatives to attend food and consumer products trade shows in Taiwan. In 2009, the number of invitees increased from 50-100 per year to reach nearly 500. Of these, about 100 representatives from supermarket chains with over $100 million USD in sales had their travel expenses covered by Taitra.

Thailand Promotional activity by the Kingdom of Thailand is relatively modest given their role as a top exporter to China. With a large portfolio of products to promote, most of Thailand's promotional activity is kept at the level of very broad organizational and financial support. Thailand is a top exporter to China in a variety of categories, including rice, sugar and fruit, and a major competitor in seafood. Total food and agriculture exports topped $1.7 billion in 2009, with fruit accounting for $405 million including $4.8 million in citrus exports (making Thailand the second largest citrus exporter to China). Thai exports peak in the second quarter of the year, putting them in competition with U.S. citrus.

Promotions of goods and service exports are handled by the Department of Export Promotion (DEP). In China, DEP works with the Office of Agricultural Affairs (OAA) of the Royal Thai embassy. According to OAA, there are an average of 6-10 promotional activities per year. In the past year, these included DEP-led trade missions to the annual ASEAN-China Expo in Nanning and a Halal meat expo held this year in Xining. Food promotions average one every two months throughout mainland China, with the average promotion lasting 1-2 weeks. Except for specialty seafood promotions in Chengdu and Kunming and Halal meat promotions in Yinchuan, the focus has been on Thai tropical fruits Thai Jasmine rice. OAA provides support by purchasing product for use in the promotion: for an average promotion costing RMB 100,000 ($14,800), OAA would purchase RMB 50,000-70,000 ($7,400-$10,300) in fruit and rice from importers. DEP is also responsible for a large variety of other Thai products at the promotion, including packaged foods, as well as the remainder of promotional costs. While OAA lacks the staff to assist with promotions, they provide the bulk of financial support to the activities. DEP provides coordination, communication, and promotional materials. In recent activities, DEP has partnered with the Tourism Board of Thailand to raffle off air tickets to Bangkok.

Key Sectors

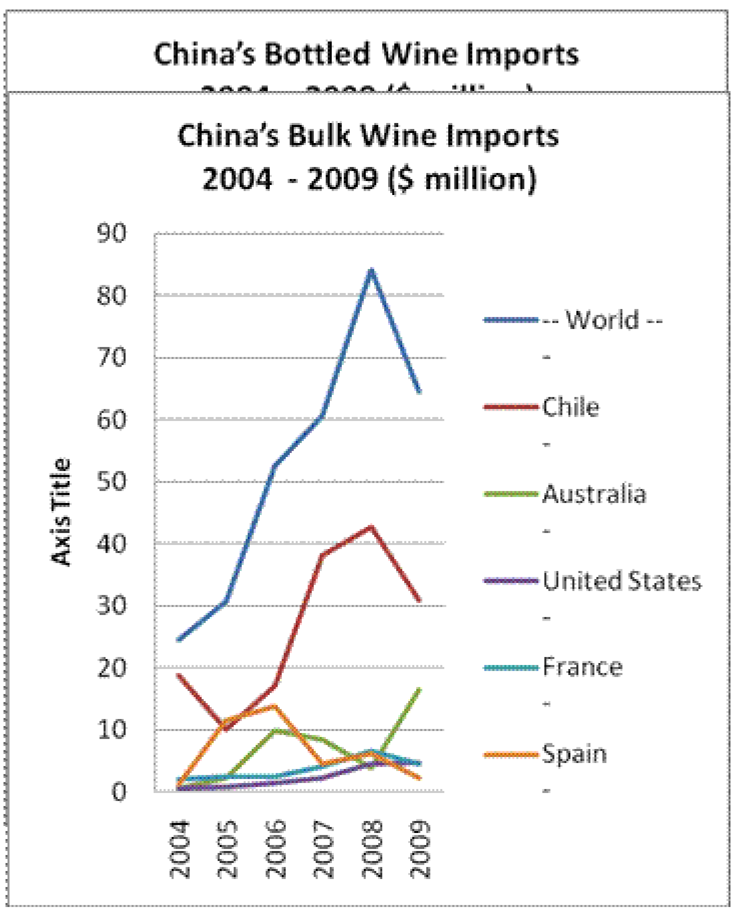
Wine

Import Wine Market Size:

Total Wine:	$458 million, 1.73 million hectoliters 57% annual growth 2005-2009 (value)
Bottled, non-sparkling:	$377 million, 0.91 million hectoliters 75% annual growth 2005-2009 (value)
Bulk:	$65 million, 0.80 million hectoliters 24% annual growth 2005-2009 (value)

Key Competitors: France, Australia, Chile, Italy, Spain, New Zealand, Germany, South Africa

Market Summary: Wine is one of the most heavily promoted products in China. Although China remains a relatively minor importer of wine with just 4% of global trade (2009), exporters have been drawn by growth rates averaging 36% per year over the last ten years. The retail value of the Chinese wine market was estimated at $7.2 billion in 2009, but imports constituted just 19% of this 861 million liter (L) market by volume in 2008. The import market has shifted from a market dominated by bulk imports to one dominated by bottled imports, with bottled imports exceeding bulk in volume for the first time in 2009. The shift has affected the importer mix, undercutting Chile and Spain and favoring France and Australia.



Competition for the bottled wine market in China is very fierce. The top five exporters (France, Australia, Chile, Italy, and the United States) have held onto 80-90% of bottle import market share by value for at least a decade. France is undisputed at the top with roughly 40% of both value and volume. Australia has gained the most, having risen from 13% in 2000 to 21% of the imported bottle market by value in 2009. It is no coincidence that these are the two countries promoting their products most heavily. The remaining three of the top five have lost market share, with the U.S. market share falling from 12.6% of value in 2004 to just 5.5% in 2009, even as total dollar value increased from $3.2 million to $20.9 million. U.S. exports increased faster in value than they did in volume showing that U.S. wine exports are following the general upgrading trend.

Competitor Activity: France leads in promotional activity with Australia coming in second, although specific dollar figures are not available. Both France's Sopexa and Wine Australia are emphasizing fine wines and regional labels in their promotional activities. While France is trying to maintain its market share at the top, Australia is aiming to move up from the medium-priced category to compete on fine wines. Italy has also focused on the high-end bottled market. Its government export promotions agency has prioritized wine tastings among its food and beverage promotions, but their level of activity is far less than that of France or Australia. Chile is also keen to regain lost market share by refocusing on bottled wines.

Aggressive promotion will be needed to prevent further loss in market share for U.S. wine. Competitors such as France and Australia benefit from well-organized and aggressive industry organizations as well as government support. Both have done well at turning regional differences in their industry into an asset rather than a liability. Newer competitors such as South Africa and New Zealand are beginning to show interest in promotions. While Canada has conducted significant promotion of wine, it is largely focused on icewine, arguably a niche market. Among our competitors, only Spain has seen a decline in promotional efforts. At present, most U.S. promotional activity is focused on the three cities of Beijing, Shanghai and Guangzhou, where competitor promotional activity is greatest. An increased presence in second-tier markets, would allow American wines to cultivate a following among Chinese consumers, who are known for brand loyalty.

Dairy Products

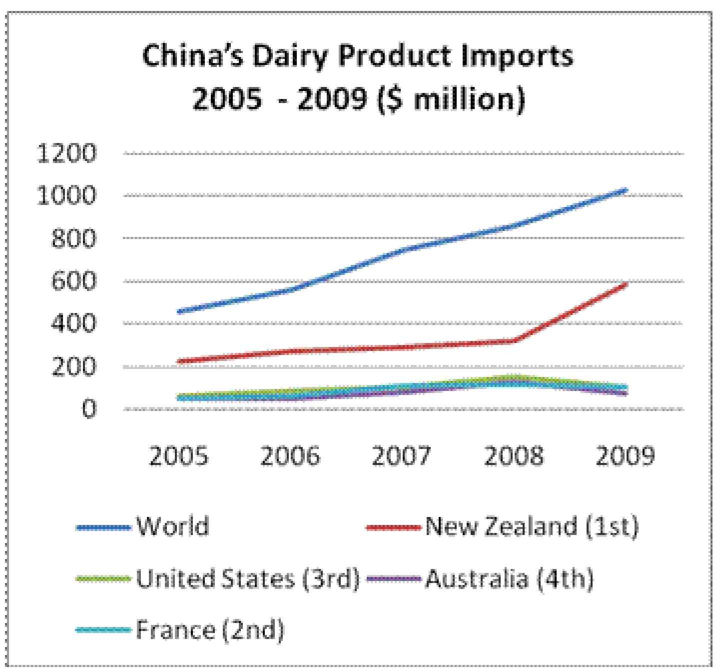
Import Market Size: $1.03 billion in 2009
22.6% annual growth (2005-2009)

Competitors:

Milk Powder: New Zealand, Australia, France

Whey Powder: France, Netherlands, Germany, New Zealand

Cheese, milk, butter, yogurt : New Zealand, Australia, France



China's dairy imports grew in value by 23% per year between 2005 and 2009. Bulk commodities such as milk powder and whey account for around 85% of dairy imports by value, but imports of consumer dairy products are also growing rapidly. From 2008 to 2009, New Zealand increased its market share in milk powder exports from 54% to 81%. Most of this gain came at the expense of

Australia and the United States, with New Zealand now dominant in nearly all major categories. New Zealand has benefitted from massive investment in partnerships in China by near-monopoly exporter Fonterra. The only major bulk dairy product for which New Zealand is not the primary exporter to China is whey. The U.S. passed France for first place in whey powder exports to China to reach $80 million in 2009.

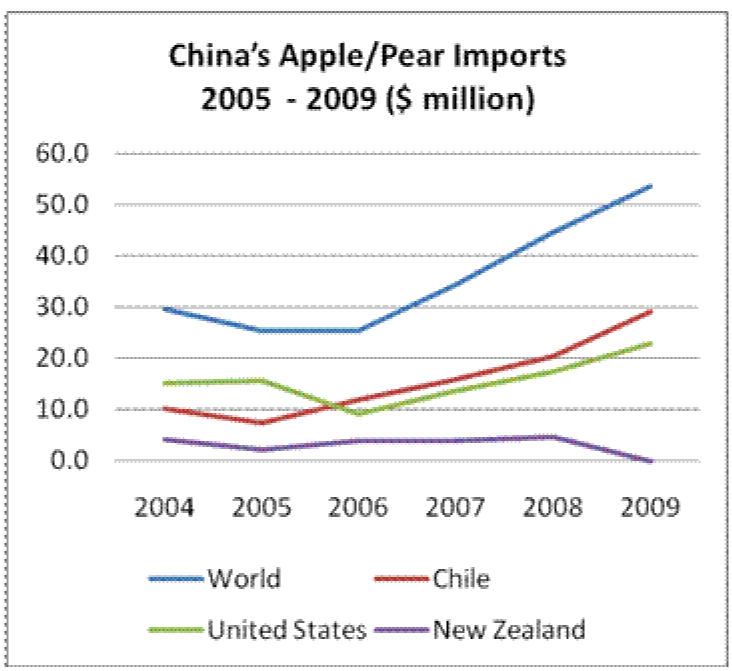
Consumer dairy products like cheese, butter, fresh milk, and yogurt constitute $160 million in imports, just 16% of the dairy imports by value, but are more amenable to promotional efforts than bulk commodities. Promotional activity is modest, apart from cheese: natural advantages of proximity and price have put Australia and New Zealand in the lead in most categories, with modest promotional support by Austrade and New Zealand Trade and Enterprise as well as by exporters themselves. Cheese is a more competitive category. France, through Sopexa, has been very active in promoting cheese exports (but it is French exports of liquid UHT milk that have grown the fastest). Spain and Italy have also expressed an interest in promoting cheeses, but their activities remain modest and focused on specialty cheeses. The U.S. has done exceedingly well in this category, and is now the third largest supplier of cheese to China. The U.S. industry has played to its strengths by targeting the food service industry. France, Spain and Italy have tended to emphasize high-end HRI and retail in their efforts.

Fresh Fruit

Import Market Size: $1.2 billion in 2009
24.6% annual growth (2005-2009)

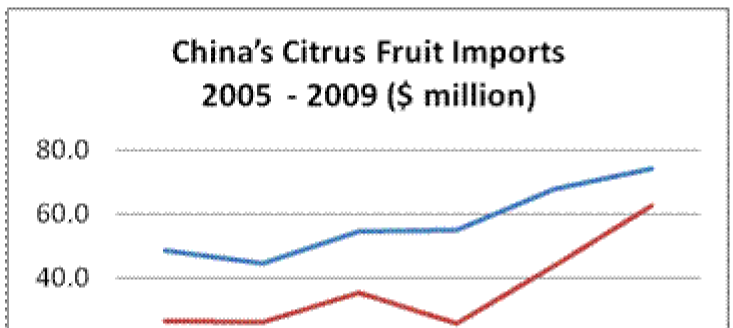
Major Exporters to China: Thailand, Vietnam, U.S., Chile, Philippines, New Zealand
Major U.S. competitors: Chile, Peru, Japan, France

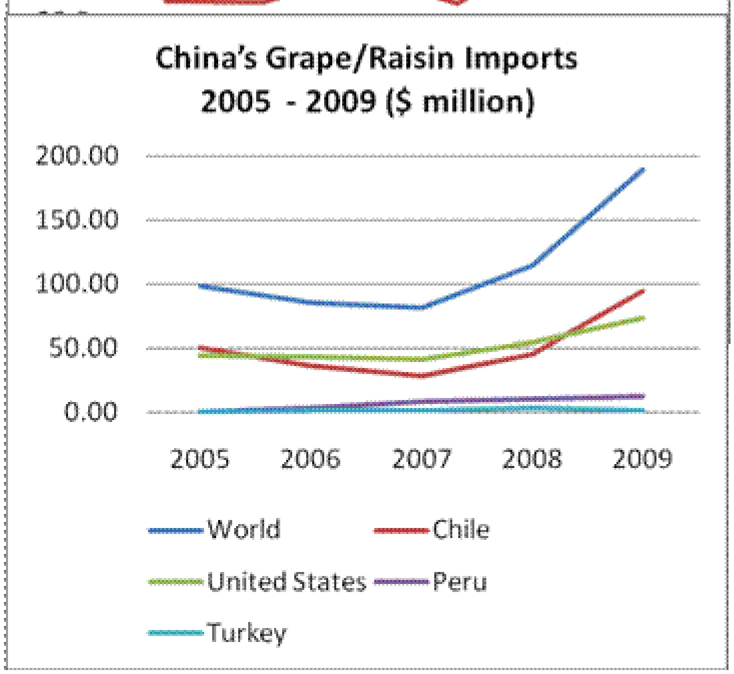
Chinese fruit imports are divided into tropical products, where the U.S. does not have a major presence; and temperate and citrus fruits where the U.S. is a major exporter to China. This is further divided by hemisphere, with growing seasons in the north and the south tending to complement each other, but competing during certain months of the year. Thailand, Vietnam, the Philippines, and Myanmar (Burma) dominate the tropical market, while the U.S. is in the lead among Northern Hemisphere producers in the temperate/citrus market with France and Japan trailing far behind. In the Southern Hemisphere, Chile is the strongest exporter to China with South Africa and New Zealand doing well in some product sectors.



Apples and Pears: There has been a dramatic increase in demand for imported apples and pears in China since 2006 (trade figures use commodity code 080800, which also includes quinces). By 2009, import value increased to $54 million, as compared to $25 million in 2006. Both the U.S. and Chile benefited from the increase in demand, although much of Chile's gains came from replacing off-season demand from New Zealand. New Zealand's share fell from 50% in 2000 to 16% in 2006 and continued, reaching zero in 2009. Despite the difference in shipping seasons, the U.S. also lost some market share to Chile. Chile's promotional activity in China is limited, the primary reason for their gain in market share being low prices. As a Southern Hemisphere exporter, Chile also does not compete directly with Chinese producers, as does the United States. The recent entry of another Southern Hemisphere producer, Argentina (and potentially Brazil and South Africa in the future) into the Chinese apple market should not have a major impact on fresh U.S. exports in the fall and winter months, but could lead to a further erosion of overall U.S. market share.

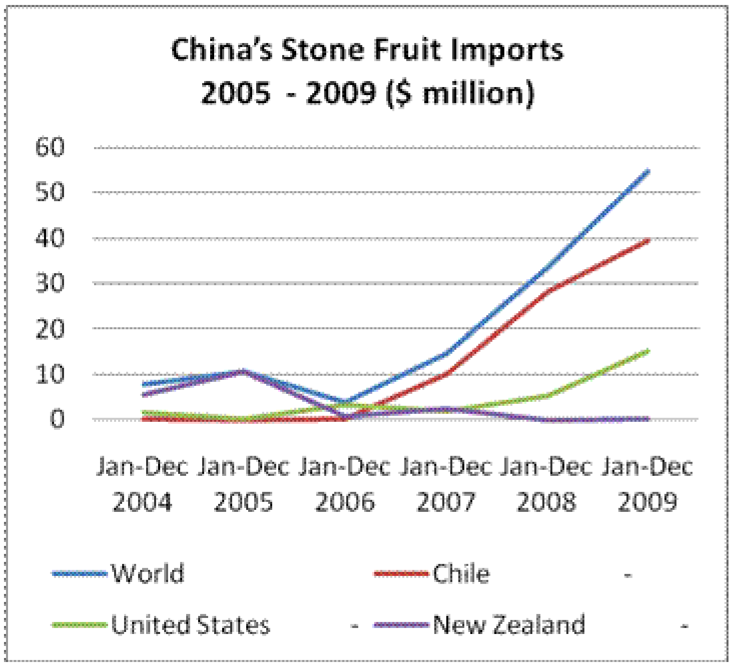
Promotion is required to maintain U.S. competiveness against southern hemisphere competitors during certain months, as well as other potential competitors in the Northern Hemisphere, such as Japan and France, and other varieties of fruit. Good packaging and promotional activities, along with high quality, have helped Washington Red Delicious apples to compete with Japanese Fujis in the high-end gift markets. One importer has noted that Red Delicious apples in packages with dragon emblems sell well as gifts for Chinese New Year, but that competitor nations are catching up on packaging. U.S. exporters need to work with importers to improve the appeal and tailor sizes of packages and fruit to the differing market demands in North and South China. Regional differences are significant: consumers in North China prefer large Red Delicious apples and larger gift packages, whereas buyers in South China tend to prefer smaller sized fruit and containers.





Citrus Fruit: Chinese imports of citrus have grown more slowly than apples, but the market has nonetheless expanded from $45 million in 2005 to $74 million in 2009. U.S. market share during that period rose from 58% to 84%. Major U.S. competitors South Africa and Thailand have seen their market share decline. Taiwan is still a minor exporter to Mainland China, but its citrus exports have been increasing and will likely be stronger still once the 13% tariff on its oranges is phased out. Taiwan citrus peaks in freshness about the same time as U.S. oranges, making them a direct competitor. Should Brazil gain access for its fresh citrus in the future, the U.S. will acquire a major new competitor in China with very low prices. The Brazilian orange harvest runs July-January and can compete with fresh U.S. oranges in the later part of the season. Promotional activity by competitors remains minimal in this category.

Grapes, fresh or dried: China's grape consumption has been rising 10% per year. Imports have also been rising rapidly since 2007, more than doubling from $81 million to $189 million in 2009. Chile and the U.S. collectively hold 80-90% of the market. The two countries have limited competition with seasons that do not greatly overlap. Peru has obtained a 5-10% share of the market in recent years putting it in third place. Peru, which harvests grapes October-March, has the potential to compete with U.S. grape exports towards the end of the U.S. harvest season. However, it is China's domestic production of 7.7 MMT of table grapes– up 8% in 2009/2010 – that competes most strongly with fresh U.S. table grapes. The expansion of cold transport and increased grape production in southern China has allowed fresh domestic grapes to reach the South China markets where U.S. table grapes have been very successful in the past. Competing with Chinese table grapes requires building new markets and making more consumers familiar with U.S. grapes. Work with importers and retailers on fresh fruit handling is also important to maintain U.S. advantages in freshness and enable products to reach the rapidly growing cities of China's interior.



Stone Fruit: Chinese imports of stone fruit (code 080900, apricots, cherries, peaches, plums, and sloes) have soared from an average of less than $15 million in 2007 to $55 million in 2009. Much of this gain has come from rapid growth in Chilean plum and cherry exports to China. Total Chilean exports in this product category have gone from less than $1 million in 2006 to $40 million in 2009. Similar to the case for apples, pears, and quinces, Chile's entry has more or less forced New Zealand out of this market. Chile benefits from a shipping season that allows it to supply China during the Spring Festival holiday when red fruit, such as cherries, are particularly popular.

The U.S. has also gained from growth in cherry exports. U.S. exports in the entire category have risen from $3 million to $15 million between 2006 and 2009. The taste, color, and large size of U.S. cherries make them popular as gifts. Similar to the case for Red Delicious apples, U.S. cherries can sell well when packaged as gifts for the annual "Dragon Boat Festival" (Duanwu Jie) in late summer. Similar to table grapes, the competitive strategy for fresh U.S. cherries is to expand the reach of their products in inland China. However, cold chain distribution systems and handling practices in inland China are largely inadequate. Competitor promotion has been limited in this category.

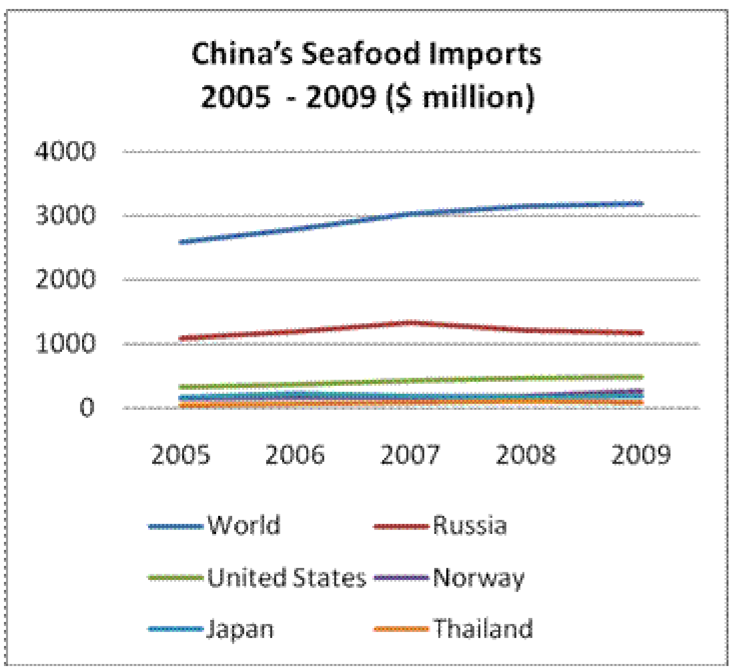
Fruit Juices: The market for imported fruit juices has been increasing (with some volatility) in China throughout the last decade. Promotional efforts by competitors remain modest. In 2009, the value of imports stood at $118 million. Brazil is the largest player with $63 million in exports, nearly all of which were of frozen concentrate orange juice (FCOJ). Israel comes in second with $23 million. U.S. fruit juice exports totaled $17 million in 2009, only $4.4 million of which were of FCOJ. Most juices are exported in concentrated form to the processing sector for reconstitution, mixing, and packaging in China. Thai and Taiwanese promotional efforts with packaged tropical juices have yet to greatly increase their exports in this sector. As retailers have frequently pointed to beverages as some of the most popular U.S. products in their stores, there is more potential for increased U.S. fruit exports in the form of juices and mixed fruit drinks. Products with specific health claims, such as cranberry or acai berry juice, may find strong niche markets.

Seafood

Import Market Size:	$3.2 billion in 2009 5.3% annual growth 2005-2009
Major Competitors:	Russia, Norway, Japan, Canada, New Zealand

Statistics for imported seafood are somewhat murky due to the large quantity that is imported and processed for re-export. Import growth slowed to 1% in 2009, likely due to reduced demand for processed seafood in Chinas' export markets. Russia remains the largest exporter to China at $1.16 billion in 2009. In second place, U.S. exports have grown as has U.S. market share with $478 million at a 15% share in 2009. However, the bulk of exports from both of these countries are destined for processing and re-export. Canada, New Zealand, and Japan have had roughly unchanged market shares in China for the past 5 years. By contrast, Norway has gained the most with exports reaching $273 million in 2009. It moved into third place and an 8.6% market share by value. This is compared to just two years prior when imports were $171 million and Norway was ranked fourth behind Japan.

Unlike the U.S. and Russia, nearly all of Norway's exports are destined for consumers. Norway's strong promotion of its one major product in China – farm-raised Atlantic salmon – is a significant factor in its success. While U.S. exporter associations are also very active in China, their promotions are spread across over a dozen fish species. Moreover, U.S. seafood exports are largely frozen while Norway provides a product that meets Chinese consumer preference for fresh or live seafood. The perceived health attributes of salmon also increase their product's appeal in China.



Although Agriculture and Agro-food Canada and New Zealand Trade and Enterprise have focused much of their limited resources on seafood promotions in the HRI sector, these activities cannot compare to the extensive promotion of Norway and also significantly lag U.S. promotional activity. Post has been unable to develop information about Japan's seafood promotion activities in China.

Confectionery and Baked Goods

Chocolate and Sugar Confectionery

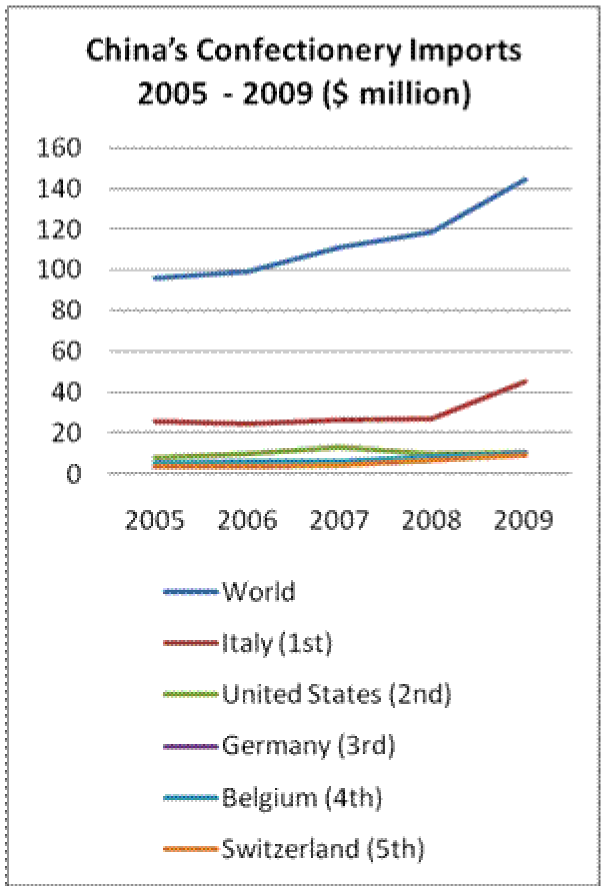
Import Market Size: $144 million in 2009, 10.8% annual growth 2005-2009

Major Competitors: Italy, Germany, Belgium, Switzerland, France, Japan

Baked Goods

Import Market Size: $113 million in 2009, 28% annual growth 2005-2009

Major Competitors: Hong Kong, Denmark, Indonesia, Taiwan, South Korea



Promotions have played a minor role at best in the marketing of both confectionery and baked goods. While the U.S. is the second largest exporter of chocolate and sugar confectionery to China at $10.6 million in 2009, the U.S. ranked just 10th in baked goods with $2.6 million in exports. In confectionery, the U.S. competes largely with Italy and other European countries. Japan and Southeast Asian nations make up a small share of the market. The most successful confectionery exporter is a major Italian firm with internationally recognized brands that has focused, like the manufacturers of Danish butter cookies, on the gift market.

However, for baked goods, it is mostly Asian nations, with the notable exception of Denmark, that compete for market share. Whereas European chocolate producers are recognized in China, the limited shelf life and high transport costs of baked goods makes Asian producers more competitive, as do regional differences in taste preference and package sizes. The exception to this rule is tinned Danish butter cookies, which are popular throughout China (although some are manufactured under license in nearby parts of Asia).

While confectionery and baked goods (primarily cookies) are an element in most national food promotions, they are rarely central to the work of export promotion agencies. Hence promotions have played a minor role in the development of markets for these products. Such efforts as have been undertaken have centered around trade shows, with some support for national pavilions. The real determinants, particularly for baked goods, have been matters of geography and product characteristics. According to retailers, western packaged products have disadvantages in the Chinese market due to large packages and short shelf-life. Large packages discourage consumers from trying unfamiliar products or making frequent, small purchases. Retailers are also hesitant to stock – and consumers do not want to buy – products more than halfway to the expiration date; a major challenge when it can take as much as 3 months for products to reach supermarket shelves. In addition, Chinese consumers and even regulators tend to treat "best by" dates as expiration dates.

Meat and Poultry

Import Market Size:		
	Beef	$44 million in 2009 73% annual growth (2006-2009)
	Pork	$136 million in 2009 86% annual growth (2006-2009)
	Poultry	$984 million in 2009 28% annual growth (2006-2009)
Competitors:		
	Pork	Denmark, Canada, Spain, France
	Poultry	Brazil, Argentina, Chile

Promotional activity for meat and poultry by our competitors is limited mainly to market access work, with the exception of some specialty products. China's meat and poultry imports are dominated by chicken, including chicken parts; however, Chinese imports of pork and beef have been growing rapidly as well. Chinese domestic production has not been able to keep up with demand for beef, leading to steady and rapid import growth. The United States, Canada and EU have been blocked from the Chinese market due to BSE concerns, leading to an increased reliance on Australia, Uruguay, New Zealand, and Brazil, although none of these are currently capable of fully meeting China's growing demand.

Pork imports have been highly variable depending on the level of domestic hog production. China's imports went from just $21 million in 2006 to $523 million when hog diseases affected output in 2008. Imports have since declined and been more concentrated in offal for the food processing sector. Processed pork imports are also becoming increasingly important. Spain has received market access for its ham products and expects to promote them in the future and Denmark is seeking market access for bacon and ham.

Between 2006 and 2009, the United States held a market share in poultry between 60% and 85%, according to Chinese customs data. During this period, Brazil and Argentina competed with the United States on price and product attributes such as package size and water content. Both countries have focused mainly on market access, and have had more plants approved for export to China. Despite this competition, China custom statistics showed the U.S. staying ahead of competitors until recently, with U.S. exports reaching a high of $827 million in 2009. However, since anti-dumping measures began in late 2009, China customs data shows U.S. exports declining to just $97 million in the first half of 2010. According to the same sources, United States market share declined to just 21% while Brazil's exports were reported at $227 and market share reached 48%. However, unofficial trade is substantial, and it is not clear how this contributes to overall trade flows.

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