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Report Highlights:

For most exporters, China evokes a tantalizing image of a single market comprising 1.3 billion consumers. In fact, China more closely resembles a plethora of scattered markets separated by intense regional protectionism and an inadequate distribution system. Yet despite the barriers to entry and fragmented market structure, China remains one of the hottest potential markets for American exports. ATO offices in Guangzhou and Shanghai strongly encourage American exporters to consider the Chinese market for their products.

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EXECUTIVE SUMMARY

For most exporters, China evokes a tantalizing image of a single market comprising 1.3 billion consumers. In fact, China more closely resembles a plethora of scattered markets, essentially individual cities, separated by intense regional protectionism and an inadequate distribution system. Even domestic manufacturers have difficulty selling their products to nearby cities. There are few, if any, national distribution companies, few cities are served by food retail chains, and very few chains have expanded beyond their city of origin. In effect, an exporter expecting to reach even a fraction of China's 1.3 billion citizens will need to start with a single city, such as Guangzhou or Shanghai, and develop each city as a distinct market. In reality, perhaps only 200 million Chinese should be viewed as potentially in the consumer class (families earning more than US\$125 per month), although no distribution system currently exists to reach even most of them.

Furthermore, China's steep tariffs, rigid currency controls, and lack of transparency in business transactions present a particular challenge for exporters conducting business in China. First-time exporters to China will need to ensure that their food products meet local standards for ingredients, adhere to local labeling laws, and have passed local quarantine inspection prior to entering the market. The lack of a solid legal system means that the enforcement of contracts is nearly impossible, and collecting payment can be especially challenging.

With the above said, huge opportunities exist for companies seeking to export to China, given that they approach the Chinese market with the right product, a solid business plan, and a healthy respect for the challenges that await them. American food and agricultural products already enjoy an excellent reputation for quality among Chinese consumers, and an expanding middle class ensures that the potential market for American exports will grow in time, just as improvements in infrastructure means that distribution networks will improve as well. U.S. Agricultural Trade Offices (ATOs) in Shanghai and Guangzhou are available to assist American exporters by evaluating their products and market-entry strategy, providing information on local market conditions, and introducing local distributors which specialize in their product area. The Shanghai ATO serves North and East China, whereas the Guangzhou ATO serves South China. Exporters should also consider Hong Kong, which is served by its own ATO, as a potential market and link to the Chinese market.

SECTION I. Market Overview

Economic Situation and Consumer Spending

China's GDP growth was officially 7.2 percent for 1998, and China's economic growth rate remains higher than that of any other Asian country. China's dizzying growth rate of the early half of the 1990's has slowed since its peak in 1995, and the outcome for 1999 should be about the same as 1998. While China is not yet experiencing a turnaround as seems the case in other parts of Asia, neither did China suffer the economic shock felt by the rest of Asia after 1997. In fact, its troubles still lie ahead as the government begins the most painful round of reforms the state sector has yet faced.

For the key cities of Guangzhou, Shenzhen, and Shanghai, 1998 growth was officially 11.9 percent, 14.1 percent, and 12.7 percent respectively. In 1999, national growth is forecast at about 7 percent. Economic planners are keeping a close watch on China's export figures and foreign investment, the source of China's wealth in the 1990s. Imports are now growing faster than exports, a sign of continued domestic demand, but leading to a drawing down of foreign exchange reserves. Most notably, China has been able to maintain its fixed currency exchange rate, but several interest rate cuts by the central bank failed to spur consumer spending.

A most recent upswing in consumer spending has been attributed to a new 20% tax on savings and a hefty pay raise for the nation's civil servants.

Although China's non-convertible currency and semi-planned economy buffered it from the worst of the Asian crisis, China was still impacted by the severe recession in the rest of Asia. China's factories lost orders to lower-cost competitors in Thailand and Indonesia, tourism by Asians visiting China is down, and investment in China from Hong Kong and other countries, including the United States, has slowed. Meanwhile, the Chinese government is embarking upon a series of painful but necessary economic reforms to restructure and/or close failing state-run enterprises. The Chinese authorities face a challenge of reforming the state sector before it collapses under the weight of its own debt, but not so quickly that the economy cannot absorb the newly unemployed. Otherwise, widespread unrest is feared. The restructuring has already resulted in a rise in unemployment, and several areas of China - most notably the Northeast and Southwest regions - have experienced some social unrest as a result. The positive side for consumers is that prices for most consumer goods have fallen due to overcapacity in nearly every category of the manufacturing sector.

China's opening to the West has led to an appreciation for foreign culture, and current trends in everything from entertainment and fashion to food are largely foreign-influenced. FAS/China believes that there is no better time than the present to promote U.S. products in China. Promotion costs, labor costs, hotel room rates, and venue rental rates are all favorable, and China's young managers are learning the value of promotion.

A key trade development is the government's anti-smuggling campaign which began around July of 1998 and continues to intensify. China Customs has cracked down on the regular practice of undervaluation and all imports are being double-checked to ensure enforcement of import regulations. The military, once at the center of the smuggling racket in China, has now been forced out of all business activities by the central government as part of an effort to stamp out corruption. This crackdown has not changed fundamental trade patterns but has shifted the control of import rights to different entities that can now demand much higher import fees than in the past. Some transportation companies claim that in the past, they needed to first pay customs then pay the military for clearance of imports. The current import disruption should eventually lead to more open and regular trade in the long-term. Traders who already bring their product in through legal channels are optimistic about the benefits of eventual transparency in the system.

Outlook for U.S. Consumer-Ready Foods and Fishery Products

The outlook for American consumer foods in China is very promising. China, with its large population and rapidly developing consumer class, has strong potential as a market for U.S. foods. Although the free-spending money has dried up for the time being, the trend to modernization continues. China's urban, double-income families are shopping more often in supermarkets than traditional wet markets, frozen foods are gaining acceptance, and more trendy restaurants and bars are opening to cater to stylish youth. Major hotels with their domestic and international clientele also present big opportunities for U.S. suppliers.

U.S. sales of consumer-ready food and fishery products to China were seriously underestimated in the past. New data on transshipments through Hong Kong reveals that China now imports over \$750 million annually of U.S. high-value food items via Hong Kong. Fishery products are estimated at another \$240 million. Hong Kong Government re-export data indicates that as much as 85 percent of China's food product imports enter China via Hong Kong and are not counted in China's official customs statistics. Furthermore, the growth rate for U.S. consumer product sales to China has been steady and in double digits every year in the 1990s until the

present. Exports of most U.S. consumer-oriented foods to China grew by over 50 percent in 1997.

In 1998, for products transshipped through Hong Kong, the value of U.S. sales was \$712 million, not including fishery products. Volume rose 15 percent to 723,775 MT, but value was down by 5 percent due to declining prices, the impact of the avian flu scare on U.S. poultry sales, and the freeze that cut the U.S. orange crop. Direct exports of high-value foods from the United States to China, according to China's Customs, were \$236.6 million. U.S. sales in the last quarter of 1998 and first half of 1999 have leveled off. Customs data reveals increased sales for certain products, such as milk powder, but in general, the stagnation is exacerbated by the crackdown on smuggling along with general economic uncertainty. For various products other factors, such as U.S. competitiveness, (e.g., competition from Iranian pistachios) as well as an increase in local joint venture production of formerly-imported brands and products should be taken into account. The top U.S. high value products sold to China are poultry, meat, fresh fruit (which doubled in 1998), pork variety meats and offal, tree nuts, dairy products, beer, frozen vegetables, and ginseng.

U.S. Market Position

The United States is China's major supplier of many imported high-value consumer food products. Chicken feet, chicken wings, oranges, table grapes, french fries, whey powder, celery, sweet corn, almonds, and pistachios are just a few. Even without having carried out extensive marketing programs to date, the United States market share for combined high-value consumer product imports and seafood imports is estimated at 25 - 40 percent.

One of the greatest impediments to increased American exports to China is the lack of knowledge of American products on the part of Chinese buyers. The language barrier and the difficulty of travel for mainland Chinese who must obtain passports and visas (after first submitting proof of an invitation from abroad) are major challenges and explain in large part why Hong Kong middlemen are currently so important to the China trade. Chinese buyers tend to be unfamiliar with American growing seasons, American brand names, and American companies. Despite this lack of knowledge, the Chinese have a positive view of the United States, and admire the great capacity of the United States to grow and process food products. U.S. competitors in the China market face many of the same impediments. As with many U.S. products, for example, the Chinese importers are equally unfamiliar with the products from other international sources.

Countries with distinct advantages in this market are Australia, Canada, and New Zealand with sizable numbers of ethnically Chinese citizens who are engaged in international trade. Countries, other than the United States, with products that enjoy a positive image among Chinese consumers include:

- Australia -- dairy products, seafood (especially lobsters), wine, less expensive beef, barley
- Canada -- beef, seafood (particularly geoduck clams)
- France -- wine, cheese
- New Zealand-- dairy products, beef
- Thailand -- fruit, live seafood
- Norway -- fresh salmon
- Great Britain -- whisky

Demographics and Consumer Buying Habits

Shenzhen and Guangzhou are the wealthiest cities in South China and affluent Shanghai is the commercial and financial capital of China. Due to Guangdong Province's proximity to duty-free Hong Kong, with its long connections to the rest of the world and its centuries old role as entrepot to China, over 40 percent of China's international trade is generated in this region. For food imports the percentage is much higher, and the vast majority of China's imports of fresh fruit, nuts, poultry, beef, and ingredients enter through the Guangdong region. The main exception is seafood. Most of China's seafood processors are in North China, and their inputs are generally directly imported through nearby ports.

The large coastal cities of China are host to the majority of potential consumers with the wherewithal to dine out, buy luxury foods, and engage in business travel and tourism. At roughly 200 million people, the middle and upper class in China is nearly equivalent in size to the total population of the United States, yet this potential market for American exports represents only one sixth of China's total population. Guangdong province, where China's economic reforms have been in place the longest, is home to a sizeable portion of China's newly affluent. Shanghai, in the decade since the Central Government green-lighted its reform path, has already surpassed the economic success of Guangzhou. Appreciation for foreign foods and trends in Shanghai and Beijing is perhaps the highest in the country.

Middle and upper class consumers are: in business or self-employed, may be from double-income families, and have significant amounts of disposable income. Their household income may be as high as \$10,000 annually and large enough to afford a variety of imported food and beverage products, at least occasionally. The balance of China's population in inland and rural areas has a much lower standard of living and spending power, less than \$1,000 per year. However, even the majority of low-income consumers in China's urban areas have probably tasted Coca Cola or an imported candy bar, or more likely have purchased foreign brand sweets for their children.

With the low cost of housing and medical bills due to state subsidies in China, the generally low cost of staple foods, and rising incomes, more and better quality food is a high priority for most families. In the early 1990s, Chinese consumers tended to spend their extra income first on food, fresh fruit, gourmet items, and spirits before housing, transportation or clothing. More recently, the luxury food dollar is competing with savings for housing as the government divests itself of public housing and encourages a policy of home-ownership. A cause for optimism in supplying foods to the Chinese is their split personalities about prices. On one hand, they are hugely generous and will spare no expense to obtain gourmet delicacies and impress their friends and business associates; on the other hand, they can be extremely price conscious and impecunious about the price of staple foods. The share of income spent on food and dining out, over 50 percent for the Chinese on average, has fallen in China, indicating a rise in living standards.

Women between the ages of 25-60 are the majority of food purchasing decision-makers in China. Many Chinese women of the 35-and-under generation, who more commonly work outside the home, generally do not know how to cook and leave the task to their mothers. Otherwise, men do a good share of the cooking as well. It is important to note though, that young people often exert a strong influence on purchasing decisions. With the one-child policy as the norm for the middle class, many parents and grandparents have a tendency to spoil their children with luxury goods.

U.S. Supplier Strengths, Market Opportunities, Weaknesses, and Competitive Threats

Opportunities	Constraints
American products are regarded as high quality by local consumers	The lingering economic slow-down continues to dampen consumer spending
Customs enforcement of tariff payments and quarantine restrictions is lax	China maintains high tariffs on most high value consumer foods and beverages
Major urban centers (Shanghai, Guangzhou) have sizable populations of high income consumers	The average income of local consumers is much lower than in the West
Great interest in American products on the part of both local distributors and consumers	Distribution tends to be based more on relationships than on western business practices
Continuing expansion of infrastructure to support the distribution of frozen foods and fresh produce	Infrastructure to support distribution of frozen foods and produce is still limited
Chinese traders often conscientious about maintaining good relations with overseas suppliers	Ignorant about international trade finance and its methods
Gift giving among friends and business contacts is essential, and luxury foods are preferred. Shoppers like new products for gifts, and for their children	Stores often do not have import rights and must source locally from distributors that have such rights
Many Chinese consumers are very open to using American ingredients in traditional local cuisine	Western cuisine is traditionally not very popular among Chinese consumers

SECTION II. Exporter Business Tips

China can be a daunting but not impenetrable market. U.S. exporters should visit the market and meet importers to establish business relations and assess the market potential for their particular products. Personal relationships are critical in doing business. Contracts are not always held in the same regard as they are in the United States, and enforcement through the Chinese legal system is erratic, expensive and rarely successful. Trust is more important than a contract's fine print, and buyers are more likely to purchase products from companies with which they have established personal relationships. Developing and maintaining these relationships requires frequent visits and a long-term commitment to the market.

Grading and standards are not well-developed in China, and buyers often are unfamiliar with U.S. grades and standards. Teaching buyers about grades and standards can be a valuable market development activity. Financing can make or break deals, but companies must remember that contracts are difficult to enforce.

Come Prepared! U.S. exporters should come prepared with product samples, plenty of bilingual business cards, product literature --preferably in Chinese or at least with pictures-- and CIF price quotations for the cities they visit or the nearest major port as well as Hong Kong. Given the shortage of English language skills in China, translation of basic product information and a price sheet will significantly enhance communications and sales possibilities. Follow-up faxes, also in Chinese when possible, will also enhance sales opportunities.

Food Preferences

Food remains the leading source of expenditures for the average Chinese consumer. According to recent surveys, the top four concerns consumers had, respectively, were: sanitation, good quality, high nutrition, and a taste that the family wants. These four show that consumers are increasingly concerned about food safety issues, and that the major consumer concern is product being sold beyond its freshness date. In this sense, imported food products without clearly dated Chinese labels are often looked upon with apprehension because the consumer has no way of judging its freshness. To be successful in China, U.S. exporters would be wise to promote the safety and quality of their products in a clear and understandable manner to local consumers.

It is important to note that the trend is definitely towards convenience, and not towards a wholesale westernization of the Chinese food industry. Thus, U.S. exporters should continue to find ways in which their products can add value and convenience to the lives of ever busier and ever more sophisticated Chinese consumers, while at the same time respecting and catering to local need and tastes.

General Import and Inspection Procedures

There is no simple, clear picture of China's actual import procedures and requirements. American companies wishing to sell their product in China must find a well-connected partner who can resolve the import problems and find a means of bringing product into the country. U.S. companies with an attractive, competitively-priced product are likely to be sought out by the Chinese companies who have import rights or the required connections. (See ATO Shanghai's Report CH7851).

Prior to customs clearance, imported products are expected to meet the following requirements:

- 1) Verification of the consignee's import license
- 2) Verification of the documents of goods entitled to tax exemption
- 3) Verification of the packing list, commercial invoices, and shipping documents
- 4) State Administration of Entry & Exit for Inspection & Quarantine of the People's Republic of China (SAIQ) will check product for quality, quantity, and weight. For animal or plant products (for both imported animal and plant must meet with the law of the People's Republic of China on the entry and exit animal and plant quarantine, see section V.) Quarantine inspection is required. SAIQ will also test for pesticides, antibiotics or any other visible and non-visible problems.

Note: SAIQ, which is under China Customs, is a recent merger of three previous departments. They were the China Commodity Inspection Bureau (CCIB), Health Quarantine Bureau (HQB), and Ministry of Agriculture's Animal & Plant Quarantine Bureau (CAPQ). This merger, completed at the national level in Beijing, is expected to be completed at the provincial and local government levels by October 1999.

Other Methods of Distribution due to Trade Restrictions

China's official trade barriers can be said to be numerous and onerous, but much of China's imports avoid these barriers through smuggling or use of "unofficial" channels. During the 1990's over \$500 million worth of U.S. agricultural products were estimated to have entered China illegally. The published restrictions include high import duties, scientifically-unjustifiable quarantine restrictions, import quotas, and 13 to 17 percent value added tax. Other problems are a non-convertible currency and non-transparent trade regulations, such as restrictive import licensing and the requirement to obtain trading rights. These barriers have hampered direct exports to China and forced a substantial amount of trade into unofficial channels. Using false-invoicing, under-invoicing, importing via Hong Kong (a good portion of U.S. high-value products enter China via Hong

Kong), and other methods, importers regularly get around the barriers to bring in imported food products. U.S. products ranging from frozen chicken meat, frozen french fries, fresh apples and oranges, tree nuts, and even hardwoods come into the China market in liberal quantities via Hong Kong.

Changes are slowly occurring in China's official trade regimes. China's import duties were officially reduced on October 1, 1997 as a concession in the World Trade Organization (WTO) accession negotiations to equal an average of 17 percent. This change has evidently shifted some trade from unofficial channels to official ones. Further, significant tariff reductions were promised for after WTO accession.

In 1997, China lifted restrictions on U.S. cherries and grapes, making these fruits along with Washington apples legally importable. China has also pledged to end restrictions on citrus imports from the United States. None of the quarantine barriers have been effectively enforced since about 1994, and U.S. fruit is prevalent in China's fruit markets and restaurants. According to a report by the U.S. Agricultural Affairs Office in Beijing, 1998 re-exports (via Hong Kong) of such U.S. fruit as oranges and grapes had a 366% and 521% increase, respectively.

In general, prices for imported products in China have come down significantly in the past few years, so that most items are priced consistently with their country-of-origin price. Exceptions noted by the ATO are high-quality beef and California wines which are priced far higher in China than in the U.S.

Food Labeling and Packaging

Chinese law now requires that all food products (local and imported) must have Chinese labels clearly stating the type of food, brand name, trademark, manufacturer name and address, country of origin, ingredients, date of production and sell-by date. One or more foreign languages can also appear on the label but the Chinese (simplified characters) language requirements must be met. While there are differing label requirements for various food products, the above list provides only general information regarding the new Chinese labeling law (referred to as the "General Standard for the Labeling of Food" GB7718-94). This law is a positive step towards protecting consumers, food producers and retailers, and discouraging fake, inferior or old food products from entering the market.

While the initial cost and effort involved in meeting the new standards may be significant, research suggests that the new labeling requirements are consistent with what consumers want and will ensure greater sales down the road. Chinese consumers prefer to have both Chinese and the foreign language appear on imported food product labels together with the place of manufacture. This combination takes advantage of Chinese (as it is easy to understand and informative for consumers), and the foreign language (which is often perceived as a symbol of high quality). Some respondents to the study indicated that beverage or food labels which lacked Chinese language information would be rejected by consumers because most Chinese do not understand foreign languages.

U.S. packaging is nearly always superior to domestic packaging, a real market advantage. However, this advantage is slowly eroding as joint-venture and local food processors gradually improve technology. Transparent packaging is preferred for many products, as consumers want to evaluate quality and authenticity. Chinese consumers pay a premium for imports and the more the packaging reassures them of quality the better.

Large/bulk packaged goods for retail sale are generally not popular because homes are small and few people own cars. However, a few warehouse-style retailers are beginning to penetrate key markets in Guangdong, such

as Guangzhou and Shenzhen, and the Shanghai and Beijing metropolitan areas as well. For further information about China food labeling regulations, U.S. exporters should contact the Export Product Review Program, Office of Food Safety and Technical Services, FAS/USDA, tel. (202) 720-1301; fax (202) 690-0677. (See the China FAIRS Report #CH9010 on <http://www.atoshanghai.org> for details.)

SECTION III. Market Sector Structure and Trends

It is important for U.S. companies to seek opportunities in China in food retail, food processing, and HRI (hotel, restaurant, institutional) sectors. Each sector presents opportunities for imported products. The top selling U.S. products in China are frozen chicken parts for both retail and restaurants, fresh fruit mainly for the retail sector but also for restaurants, tree nuts for retail, frozen french fries mainly for restaurants, canned and frozen vegetables and fruits for retail, and dairy products such as whey powder for food processing.

Hotel, Restaurant and Institutional Food Service (HRI) Sector

Dining in restaurants is overwhelmingly popular in China's major urban centers. In 1998, the restaurant sector was believed to be roughly RMB 278.3 billion (US\$33.65 billion) in total sales, a rapid increase of 15.7%. People today tend not to hold home dinner parties but rather host friends at restaurants for lunch or dinner. Many family and social occasions call for organizing a meal or banquet. Business relationships are also sealed through the same method, though mostly through banquets. The occasions for business entertaining are many and are an essential part of conducting business in China. When hosting a dinner, it is important that the host be generous to the point of waste as the quantity and high-cost of the dishes ordered adds to the host's social standing and "face" with the guests.

Chinese rather than Western-style restaurant dining is the overwhelming favorite, and Chinese chefs are well trained and have high standards. The biggest draw for restaurants in southern and eastern China is to advertise seafood delicacies. Oysters, shrimp, king crab, lobster, geoduck, cod and other live seafood delicacies have been very popular among Chinese consumers in recent years.

The limitations of introducing new food products can not be attributed entirely to trade barriers such as China's import tariffs or quarantine restrictions. In fact, most foods enter South China through Hong Kong traders and middlemen who have the connections to avoid official fees and inspection. Nor can price be considered a definite limiting factor. Chinese people are willing to pay quite high prices for dining, and prices in establishments catering to the middle and upper classes tend to be higher than prices in the United States. In other words, Chinese consumers are accustomed to paying dearly for restaurant food and may not be so put off by high prices given the status associated with enjoying certain imported delicacies.

U.S. food products and ingredients can be introduced to hotels and restaurants in China not just through popularizing Western cuisine but through introducing U.S. ingredients into traditional Chinese recipes and menus.

Consumer Preferences

Chinese consumers, especially in coastal cities, crave seafood in all varieties from fish to eels to shellfish. They also keenly savor the flavors of fresh vegetables and fresh fruit. The appreciation for hot and spicy foods is regional, with the Cantonese insisting on steamed, subtly seasoned foods, unlike Sichuan/Hunan cuisine where

hot peppers are like a staple food. The Chinese also have a legendary appreciation for freshness of their foods. However, chefs often select imported frozen chicken or seafood mainly for its lower price but also for its more reliable food safety.

So, freshness, Chinese-ness, a love of seafood, and variety are the main characteristics of Chinese preferences. Having said that, those in the food industry will admit the reality that frozen meats, fish, and vegetables, canned fruits, McDonald's hamburgers, and Western style birthday cakes are selling extremely well. Even traditional wet markets sell frozen chicken and seafood to eager housewives who like the lower prices of frozen products.

Chinese consumers enjoy new and different foods and new cuisine styles, such as Thai, Indian or Vietnamese. Even Shanghai and Guangzhou have several Sichuan-style spicy food restaurants that draw many customers. Sushi restaurants are popular, as well as hot pot restaurants during the mild winter season. The Chinese are also developing a taste for Western-style bakery goods. The bakery styles have been influenced by the styles adopted in Japan and Hong Kong—especially sweet, frosted birthday cakes and other bakery items.

Trends Within the HRI Sector:

Luxury Hotels

In Guangzhou, there are only four five-star hotels, and six four-star hotels. While Beijing and Shanghai, with their large numbers of foreign tourists and business travelers, each have between 7-14 five star hotels, and another 15-26 four-star hotels. These hotels are the preferred venues for weddings, corporate banquets and seminars, and business entertaining. Along with a variety of Chinese style restaurants, each hotel will have a high-end, continental style restaurant, a delicatessen or Western style bakery, and a so-called coffee shop. The coffee shops are the busiest of the Western restaurants. They tend to serve more food and to be higher-priced and more elegant than a coffee shop in a hotel in the United States.

Imaginative Western chefs go to great lengths in these hotels to put out delicious and attractive dishes. The buffets have introduced such novelties as salads, raw vegetables, rolls, French cheeses, ice cream sundaes, brownies, avocados, pates, smoked salmon, and cream cakes. Carving stations for roast prime rib of beef and U.S. roast turkey, lamb chops, and beef tenderloin are all appreciated.

Fast Food

In 1998, China's fast food market made up 20% or RMB 55.66 billion (US\$6.7 billion) of the catering sector alone in total sales. China's fast food scene has become typical of any modern city across the globe, with the notable exception of the lack of parking lots or drive-in windows. McDonald's, KFC, and Pizza Hut are popular with kids and the office crowd. There are also some interesting formats for Chinese-style fast food where lunch boxes of rice or noodles with a meat and vegetable dish predominate. Such chains also offer a cola to drink, and french fries, or soft ice cream to go along with the lunch boxes.

So far, about half of China's fast food restaurants use imported, mainly U.S., frozen french fries. A small number use U.S. chicken meat. The very popular frozen sweet corn is also often imported from the United States. Joint venture fast food restaurants are generally contractually obligated to use domestic products to the greatest extent. So, while the breads and buns, soft serve ice creams, and other items may be produced in contractor factories locally, often some of the spices and ingredients will be imported from the United States or

elsewhere.

Coffee Houses

In the not too distant past, the only coffee available in China was instant, and expatriates routinely packed a pound of coffee in their suitcases whenever returning from home leave. Coffee drinking is slowly catching on in China, especially with the younger generation, but stands little or no chance of displacing tea as the national hot beverage. In the last few years, the availability of locally roasted coffee has risen dramatically, but consumption has not risen as much as anticipated. The popular American chain Starbucks has already opened several coffee shops in Beijing with plans to expand to other cities. Other major cities have also witnessed a sharp growth in coffee and tea shops. Most so-called coffee/tea houses, in order to be economically viable, generally offer a fairly broad food menu as well as beverages.

Western Restaurants

There are a small number of successful chains of Western-style restaurants in China which attract upper class young people with a relaxing, friendly and trendy atmosphere. Menu items include fruit cocktails, steak dinners, lemonade, sandwiches, french fries, and other Western-style dishes served in the format of a single plate of meat/potato/vegetable. Nightclubs and members-only clubs also often offer Western style foods and wines to enhance their image.

Food Retail

Supermarkets

The supermarket industry in China has blossomed during the 1990's. With each year, local supermarkets come closer and closer to resembling their Western counterparts. Once only selling dry goods and sundries, nearly all local supermarkets now have frozen food sections and may even include fresh produce or baked goods sections. Despite these changes, local consumers mainly visit supermarkets to buy dry goods and still go to farmers' (wet) markets for their meat and vegetables. Imported products that have done well in supermarkets and should continue to do so in the future include nuts, snacks, canned goods, beverages, convenience foods, and frozen foods.

Retailing reforms and rising consumer incomes are continuing to stimulate the expansion of the local supermarket industry. Hundreds of supermarkets now operate in each of China's major cities. Most are local chains, but several Hong Kong chains were the first to start operations in China, e.g., Park'n Shop, CRC (China Resources), and Wellcome. The biggest change in the industry since 1996 has been the debut of hypermarkets. Wal-Mart (U.S.), Trust-Mart (Taiwan), Makro (Holland), and Carrefour (France) all have opened joint venture stores with large supermarket sections and plan to set up more. Their discount pricing, greater product selection, convenience, and unique marketing styles have made them popular with local consumers. Ambitious local chains recognize their need to improve service, variety, and management if they are to compete successfully with foreign-managed competitors. Most city governments support the move away from wet markets, for reasons of economics and public hygiene. Stores carry a number of well-known foreign brands, but most are manufactured domestically. Newly announced regulations easing controls on foreign investment should encourage more retailers to enter the market or to expand current operations in the presently popular hypermarket segment, but an overbuilding of supermarkets in cities such as Shanghai has led to consolidation in

that segment.

Import barriers and low labor costs have prompted international food companies to invest locally to tap the potential of China's vast domestic market. Local and provincial governments can provide joint venture or even wholly-foreign owned processing firms with preferential treatment, such as simplified approval procedures and tax exemptions/reductions. Products ranging from Wyeth infant formula, Seven-Up, Snicker's, and Skippy Peanut Butter to Budweiser, Oreo's, Gatorade, and many more are now made in China.

- Less than 10 percent of the food and beverage products sold in supermarkets are imported. The most popular imports include: milk powder/infant formula, candy, snack foods, canned corn, and cookies. Sino-overseas joint venture products (foreign brands produced in factories in China) account for a much larger share. In some stores, the share exceeds 50 percent.
- Product variety in local supermarkets is considerably lower than in the United States. The number of Stock Keeping Units (SKUs) on average is 3,000 to 5,000 per store, compared to 20,000 in a typical U.S. supermarket.
- Local supermarket managers say that their sales volume tends to be highest for products with a retail price below 30 RMB (\$3.63) per unit.
- Centralized purchasing is becoming the norm among local supermarket and hypermarket chains. In years past, each store in a chain typically handled their own stock ordering and worked directly with suppliers.
- Poor economic conditions after 1997 have decreased consumer spending and led to the closure of a few local supermarkets and hypermarkets in overbuilt markets like Shanghai.

Road Map for Retail Market Entry

1. Recruit a local distributor. Most retailers only purchase imported food and beverage products from local distributors. Many distributors who handle imports and have national reach are located in Guangdong province. The most effective recruitment methods are:
 - 1) Exhibit at local trade shows. Due to the difficulties in obtaining a U.S. visa, many distributors confine their import buying to overseas companies that visit and learn about the local market
 - 2) Work with the local U.S. Agricultural Trade Office (USATO). The USATO offices in Guangzhou and Shanghai can look at your product line and suggest several reputable local traders and distributors.
2. Invest in promotion. Many supermarket and hypermarket managers feel that imported food and beverage products could be more popular in their stores if the manufacturers and distributors would spend more time and money on advertising and promotions in order to enhance consumer knowledge. Many of these same managers believe that television is the best way to increase consumer knowledge, though an expensive proposition, but joint venture managers have claimed that Point of Purchase materials and sampling are much more effective in sales efforts.

Distribution Channels

China's distribution system is complex and very chaotic, especially in southern China where smuggling is rampant.

- Retailers rarely purchase imports directly from overseas suppliers, but some big name joint ventures do sell directly.

- The unofficial renting, selling, and trading of import rights has made it easy for many local companies to become imported product distributors. Yet at the same time, this system makes it difficult to properly assess whether a potential distributor would make a viable partner.
- Many distributors in South China rely on Hong Kong companies to be their supplier of imported food and beverage products. Some stores even report that they send trucks to Hong Kong to purchase the foreign products they wish to carry in their stores from Hong Kong discount hypermarkets.
- Although slotting fees (charging for shelf space) are not universally applied, many retailers require special fees for getting good shelf spot, in-store advertising, and other services.

Product purchasing is usually a passive exercise in which the retailers wait for manufacturers and distributors to come to them. However, retailers are often open-minded about trying out new products, allowing trial sales periods of one to four months before making a final decision. In these cases, the product sales need to be above average in comparison with similar products in order to remain on the shelves. Seasonality is usually taken into account. Generous payment of fees can extend shelf lives for products too. Some private labeling occurs in some stores, but only practiced by a limited number of stores and for a limited number of products.

Supermarkets and hypermarkets require credit when purchasing most products. The re-payment period varies from chain to chain and from product to product. The current range averages between 60 and 90 days, but some chains delay this period even further. Some chains seem to delay payment in order to provide short term capital to finance their stores, in effect using the sales revenues as a 'not-so-short-term' loan. The average repayment period has become longer in recent years and in turn has caused some distributors to cease distribution to certain supermarkets and hypermarkets.

Convenience Stores, Gas Marts, Kiosks

Convenience stores and gas marts are a relatively new concept in China. To date, only a couple of overseas chains have established themselves in China: 7-11, Lawson, and am/pm. In addition, several of the Esso gas stations also have mini-marts. Their main competition is the thousands of kiosks that dot the cities, and not supermarkets and hypermarkets. As a matter of fact, they see their roles as complementary. One convenience chain executive claims that locating near a hypermarket is good for them, because these large stores tend to generate more business than they take away.

Market entry and distribution methodologies for these types of stores matches the same for supermarkets and hypermarkets. They mainly stock imported candy, snacks, alcohol, and cigarettes. Convenience stores earn sizable revenues from prepared foods such as hot dogs and corn-on-the cob. The overseas invested convenience store chains usually buy products on short-term credit, one month or less, while kiosks often pay cash. Both convenience stores and kiosks generally sell the same types of food products, with the exception that convenience stores tend to specialize in prepared food items and some kiosks (especially in the Shanghai area) specialize in only fresh fruit.

Traditional Markets, Small Independent Grocery Stores, and Wet Markets

These types of stores and markets are still popular among the local consumers. Wet markets, for example, remain the main source of meat and produce. Some imported products find their way into these places, but by the time they reach this level all knowledge of their origin is usually lost. (See ATO/Guangzhou report on food retailing for more details and contact lists.) It has been reported as well that some joint venture meat processors

are attempting to sell excess capacity in the wet markets until demand for their higher end products can develop.

Food Processing Sector - Food Ingredients and Seafood Products

In 1998, the estimated size of the food processing sector was around US \$19.2 billion. This sector includes those areas that specifically deal with any food processing, production, and beverage production within China. The renowned food processing capital of China is located in the surrounding regions of Shanghai. Well known food processors such as Coca Cola, Hormel, Perdue and China's White Rabbit candy can be found dotting the local countryside. The Guangdong/Fujian region in South China is also an important location in China for food processing. Its close proximity to Hong Kong and earlier economic reforms have transformed the Pearl River Delta into the home of thousands of food processing factories. Snack processing, Western style bakeries, sauce manufacturers and instant noodle plants are the most numerous in the region.

Nuts. Guangzhou's Yi De Lu Street has traditionally been the street of the nut merchants in China. Buyers come from all over the country to purchase nuts from the wholesalers in Yi De Lu. Some of the most successful U.S. products being marketed in China are almonds and pistachios, with hazelnuts and macadamia rising in importance. Mixed nuts are popular for bar and home consumption, and processors are also asking for pecans for their mixtures. U.S. nuts have such an overwhelmingly popular image now with consumers that counterfeiting of logos and misrepresenting origins is a serious problem.

Bakery. Western-style bakery products are catching on very fast right now in China. Bakeries are opening on every street corner like taverns in Chicago. A recent walk after 10 pm in Guangzhou found five bakeries open for business, while most other shops were closed. The USDA/U.S. Wheat Associates partnership deserves much credit for this because of its long-term projects to train bakers in Hong Kong and China. The styles of breads, cakes and cookies appreciated by consumers have been influenced by tastes from Japan and nearby Hong Kong. The use of butter is increasing, but lard is dominant. The preferred breads are light, airy, and sweet, not whole-grain, European styles. Favored cakes for birthdays and special occasions seem most like a pile of whipped cream topped with colorful canned fruits and cherries. This has meant a tremendous market opportunity for U.S. non-dairy whipped toppings, dairy ingredients, colorings, maraschino cherries, and canned peaches. Other items in demand include almonds, raisins, wheat flour, food colorings and flavorings, jams, and sunflower seeds. Chocolate is not so essential a flavor as in the West.

Spices. U.S. and European joint venture factories that produce spices and flavorings have been tremendously successful in South China. Both restaurant chefs and home consumers are willing and anxious to save time by using spice mixtures and prepared sauces to create traditional Chinese dishes. Incomes are high enough so that consumers are able to purchase packaged or bottled spices instead of buying spices in the open-air wet markets. McCormick's, Knorr, and Maggi all have factories in China.

Dairy Products. The Agricultural Trade Office receives frequent calls requesting the names of exporters of dairy products. Whey powder, in particular, is frequently requested. Ice cream powder bases are being requested less frequently, although there has been interest recently in non-dairy soft serve style ice cream powder, such as the McDonald's model. The appreciation for milk is on the rise in China, and it is now quite common to see a liter or two of long-life, UHT milk in the food baskets of shoppers at supermarkets.

Frozen Dumplings. Flavorings for the ubiquitous frozen dumplings are in high demand. Consumers have less time for cooking, and they worry about sanitation when they buy prepared dumplings in the wet markets. So, frozen dumplings and steamed buns are another popular purchase at supermarkets.

Instant Noodles. The numerous instant noodle factories in South China are purchasers for a wide variety of spices and flavorings. Supermarkets devote whole aisles to their instant noodle selection.

Sauces. Every household in China buys a variety of sauces for cooking. The tradition comes from the use of soy sauce and oyster sauce for flavoring foods. The custom has now extended to new sauces and more use of chili sauce. This presents an interesting opportunity to introduce new products to Chinese consumers. Even western condiments such as ketchup are now employed in Chinese cooking to make new and interesting sauces.

Confectionery. The Chinese market bursts with an enormous diversity of confectionery products on display, particularly at the low-middle end of the price range. Popular types of candy are creamy toffee, hard candy, soft candy, chewing gum, chocolate bars, mints, jelly candy, and marshmallows. Strong bitter flavors, such as those of dark chocolate or licorice, are having a hard time winning Chinese consumers over.

Seafood. The domestic processing sector is strongly competitive with its low cost imports of raw materials. However, with the reduction in China's tariffs and the drying up of offshore fishery stocks, there arises a greater potential for imported seafood. In 1997, U.S. seafood exports to China rose 24% from 1996 to US \$111 Million, a record high. In terms of the variety of imports, foreign products currently imported to China include frozen cuttlefish, ribbon fish, herring, salmon, pomfret, pollock, squid, fin sole, yellow croaker, mackerel and frozen or live lobster and king crab.

The overall seafood market can be divided into two sections: upscale market catering to foreign residents, wealthy Chinese, business people, or Chinese employees of foreign companies and organizations, and a low-end market for the average Chinese family. The low-end market requires very inexpensive fish while the high-end market is too lavish to be price sensitive. Overall, Chinese consumers eat more freshwater products than marine products. But due to the fact that China is presently suffering from a deficiency of offshore fishing resources, and has instituted summer fishing bans to allow depleted stocks to rebuild, common domestic fish will become less popular with the rise in price and gradual change in consumer taste, providing an excellent opportunity for U.S. seafood exporters to grab a larger share of the market.

Trends in Promotional/Marketing Strategies and Tactics

Advertising. Most marketing efforts for high-value consumer products in China will require advertising in one form or another. China's advertising industry is growing along with the consumer society. Advertising rates vary considerably: more than half-a-dozen multinational agencies have representative offices in China's biggest cities, but charge a great deal more than local firms. The work of local firms has been very inconsistent in terms of print quality, and companies seldom have English-speaking account executives. Some small and medium-sized Hong Kong agencies have established joint ventures, and sometimes can offer the best deal for American firms. Competitive bid solicitations are always recommended, and basic negotiation can result in significant savings. Advertising rates are rather on the high side, but the number of readers or viewers reached by the major papers or television stations is huge.

The trade newspaper/magazine sector is burgeoning, but with the many startups, it can be a puzzle as to which offer the most stable circulations. The scarcity of food import, wholesale, and retail associations also make targeted promotional campaigns and direct mailings difficult. However, some hotel publications in English and Chinese target the Asian hotel sector providing focused advertising opportunities. Such publications include Hong Kong based "Asian Hotelier", "China Hotel and Catering Supply Special", and "Asian Hotel and Catering

Times"; Singapore based "Asian Hospitality" and "Asian Retailer"; and New Jersey based "Asia Pacific Food Service Product News".

Trends in the Gift Market. Traditional gift giving seasons heavily influence demand for particular imported food and beverages. Mid-Autumn Festival, Chinese Lunar New Year, and Children's Day are prime gift giving seasons. Gifts often include imported products for which gift givers are willing to pay a premium. Imported tree nuts, chocolates (especially chocolate covered nuts), fresh fruit (especially apples), butter cookies, ginseng, fish oil and other health products, and alcoholic beverages are popular gift items. Retailers often offer special gift baskets during holiday seasons containing combinations of the above.

SECTION IV. Best High Value Product Prospects

Top 15 U.S. Exports to China (US\$1,000s)		
1	Poultry Meat	38,460
2	Red Meats, Fresh/Chilled/Frozen	15,399
3	Dairy Products	13,931
4	Fresh Fruit	11,319
5	Salmon, Whole or Eviscerated	9,735
6	Processed Fruit & Vegetable	9,321
7	Snack foods	8,652
8	Crab & Crab Meat	4,996
9	Roe & Urchin (Fish Eggs)	4,954
10	Fresh Vegetables	3,637
11	Red Meats, Prepared/Preserved	2,918
12	Surimi (Fish Paste)	2,738
13	Wine & Beer	2,404
14	Tree Nuts	2,337
15	Fruit & Vegetable Juices	1,490

Source: 1998 BICO Report - U.S. Exports of Agricultural, Fish, & Forestry Products to China, People's Republic of.

SECTION V. Key Contacts and Further Information

American exporters are strongly encouraged to participate in the USDA Foreign Agricultural Service's (FAS) endorsed trade shows in China as one means to assess the potential market for their products. We also encourage American exporters to make use of USDA/FAS marketing services such as Buyers Alert, Foreign Buyer Lists, Trade Leads, and U.S. Suppliers lists (please see <http://www.atoshanghai.org> for details.) A list of the State Regional Trade Groups (SRTG) is provided below. For a list of Market Development Cooperator Organizations currently represented in China, please see our web site or contact us directly.

U.S. supplier lists are made available to local buyers by the Guangzhou and Shanghai ATOs. Specific product requests received by China ATO's from China buyers are disseminated to U.S. exporters via the Trade Leads service. Both ATOs submit periodically updated lists of China buyers for dissemination by USDA/FAS under the Foreign

Buyer service.

The China ATO's doors are always open to individuals and groups promoting sales of American agricultural and food products to China. They strive to serve as a valuable on-site first point of contact for American product exporters.

United States Contacts	
United States Department of Agriculture 14 th & Independence Ave. SW, Washington D.C. 20250 Tel: (202) 720-2791 Web: www.usda.gov	Foreign Agricultural Service Web: www.fas.usda.gov
AgExport Connections Ag Box 1052 USDA/FAS/AGX Washington, D.C. 20250-1000 Tel: (202) 690-3416(Foreign Buyer List/Trade Leads) Tel: (202) 690-3421(U.S. Suppliers List) Tel: (202) 720-7103(Buyers Alert) Fax: (202) 690-4374	USDA/FAS Trade Show Office Room 4939, South Building AgBox 1052 Washington, D.C. 20250-1052 Tel: (202) 690-1182 Fax: (202) 690-4374
Western U.S. Agricultural Trade Assoc. (WUSATA) 2500 Main Street, Suite 100 Vancouver, WA. 98660-2967 Tel: (360) 693-3373 Fax:(360) 693-3464 Email: export@wusata.org Web: www.wusata.org	Mid-Atlantic Trade Council (MIATCO) 400 W. Erie, Suite 100 Chicago, IL. 60610-4041 Tel: (312) 944-3030 Fax:(312) 944-1144 Email: info@miatco.org Web: www.miatco.org
Southern U.S. Trade Association (SUSTA) 2 Canal Street, Suite 2515 New Orleans, LA. 70130 Tel: (504) 568-5986 Fax:(504) 568-6010 Email: susta@susta.org Web: www.susta.org	Food Export USA Northeast 150 S. Independence Mall West Suite 1036, Public Ledger Bldg. Philadelphia, PA. 19106 Tel: (215) 829-9111 Fax:(215) 829-9777 Email: eusafec@foodexportusa.org Web: www.foodexportusa.org
National Association of State Departments of Agriculture (NASDA) 1156 15 th St., N.W., Suite 1020 Washington, D.C. 20005 Tel: (202) 296-9680 Fax:(202) 296-9686 Email: nasda@patriot.net Web: www.nasda-hq.org	
Beijing Contacts	
Agricultural Affairs Office U.S. Embassy, Beijing Suzanne Hale Agriculture Minister-Counselor Add: 2 Xiushui Dong Jie, Jianguomenwai Beijing, 100600, People's Republic of China Tel: (86-10) 6532-4186, 6532-3431 Ext. 5320	Ministry of Foreign Trade and Economic Cooperation U.S. Division, Department of American & Oceanic Affairs Mr. Yang Yingjie, Official Add: 2 Dong Chang An Street

<p>Fax: (86-10) 6532-2962 Email: Agbeijing@fas.usda.gov Web: www.fas.usda.gov</p>	<p>Beijing, 100731, People's Republic of China Tel: (86-10) 6519-8835, 6519-8805 Fax: (86-10) 6519-8904 Email: webmaster@moftec.gov.cn</p>
<p>State Administration for Entry-Exit Inspection and Quarantine Add: A10 Chaowai Dajie Beijing, 100020, People's Republic of China</p> <p><u>Department for Supervision on Animals and Plants</u> Mr. Lu Houlin (Plants) Director Tel: (86-10) 6599-3981 Fax: (86-10) 6599-3847</p> <p>Mr. Bi Kexin (Animals) Veterinarian Tel: (86-10) 6599-4194 Fax: (86-10) 6599-3870</p> <p><u>Department for Supervision on Certification</u> Mr. Shi Xiaowei Deputy Director of Division Tel: (86-10) 6599-4624 Fax: (86-10) 6599-4570</p>	<p>Ministry of Agriculture <u>Department of International Cooperation</u> Ms. Gao Jinghong Senior Program Officer Add: 11 Nongzhangguan Nanli Beijing, 100026, People's Republic of China Tel: (86-10) 6419-2452, 6419-4363 Fax: (86-10) 6419-2466, 6419-2451 E-mail: moada01@agri.gov.cn</p>
<p>Beijing Bureau of Technical Supervision, First Division of Standardization Mr. Li Ruchen Add: No. 4 Zhi Chun Lu, Haidian District Beijing, 100088, People's Republic of China Tel: (86-10) 6202-2288 Ext. 3911 Fax: (86-10) 6203-1010</p>	<p>State Administration of Light Industry Administration Center of Food Industry Mr. Jia Zhiren Director General Add: B Fuchengmenwai Dajie Beijing, 100833, People's Republic of China Tel: (86-10) 6839-6506 Fax: (86-10) 6839-6800</p>
<p>Ministry of Public Health Department of Hygiene Regulation and Supervision Ms. Zhang Lingping 44 Houhai Beiheyuan Beijing, 100725, People's Republic of China Tel: (86-10) 6400-1675, 6401-3352 Fax: (86-10) 6401-4341</p>	<p>China Food Industry Association Ms. Qi Guimei Add: No. 5 Guan'anmenwai Taipingqiao Dongli Beijing, 100073, People's Republic of China Tel: (86-10) 6344-8975 Fax: (86-10) 6340-2364</p>
<p>China National Foodstuff Industry Standardization Technology Commission Ms. Qi Guimei Add: No. 5 Guan'anmenwai Taipingqiao Dongli Beijing, 100073, People's Republic of China Tel: (86-10) 6344-8975 Fax: (86-10) 6340-2364</p>	<p>State Administration for Forestry Department of International Cooperation Ms. Wang Xuehong Project Officer Add: 18 Hepingli Dongjie Beijing, 100714, People's Republic of China Tel: (86-10) 8423-8722 Fax: (86-10) 8423-8751</p>
<p>Shanghai Area Contacts</p>	
<p>Shanghai U.S. Agricultural Trade Office Director: LaVerne E. Brabant Shanghai Centre, Suite 331 1376 Nanjing Xi Lu Shanghai 200040, People's Republic of China Tel: (86-21) 6279-8622</p>	<p>Shanghai Municipal Foreign Economic Relation and Trade Commission Director: Wang Zukang Add: 5 Lou Shangguan Road New Hongqiao Building Shanghai 200335, People's Republic of China</p>

Fax: (86-21) 6279-8336 Email: atos@public.sta.net.cn Web: www.atoshanghai.org	Tel: (86-21) 6275-2200
Shanghai Import & Export Commodity Inspection Bureau of the P.R.C. Director: Zhao Guojun Add: 13 Zhongshan Road (E.1) Shanghai, 200002 People's Republic of China Tel: (86-21) 6321-5135 Ext. 102 Fax: (86-21) 6325-5134	Shanghai Bureau of Technical Supervision, Division of Standardization Add: 381 Wan Ping Nan Lu Shanghai, 200032, People's Republic of China Phone: (86-21) 6438-9229 Fax: (86-21) 6468-3575
Shanghai Animal & Plant Quarantine Service Deputy Director of Animal Quarantine Division & Director of Pujiang Office: Chen Jian Liang Add: 88 Yang Shu Pu Road, International Shipping Service Shanghai, 200082 People's Republic of China Tel: (86-21) 6501-0367 Fax: (86-21) 6501-0367	Shanghai Customs of The People's Republic of China Deputy Chief: Shen Yao Hua Add: No 13 Zhong Shan Rd., (E.)1 Shanghai, 200002 People's Republic of China Tel: (86-21) 6322-0980
Guangdong Area Contacts	
Guangzhou Agricultural Trade Office Director: Dr. Sam Wong Add: China Hotel Office Tower 14 th Floor Room 1259 Lin Hua Road Guangzhou 510015 People's Republic of China Tel: (86-20) 8667-7553 Fax: (86-20) 8666-0703 Email: ato@gitic.co.cn	Guangzhou Municipal Foreign Economic Relations and Trade Commission Director: Wang Deye Add: 1 Shifuqian Road Guangzhou 510030, People's Republic of China Tel: (86-20) 8333-0360
Guangzhou Customs Administration Superintendent: Yang Junsheng Add: 2 Fifth Road Shamian 510130, Guangdong Tel: (86-20) 8888-2738	

APPENDIX

Table A: Key Trade & Demographic Information for Peoples Republic of China

Agricultural Imports From All Countries(\$Mil)/U.S. Market Share(%) ¹	\$8,980/25%
Consumer Food Imports From All Countries(\$Mil)/U.S. Market Share(%) ¹	\$845/24%
Edible Fishery Imports From All Countries(\$Mil)/U.S. Market Share(%) ¹	\$548/13%
1997 Total Population (Millions)/Annual Growth Rate(%)*	1,240 /1.1%
1997 Urban Population (Millions)/Annual Growth Rate(%)*	369/ 2.9%
Number of Metropolitan Areas as of 1997 ^{2*}	668
Size of Middle Class(Millions)/Growth Rate(%) ³	200

Per Capita Gross Domestic Product for 1997(U.S. Dollars)*	\$734.18
1997 Unemployment Rate(%) ^{4*}	3.1%
Per Capita Food Expenditures of 1997(U.S. Dollars)*	\$234.61
Percent of Female Population Employed as of 1997 ^{5*}	38.8%
Exchange Rate(US\$1=X.X local currency)	\$8.28 RMB

Notes:

(Information is based up most reliable data available by year stated)

1. UnTrade database-Import Market Share Bico 3-Year format
2. Population in excess of 1,000,000
3. Middle Class growth rate is not available..
4. Data based upon the number of registered unemployed persons in urban areas
5. Percent against total number of women (15 years old or above)

* Data retrieved from 1998 China Statistical Yearbook

Table B: Consumer Food & Edible Fishery Product Imports**China Imports**

(In Millions of Dollars)

	Imports from the World			Imports from the U.S.			U.S. Market Share		
	1995	1996	1997	1995	1996	1997	1995	1996	1997
CONSUMER PRODUCTS TOTAL	553	737	845	144	212	201	26	29	24
Snack Foods (Excl. Nuts)	41	43	33	5	6	8	11	14	23
Breakfast Cereals & Pancake Mix	2	2	2	1	1	1	16	16	18
Red Meats, Fresh/Chilled/Frozen	14	16	19	5	7	7	37	43	35
Red Meats, Prepared/Preserved	3	5	4	1	1	1	27	17	10
Poultry Meat	80	140	130	65	123	80	82	88	61
Dairy Products (Excl. Cheese)	65	58	71	15	11	13	24	19	19
Cheese	2	1	1	1	1	1	15	22	8
Eggs & Products	3	1	2	1	1	1	30	25	30
Fresh Fruit	60	168	175	4	1	3	6	1	2
Fresh Vegetables	4	5	6	2	3	3	59	56	42
Processed Fruit & Vegetables	94	48	77	4	10	12	4	20	15
Fruit & Vegetable Juices	6	6	9	1	1	1	23	22	17
Tree Nuts	16	18	34	3	3	5	19	18	15
Wine & Beer	6	25	51	2	4	5	27	18	9
Nursery Products & Cut Flowers	6	5	8	1	1	1	5	5	3
Pet Foods (Dog & Cat Food)	1	1	1	1	1	1	25	9	2
Other Consumer-Oriented Products	153	197	224	35	40	64	23	21	29
FISH & SEAFOOD PRODUCTS TOTAL	609	602	548	69	50	72	11	8	13
Salmon	7	7	10	3	1	2	46	16	16
Surimi	2	5	10	1	2	6	22	38	64
Crustaceans	129	107	88	28	10	9	21	9	10
Groundfish & Flatfish	226	208	226	26	23	46	11	11	21
Molluscs	59	79	59	2	6	2	4	8	4
Other Fishery Products	185	196	155	9	9	7	5	5	4
AGRICULTURAL PRODUCTS TOTAL	11,184	9,814	8,980	3,255	2,103	2,202	29	21	25
AG, FISH & FORESTRY TOTAL	13,356	11,973	11,496	3,388	2,239	2,413	25	19	21

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Note: Import data on World and U.S. agricultural products as reported by the Chinese government, cif value. This data largely misses those products re-exported from Hong Kong to China.

Table C: Top 15 Suppliers of Consumer Foods & Edible Fishery Products**CONSUMER-ORIENTED PRODUCTS TOTAL - 400**

Reporting: Import	Import	Import
1995	1996	1997
Value	Value	Value
1000\$	1000\$	1000\$
USA	143985	211608
Ecuador	14346	68979
Thailand	37698	38898
Japan	56092	65487
Philippines	29117	62889
France	7892	15597
Australia	18816	22251
Netherlands	27426	28455
Indonesia	40915	30081
Canada	9862	19211
Brazil	1594	2894
Hong Kong	34463	35911
New Zealand	12013	11877
Taiwan (Est)	13478	12234
Korea, Rep.	18638	15371
Other	86691	95591
World	553092	737408

FISH & SEAFOOD PRODUCTS - 700

Reporting: Import	Import	Import
1995	1996	1997
Value	Value	Value
1000\$	1000\$	1000\$
Russia	115601	183443
Japan	121146	78730
USA	68514	50340
Korea, Rep.	26826	25234
France	6983	7894
Canada	33010	30513
India	26492	37205
Argentina	29874	21092
Norway	3715	9403
New Zealand	11298	20143
Spain	13088	8092
Netherlands	2813	4371
Thailand	21095	20001
Iceland	2822	5755
Indonesia	13859	6688
Other	111384	92982
World	608534	601897

Source: United Nations Statistics Division