



THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

**Date:** 11/25/2009

**GAIN Report Number:** CH9622

## **China - Peoples Republic of**

**Post:** Guangzhou

### **Quanzhou, Fujian's city of light reignites**

#### **Report Categories:**

Market Development Reports

#### **Approved By:**

Joani Dong, Director

#### **Prepared By:**

Vivian Xian

#### **Report Highlights:**

Quanzhou, the major industrial base in Fujian province, demonstrates ample market opportunities for U.S. exports. The *Maritime Silk Road* began here. Since then, the city has created a road that's ignited trade in a new way. Quanzhou's textile and apparel manufacturing, shoe making and food processing are well known in China. Tea, citrus and longan produced there have superior quality. With the highest per capita income and disposable expenditure in the province, Quanzhou consumers look for something decent. Imported food products, especially high valued fruits, seafood, beef, wines, frozen potato products, whey powder, lactose, together with hides and cotton are eagerly desired.

Includes PSD Changes: No  
Includes Trade Matrix: No  
Annual Report  
Guangzhou ATO [CH3]  
[CH]

<b>I. Quanzhou overview .....</b>	<b>3</b>
Table 1: Quanzhou compared to Xiamen - at a glance.....	4
<b>II. Business gene rooted in Quanzhou's history .....</b>	<b>4</b>
<b>III. Developed infrastructure smoothes way to economic growth .....</b>	<b>5</b>
Port.....	5
<b>IV. Tourism, more for religious purposes .....</b>	<b>6</b>
<b>V. Private sector, economic engine in Quanzhou .....</b>	<b>6</b>
A. Apparel industry, dresses up the world .....	7
B. Shoe making, potential for U.S. hides .....	7
<b>VI. Retail, set to soar .....</b>	<b>8</b>
Table 2: Quanzhou major retailers.....	8
A. Wal-Mart .....	8
B. Metro.....	9
<b>VI. HRI, big potential for high value products.....</b>	<b>11</b>
A. Hotel .....	11
Table 3: Major hotels in the Quanzhou area .....	11
B. Restaurant .....	12
Suggested action for Quanzhou HRI market .....	12
<b>VII. Food processing, feeds the country .....</b>	<b>13</b>
<b>VIII. Agriculture, not just tea and citrus .....</b>	<b>14</b>
Table 4: Major agricultural production in Quanzhou .....	15
<b>IX. Soybean crushing, to meet demand .....</b>	<b>15</b>
Table 5: Soybean exports to Fujian ports.....	15
Table 6: Soybean exports to China .....	16
Table 7: Comparison between American, Brazilian and Argentine soybeans .....	16
<b>X. Conclusion .....</b>	<b>17</b>
Table 8: Promising U.S. Products .....	17
<b>XI. Post Contact Information .....</b>	<b>18</b>
<b>XII. Other ATO Guangzhou Emerging City Market (ECM) Reports .....</b>	<b>19</b>

## I. Quanzhou overview

Quanzhou, located in the southeastern coast of Fujian province, is one of three economic centers of the province, together with Xiamen and Fuzhou. Quanzhou was where the *Maritime Silk Road* began in the 12<sup>th</sup> century and used to be one of two of the largest ports in the world. Now the city is reemerging as the province's largest GDP contributor.

Quanzhou has seen ample development over the past ten years. In 2008, the city recorded US\$39.78 billion (RMB270.53 billion) in GDP, 14.1 percent increase from the previous year, continued to take the lead in Fujian province for the past nine years. Per capita disposable income was US\$3,002.94 (RMB20,420), a 12.8 percent increase.



Textile and apparel manufacturing, shoe making, food processing, construction materials and machinery manufacturing are pillar industries with nationwide recognition. Tea, citrus and longan produced in Quanzhou have superior quality and enjoy good reputation.

The city is closely connected with Xiamen in a less than a two hour's ride through express way. Thus, exporters have easy access to the Xiamen port in addition to the Quanzhou port. Quanzhou airport has daily flights with major cities in China, Hong Kong and Manila.

It is said that over 45 percent of Taiwanese, or 9 million people originated from Quanzhou. The city is also a well known hometown to 7.2 million overseas Chinese, over 60 percent of Fujian province. Thus, many overseas Chinese establish businesses and invest in or donate to Quanzhou to help the city regain its glory. The city attracted US\$8.56 billion Foreign Direct Investment (FDI) in 2007. However, the global economic slowdown did slow the pace of overseas investors. The FDI number in 2008 slumped to over 60 percent to US\$3.23 billion.

We were told that Jinjiang County in Quanzhou has the most BMW's in China. With the highest per capita income and disposable expenditure in the province, Quanzhou consumers look for something decent. Imported food products, especially high value fruits, seafood, meat products and packaged foods are warmly welcomed by Quanzhou consumers.

Quanzhou received numerous awards for excellent ecological development, such as the Nations in

Bloom award, the Most Attractive Chinese City, Top Ten Harmonious City in China, Capital of China Name Brands. The city has established “sister city” relationships with five overseas cities, including Monterey Park and San Diego in California.

**Table 1: Quanzhou compared to Xiamen - at a glance**

	<b>Quanzhou</b>	<b>Xiamen</b>
1. City area	11,015 square kilometers (4,252 square miles, including four districts and eight counties)	1,865 square kilometers (719.89 square miles, including six districts)
2. Population	7.79 million	2.49 million
3. Urban population	995,000 million	2.02 million
4. Climate	Quanzhou has subtropical weather and mild winters with annual average rainfall of 1,235 mm (48.66 inches) and temperature of 20.7°C (65 degrees Fahrenheit).	Xiamen has subtropical weather and mild winters with annual average temperature of 21°C (66 degrees Fahrenheit).
5. GDP in 2008	US\$39.78 billion, 14.1 percent increase	US\$22.94 billion, 12.4 percent increase
6. Per capita annual disposable income (urban residents)	US\$3,003 in 2008, 12.8 percent increase	US\$3,522 in 2008, 11.4 percent increase
7. Major agricultural products	Tea, citrus, longan, pear, rice, seafood	Seafood
8. Hotel (star-rated)	Three five-star hotels and nine four-star hotels	Two five-star hotels and 18 four-star hotels
9. Retail	International Chains: <ul style="list-style-type: none"> <li>• Wal-Mart (3 stores)</li> <li>• Metro (1 store)</li> </ul> Local chains: <ul style="list-style-type: none"> <li>• Trust Mart (1 store)</li> <li>• Xinhuaadu (8 stores)</li> </ul>	International chains: <ul style="list-style-type: none"> <li>• Wal-Mart (2 stores)</li> <li>• Metro (1 store)</li> <li>• Carrefour (1 store)</li> </ul> Local chains: <ul style="list-style-type: none"> <li>• Trust Mart (4 stores)</li> <li>• Xinhuaadu (7 stores)</li> </ul>

(Source: Fujian Statistics Yearbook 2009 & ATO Guangzhou survey)

## II. Business gene rooted in Quanzhou’s history

Quanzhou has a long history of trade and was named the “City of Light” for its unbelievable wealth in its era. Along with trade, different religions were brought into Quanzhou. People there showed their cultural and religious tolerance to these newcomers, while they preserved their own traditions.

The city, in its old name “Zaytun”, gained fame as the world’s largest port, rivaling Alexandria in Egypt, in the 12<sup>th</sup> century. As the start of the Maritime of Silk Road, Quanzhou was the legendary port at the time. The Venetian vagabond, Marco Polo, witnessed the wealthy Quanzhou in his “On the city & great heaven of Zayton”. The famous Admiral Zheng He, who sailed the seas 70 years before Columbus, commanded his 440 foot treasure ships from Quanzhou to explore the world, which carried thousands of silk, tea, porcelain and pearls. The ship was the largest at that time, when 70 years later, Columbus’ Santa Maria ship was only 85 foot long!

In the 1980's, Quanzhou was revived when China opened its gates to the world again. People in Quanzhou rediscovered their inborn talent for business and trade, and turned their city into an economic powerhouse.

### III. Developed infrastructure smoothes way to economic growth

Quanzhou is connected to Xiamen to the South and Fuzhou to the North through the Fu-Xia Expressway (Fuzhou to Xiamen). The *Jinjiang Airport* is only 7.5 miles (12 km) away from downtown Quanzhou. It has daily flights to all major cities in China, such as Beijing, Shanghai and Guangzhou, and routine flights to Hong Kong and Manila. It takes less than a two-hour's drive from Quanzhou to Xiamen. Thus, many travelers can also choose to use the transportation network in Xiamen.



#### Port

Situated in the southeast coast of Fujian province, Quanzhou has good natural resources in developing seaports. The *Quanzhou Port Authority* manages five port areas with 62 loading berths. It's one of the major ports for cross-strait trade with Taiwan. The Quanzhou port area handled 62.10 million tons of commodities or 1.01 million TEUs in 2007, ranked 16<sup>th</sup> and 14<sup>th</sup> respectively in China. In the first eight months of 2008, the Quanzhou port handled 47.20 million tons of throughputs or 790,000 TEUs.

The Quanzhou Port has 88 routine shipping routes while 26 of them lead overseas. Quanzhou port would be able to handle 100,000 tons of Panamax vessels round the clock. Port management is pouring US\$8.82 billion (RMB60 billion) new investment in expanding scale and upgrading facility of the port. By 2010, the port will have the capacity to handle more than 10 million tons of commodities or 2 million TEUs, by adding 30 new berths.

Major imported products come through the Quanzhou port include petroleum, iron, coal, chemical supplies, cement and grains. Exported commodities in large volumes are apparel, shoes, machinery and construction materials.



**Models of Admiral Zheng He's mighty treasure ships on exhibition last summer in Washington, DC**

(Source: ATO Guangzhou)



However, given the close proximity to Xiamen and more international shipping routes there, much of the Quanzhou exports go through the Xiamen port. Industry insiders stated over 50 percent of containers that go through Xiamen port carry products from Quanzhou.

#### IV. Tourism, more for religious purposes

Quanzhou is designated one of 24 “*Historical Culture Cities*” approved by the *Chinese State Council*. Different cultures and religions (such as Taoism, buddism, Hinduism and Christianity) brought by ancient traders left dozens of architectural relics in Quanzhou.

The adaptability and tolerance to other cultures helped the city win the world’s first “World Center of Multi-Cultures” by UNESCO. Most tourists take a day trip to Quanzhou to explore religious relics. In 2007, Quanzhou gained US\$2.54 billion (RMB17.24 billion) revenue from tourism, up 18.2 percent from the previous year. Most visitors were from within China.



**Quanzhou puppy show at the Beijing Olympics grand opening**  
(Source: china.org.cn)

#### V. Private sector, economic engine in Quanzhou

Quanzhou has five pillar industries that include textile and apparel manufacturing, shoe manufacturing, food processing, construction materials and machinery production. These sectors accounted for two-thirds the city’s GDP.

The talented Quanzhou people started their businesses in the 1980’s, when China reopened its door to the world. With three decades of development, privately owned companies are the most important contributor to Quanzhou’s GDP.

We were told that Quanzhou produces most of the zippers in China, i.e., SPS brand is the second largest in the World. Artificial Christmas trees are also produced here before they decorate U.S. and European homes. So are beepers for policemen.

## A. Apparel industry, dresses up the world

Quanzhou has developed a fully integrated industry for textile and apparel manufacturing, from weaving to color printing and accessories manufacturing. Distinct from other places keen on OEM production, Quanzhou companies also take initiatives to build up their own brands. The industry estimates a 50-50 percent share on OEM and own brands. One interviewed owner believed more profits will be generated through his own brands. By the end of 2008, Quanzhou had 12 *China Name Brands* and 32 *China Famous Brands* for apparel. According to one interviewed apparel manufacturer, Quanzhou is strong in men's apparel while Dongguan in Guangdong province, Shanghai and Zhejiang province are famous for ladies' clothing.



***Trendy designs and well designed shops attract consumers***  
(Source: ATO Guangzhou)

Usually apparel manufacturers in Quanzhou have their own designers based in Guangzhou or Shanghai to be close to latest market trends. Japan, South Korea and Hong Kong styles are closely followed. To achieve different design effects, Quanzhou apparel manufacturers source fabrics not only from local weaving companies in Jiangsu province, Shanghai and Guangdong province, but also from big textile mills in South Korea and Taiwan,.

To better distribute apparel, Quanzhou has one of Asia's largest clothes wholesale markets which covers 182.85 acres (74 hectares) and houses 2,000 companies. Upon completion of new expansion in September 2009, the wholesale market will become the largest in Asia, which houses up to 5,000 companies.

The appreciation of the Chinese currency, rising labor and raw materials' costs and economic slowdown in the global market are skimming already slim profits. Thus, more companies try to establish their own brands for higher margins and customer loyalty. The industry expects industry consolidation within a few years.

## B. Shoe making, potential for U.S. hides

Quanzhou is one of the most famous shoe making areas in China. It was said that Quanzhou produced a quarter of China's shoes or 20 percent of the world's production. However, when considering sports shoes, Jinjiang's production takes more than 60 percent of China production.

Almost all the shoe manufacturers are in Jinjiang County of Quanzhou. Sports shoes and casual shoes are the main products. The area houses more than 4,000 shoe manufacturers and related industries, which employs 800,000 workers. Estimated annual export sales are at about US\$294 million, or 500 million pairs of shoes.

To gain higher profit margins, leading shoe manufacturers build up their own brands for the domestic market, believed to maintain consumer loyalty and gain better revenue. Quanzhou has 11 brands recognized as the China Famous Brands for sports shoes out of a total of 15. Some of the well known brands include *Anta*, *Xtep*, *361°*, *ERKE*, *Meike*, *Chinapeak* and *CBA Resoon*.

A fully integrated industry has been developed in Quanzhou, from tanning to leather making and from shoe making to accessories manufacturing. It is said the area produces 45 percent of China's shoe making supplies. Jinjiang area has a couple of production bases take the lead in China for leather and shoe accessories manufacturing. For export quality of products, manufacturers use imported hides, mainly sourced from the US.



**Red label wine  
used for  
weddings**  
(Source: ATO  
Guangzhou)

## VI. Retail, set to soar

The strong economy in Quanzhou enables consumers to look for something decent. Per capita disposable expenditures in 2008 was US\$3,003 (RMB 20,420), up 12.8 percent, one of the highest in Fujian province. Per capita expenses were US\$1,941 (RMB13,199), 5.9 percent higher than the previous year. However, given many Quanzhou citizens own their own businesses or factories, actual spending is probably much higher.

Attracted by the fast growing retail market and wealthy consumers in Quanzhou, international retail giants, such as *Wal-Mart* and *Metro* have opened their stores there. Local retail chains like *Trust-Mart* and *Xinhuadu* also tried their best to capture market shares. Total retail sales in Quanzhou recorded at US\$11.4 billion (RMB77.51 billion) in 2008, up 19.3 percent.

Price is not the priority of Quanzhou consumers, but rather taste, quality and name brand. They have been exposed to imported foods through overseas relatives so are more accepting of imported products. For new to market products, tasting is a very important key to testing the market. If Quanzhou consumers have favorable perceptions about the product, they will continue to buy, and their friends tend to follow suit. Most imported products are sourced from Guangzhou, Shanghai and Xiamen.

**Table 2: Quanzhou major retailers**

<b>Name</b>	<b>Number of outlets</b>	<b>Country of origin</b>
Wal-Mart	3 (by the end of 2008)	United States
Metro	1	Germany
Trust-Mart	1	Taiwan
Xinhuacu	8	China
<b>Total</b>	<b>13</b>	

(Source: ATO Guangzhou survey)

### A. Wal-Mart

*Wal-Mart*, the world's largest retailer, opened two supercenters in Quanzhou and will soon open a third one, date undetermined. Each *Wal-Mart* in Quanzhou is located in a shopping mall, where families may shop and dine. We were told that weekends and holidays were the busiest time for



retailers in Quanzhou and many families like to shop together as entertainment.

Last year per check purchase on weekdays was US\$8.80 (RMB60) which reflects fresh products for daily use and much higher on weekends when other types of non-fresh and non agricultural products may be included. Company purchases prior to major Chinese holidays, such as the Moon Festival (late September or October) and Chinese New Year (late January or February) are one of the major revenue sources for gift giving to employees and contacts. Both stores in Quanzhou ranked among the top 20 in sales among the 110 *Wal-Mart* stores in China. This further demonstrates strong purchasing power in Quanzhou.

The imported foods section in Quanzhou *Wal-Mart* store has 250 imported items, among them 17 SKUs are from the US. All imported foods are sourced from *Wal-Mart's* Shenzhen distribution center, while fresh products are sourced locally.

American foods on shelves included California raisins pasta sauces, *Tabasco* pepper sauces, Washington apples, canned soups, almonds, prunes and *Snapple* drinks. U.S. fruits, such as *Red Delicious* apples, *Sunkist* oranges, California table grapes and cherries are also available. Apples are packed in gift boxes during major Chinese holidays, such as the Spring and Moon Festivals, for gift giving.

Very few imported wines are seen in the Quanzhou *Wal-Mart*. Quanzhou people like to drink imported cognac for status. The best selling costs US\$441 (RMB3,000 up) per bottle.

The wine drinking culture is getting started, brought about by visiting business partners, but more in hotels or wine houses. Customers who shop at supermarkets tend to purchase for personal use, thus, price matters. The best selling local wines range from US\$4.40-5.90 (RMB30-40) per bottle.



**Nice looking and easy to use**  
(Source: ATO Guangzhou)

The interviewed store manager believed a theme promotion for U.S. foods would attract consumer attention and increase interest in trying out U.S. products. Free tastings would be an effective way to welcome consumers to try as a way to prompt them to buy.

## **B. Metro**

The lucrative market in Quanzhou also attracted the retail giant *Metro* to enter the market in 2007. This is the third *Metro* in Fujian province, with the other two in Xiamen and Fuzhou. Many hotels in Quanzhou source imported supplies from *Metro* for reliable quality.

Post was told that the Quanzhou store has 1,927 imported food items, the largest inventory in the Quanzhou area. Last year per check purchase at Quanzhou *Metro* was US\$44-73.50 (RMB300-500), much higher than other retailers. Food accounts for 80 percent of total purchase, while 25 percent goes to fresh products like fruits, meats and vegetables. Imported items account for 12 percent of total sales revenues. Education to consumer on the benefits and proper handling of imported food items is key to improve sales.



**Fishing boat used to display seafood products at Quanzhou retail shop**

(Source: ATO Guangzhou)

Quanzhou *Metro* carries 184 SKUs from the US, which accounts for nearly ten percent of total imported foods. U.S. table grapes, cherries, red delicious apples, California prunes, frozen mixed vegetables, spaghetti sauces, BBQ sauces, Tabasco pepper sauces, canned soups, canned sweet corn kernels, breakfast cereals, California raisins, jams, cheese balls, potato chips, almonds, mixed nuts, cheeses, cranberry juice, *Snapple* drinks, American craft beers, spring water, bourbon and wines are readily available at Quanzhou *Metro*. However, sales revenue generated from all U.S. products takes only a small portion of total sales or 6.52 percent. Lack of knowledge about U.S. products and proper preparation method are the main reasons that hinder sales.

Although price is not the priority for Quanzhou consumer, they do like to taste products before purchase. Once they feel they like the product, they will continue to buy, and their friends will tend to follow suit. For example a Quanzhou consumer learned from relatives in America about the health benefits of eating breakfast cereal so now it's one of the best selling items in the Quanzhou *Metro* store. Name brands and good packaging help boost sales. Although there are many different types of jams available, one U.S. made jam packaged in a big cup is the best seller. Consumers like the unique packaging of this jam and feel they can reuse the cup once finished.

Best selling U.S. food products include breakfast cereals, cup jams, California raisins, mixed nuts, Tabasco pepper sauces, pasta sauces, canned sweet corn kernels, canned creamy soups, canned broths, frozen mixed vegetables and Parmesan cheese. Chocolate is a seasonal products, and the best selling period is from October to February because major Chinese holidays concentrate in this period.

Most who shop at the Quanzhou *Metro* are company owners, thus, they tend to accept wine more readily. Wine sales can account for up to 12.5 percent of total sales revenues. Wine sales jump during major Chinese holidays, like Spring Festival and Moon Festival.

Post was told that *Metro* customers choose wines on the basis of purpose of occasion. For business dinners, higher priced varieties are chosen. Usually around US\$15 (RMB100) per bottle meets budgetary expectations. If the wine is for a family banquet, such as a wedding banquet, the customer will choose a price range at US\$4.40-8.80 (RMB30-60) per bottle. Quanzhou consumers like dry red wine, but not semi-dried. They also prefer fruity taste. Wines from France, Chile and Australia lead imported wine sales. U.S. wines only account for one percent of imported wine sales.

## VI. HRI, big potential for high value products

The busy trading business brings thousands of buyers to Quanzhou. Buyers come from overseas and within China and stay in four to five-star hotels. An interviewed leading hotel manager said that over half of their guests come from overseas.

The city has three five-star hotels and nine four-star hotels so far, all by local management. From the interview, we heard that *Howard Johnson's* and *Four Points by Sheraton* plan to enter the Quanzhou market in a couple of years, together with other local hotel brands.



### A. Hotel

Hotels in Quanzhou source food supplies either from local suppliers or *Metro*. Local suppliers usually get imported products from importers based in Guangzhou, Xiamen and Shanghai. Imported beef, seafood, cheese, seasoning, olive oil, breakfast cereals, frozen fries and different vinegars are widely used in high-end hotels. Inconsistent supply and infringements are the biggest concern in adopting imported foods.

Company owners and business banquets are the main source for hotel restaurants which have higher budgets and requirements for foods. Good taste, freshness and quality are the basic requirements when price is not a concern. Food contributes half of hotel revenues. Per check consumption at western restaurants in a high-end hotel is about US\$37-44 (RMB250-300), while Chinese banquet ranges from US\$37 to US\$81 (RMB250-550).

**Table 3: Major hotels in the Quanzhou area**

<b>Name</b>	<b># Stars</b>	<b>Location</b>
Quanzhou YeoHwa Hotel	5	Downtown, Quanzhou
Quanzhou Hotel	5	Downtown, Quanzhou
Jinjiang Power Long Hotel	5	Jinjiang County
Quanzhou Overseas Chinese Hotel	4	Downtown
Quanzhou Airport Hotel	4	Downtown
Quanzhou Tai Zi Hotel	4	Suburb, Quanzhou
Quanzhou Quan Gang Hotel	4	Suburb, Quanzhou
Jinjiang Aile Holiday Hotel	4	Jinjiang County
Jinjiang Di Hao Hotel	4	Jinjiang County
Jinjiang Honor Hotel	4	Jinjiang County
Shishi Wu Zhou Hotel	4	Shishi County
Shishi Bai Lai Hotel	4	Shishi County

(Source: ATO Guangzhou survey)

High budget allows hotels to use top quality foods in meals, such as silver cod, foie gras (liver from a duck that has been forcefed a certain diet to make the liver as fatty as possible), Kobi beef, abalone, sea cucumber and live lobster. Some hotels also serve U.S. beef which they source from Guangzhou. However, inconsistent supply and risk of getting product misrepresented as American

make most chefs turn to Australian and New Zealand beef. The most popular beef cuts are ribeye, tenderloin and T-bone.

An interviewed hotel manager said theme promotion would be a good way to feature a series of U.S. foods and attract consumer interest. He suggested conducting menu promotions during the peak ordering season, i.e., March, May, July and September, when many buyers are in town to place orders.

The western restaurant in a high-end hotel will also make suggestions about red wines to clients. Red wine ranges between US\$44-US\$59 (RMB300-400). Quanzhou customers like to bring their own wines to Chinese banquets. Individual serving is preferred by Quanzhou customers for status.

Red wine dominates 90 percent of wine consumption, while only ten percent is for white wine. Quanzhou people like fruity taste, less tannin and long-lasting flavor. Best selling imported wines are from Australia, France and Chile. The interviewed hotel manager felt that the U.S. wines suit Quanzhou people's palate, but they lack market promotion and this keeps them hidden to consumers.

## B. Restaurant

Fujian cuisine, also named as Ming cuisine, its one of the eight cuisines in China. Given Fujian province has long costlines, different seafoods are widely featured in Fujian cuisine. Quanzhou people are really keen on Fujian cuisine. Thus, western style restaurants are more for business or overseas visitors homesick for certain dishes.



**Quanzhou's mouth watering snacks**  
(Source: ATO Guangzhou)

Quanzhou is one of the most famous tea makers in China. Oolong tea (half fermented tea) is deemed the best in China. Thus, coffee shops in Quanzhou serve more teas than coffee, because local tea drinkers don't like the taste and have a limited idea on how to appreciate coffee drinking culture. However, the consumer do like the western style atmosphere, compared with the noisy Chinese restaurants.

Restaurant chefs like to use individual vacuum packed beef, for convenience and consistent good taste. Easy to use is a must. Chefs are interested in new products and eager to learn different cooking skills to distinguish themselves from counterparts. Chef training programs help local chefs better understand the characteristics of U.S. ingredients and are greatly needed in Quanzhou.

For U.S. fast food chains, Quanzhou has *McDonald's*, *KFC* and *Pizza Hut*. Other than American, they include the *Houcaller* and *Haojiaxiang* steak restaurant chains from Xiamen and *Mingtien Coffee* from Taiwan.

### **Suggested action for Quanzhou HRI market**

- Ensure consistent supply it build up restaurant confidence to use American ingredients.
- Conduct menu promotions to promote American food products. The peak buying periods

- are March, May, July and September.
- Conduct theme promotion to establish consumer recognition of American products. Culinary culture and different style of cuisines from the U.S. would attract curious Quanzhou consumers.
- Conduct chef training to nurture the market.
- Provide consumer education to open the market. The wealthy Quanzhou market provides great potential to high value U.S. food products.

## **VII. Food processing, feeds the country**

Jinjiang county, which is just an easy 20 minute drive from downtown Quanzhou, is a well known food processing area in China. The Jinjiang area focuses on confectionery, snack foods and seafood processing.

The confectionery industry is the largest in Quanzhou's food processing sector. According to industry sources, Fujian province produced one-third of confectionery products in China, and almost all in Jinjiang. Over 200 confectionery factories in Jinjiang mainly produce products under their own brands, with some filling OEM orders. Famous confectionery manufacturers from Jinjiang include *Yake, Dali, Qingqing, Panpan* and *Jinguan*.

Most confectionery and snack products produced in Jinjiang are consumed within China, with some exported to Southeast Asia and Europe. October to February is the peak season for confectionery while snack foods production is year round.

Imported whey powder, skimmed powdered milk, lactose, butter, coco powder and almonds are used by the Jinjiang confectionery industry. All imported ingredients are sourced from traders based in Xiamen or Guangzhou. The US, Australia, New Zealand, Germany and European countries are the main suppliers of dairy products, while almonds are all from the US.



EU's dairy production quota and elimination of subsidies on dairy exports, together with the weakening U.S. dollar, have made U.S. products more price competitive. Short supplies from Australia due to the drought in past years have also cultivated increasing interest in sourcing U.S. dairy ingredients. The recent food scandal on melamine has further triggered producers' interest in imported dairy product which strengthen consumer confidence. One Xiamen based trader said his company imported more than 2,000 tons of whey powder from the US in 2008, all used up by confectionary factories in Jinjiang.

However, price fluctuations and inconsistent supply from the US are shrinking the market share of U.S. products. Take lactose as an example, the CIF price was US\$3,824 (RMB26,000) per ton in late 2007, by the middle of 2008, the price already dropped to US\$735 (RMB5,000) per ton.

Vairous existing Chinese food processing standards run against the practice in developed countries, hampering imports of certain products. For example, protein content for deproteinized whey for food usage has caused long delays at port for U.S. whey powders with less than 10 percent protein content. Such standards are likely to amount to a trade barrier that prevents related products from entering the China market.

Jinjiang has dozens of big factories that produce snack foods, such as packaged cakes, crackers and potato chips. One of the companies in Jinjiang provides potato chips OEM production for Procter & Gamble. The other manufacturer from Jinjiang is the market leader in packaged cakes and pies. Chocolate and original egg flavor are the best selling packaged pies, while banana and strawberry are the most welcomed flavors of packaged cakes. Women between the ages of 19 to 29 are the main consumers of packaged cakes and pies. Thus, the company contracted a singing star from South Korea to act as product ambassador, to attract consumers.



**Candies, cakes and dried seafood produced by Quanzhou companies**  
(Source: ATO Guangzhou)

Seafood processors in Quanzhou mainly used local catch, like shrimp, seaweed, squid and fish. Most seafood are processed into snack foods through seasoning and drying. The area also imported squid from Mexico for dried squid slice. Like the confectioneries, most of the processed seafood is consumed within China, with some exported to South Korea, Japan, Southeast Asia and Russia.

(**Note:** For more information on the China food processing industry, please see GAIN report CH8609 for more details.)

### VIII. Agriculture, not just tea and citrus

Fujian is blessed with everything but flat land. There is a saying that alludes to lack of arable land in Fujian, "eight parts mountain, one part water and one part field" (80 percent is mountain, 10 percent is water and only 10 percent is arable land).

However, mountains give the Fujian people another crop, tea. Fujian has long been China's tea capital, and Quanzhou's Anxi County is the chief source of Oolong tea (a type of half fermented tea). According to industry sources, Anxi County produce a quarter of the tea in China. In 2007, Anxi produced 39,543 tons of tea and exported more than 10,000 tons (the latest full year data available by the local government).

Citrus is another well-known product from Yongchun County of Quanzhou. The Yongchun citrus is called "Citrus King of the Far East" for its juicy and sweet taste. The area harvested 300,000 tons of citrus in 2007 (the latest full year data available) and exported 110,000 tons, accounted for 60 percent of China's total citrus exports. Longan, pear, mushroom are other major agricultural products from Quanzhou.

Quanzhou farmers are very proud of their products and registered their name brands to protect their fame. A total of 5,600 brands were registered for agricultural products from Quanzhou. Upto August 2008, the area has eight China Name Brands for Agricultural Products, eight China Famous Brands for Agricultural Products, and 40 Fujian Province Famous Brands for Agricultural Products.

**Table 4: Major agricultural production in Quanzhou**

<b>Product</b>	<b>Production Volume in 2008</b>	<b>Fujian province production volume in 2008</b>
Grain (mainly rice)	812,022 tons	5.09 million tons
Fruits	455,855 tons	5.53 million tons
Tea	44,949 tons	247,300 tons
Hogs	3 million head	18.40 million head
Aquaculture products	980,126 tons	5.54 million tons

(Source: Fujian Statistics Yearbook 2009)

## **IX. Soybean crushing, to meet demand**

Last year 780,600 tons of U.S. soybeans with a value of US\$432.22 million were imported into Fujian, a 33 percent of increase in value from 2007, and accounted for 5 percent of China's total soybean imports from the U.S. Seven crushing plants in Fujian province are centered in Xiamen, Quanzhou, and Zhangzhou area. According to industry sources, Fujian needs two million tons of soybean yearly to meet requirements.

The Quanzhou crushing plant accounts for 30 percent of the province's processing volume. We were told that the swine and hog industry in Fujian province needs about 1.5 million tons of soymeal yearly. Soybean meal is distributed to feed compounders and farmers in Zhangzhou, Longyan and Fuqing of Fujian province and some to Jiangxi province.

The Quanzhou crushing plant joins forces with other company plants in China to purchase soybeans. The US, Brazil, Argentina and Uruguay are major suppliers. However, U.S. and South American soybeans don't directly compete with each other since they have different harvest periods.

**Table 5: Soybean exports to Fujian ports**

<b>Port</b>	<b>2008 Volume (tons)</b>	<b>% Change from 2007</b>
Fuzhou	82,000	- 73.81%
Xiamen	698,574	+ 6.65%
<b>China Total</b>	<b>37.43 million</b>	

(Source: China Customs)

**Table 6: Soybean exports to China**

Country of Origin	2006/2007 Volume (Millions of tons)	2007/2008 Volume (Millions of tons)	% Change	
Brazil	10.58	11.65	+10.11%	
Argentina	8.21	9.85	+ 19.90%	
<b>United States</b>		<b>11.63</b>	<b>15.43</b>	<b>+ 32.62%</b>
<b>Uruguay</b>		<b>0.37</b>	<b>0.48</b>	<b>+ 30.49%</b>
<b>Total</b>	<b>30.82</b>	<b>37.43</b>	<b>+ 21.46%</b>	

(Source: China Customs)

China mainly purchases second grade U.S. soybeans and processes them into either edible oil or soy meal feed. Oil and protein content are important gauges of quality which are factored into export sales quotations. Post was told that U.S. soybeans that enter Fangcheng port average around 12 percent moisture which matches the standard moisture level of U.S. soybeans. Lower moisture levels make the beans brittle and subject to splitting during handling. This leads to quality problems.

China has a zero tolerance policy for weeds such as Columbus grass, ragweed, Johnson grass and Giant Sumpweed in soybean shipments.

Trade sources state that shipments with weeds bound for crushing at port are allowed by *China Inspection and Quarantine (CIQ)* local inspectors because weeds are destroyed in the process. However, shipments bound for overland transport (train & truck) to other locations are strictly prohibited.

**Table 7: Comparison between American, Brazilian and Argentine soybeans**

Origin	Protein	Oil	Moisture	Price US\$/MT	Color (depends on variety)	Availability
United States	34%	20%	12%	390	Yellow/Light Brown	Oct. -April
Brazil	36%	21%	11%	380	Reddish	April -Oct.
Argentina	34%	20%	11%	375	Green	April - Oct.

(Source: ATO Guangzhou interviewed importers)

U.S. soybeans have certain competitive advantages. New crops of U.S. soybean are available in October while South American soybeans are available in April. Furthermore, Chinese feed mills traditionally prefer U.S. soy meal that has a brighter appearance because most U.S. soybeans have yellow or light brown skin. Soy meal made of South American soybean is darker because the skin is either reddish or green.

Soy meal feeds are mainly consumed by swine, chicken and poultry and duck industries in Fujian. To improve profit through value-added products, crushers consider further



**One of seven crushing plants in Fujian province**

expansion to manufacture Soybean Protein Concentrate (SPC) feeds for the booming swine and poultry industry in Fujian.

(Source: ATO Guangzhou)

## X. Conclusion

In Quanzhou, the strong economy gives confidence to its wealthy consumer to look for something decent. Consumer education, consistent supply and proper training to related industries are the keys to open up this dynamic market.

A range of imported foods are readily available in Quanzhou. The most promising U.S. agricultural products include fresh fruits, high value seafood, beef, breakfast cereals, wines, whey powder, lactose, dried nuts, frozen potato products, soybean, hides and cotton. In the retail sector, U.S. fresh fruits, breakfast cereals and dried nuts enjoy good reputation. High value seafood, beef (once the market reopens), seasoning products and frozen potato products can find their niches in the HRI sector. The food processing industry looks for good quality whey powder, lactose and dried nuts from the US provided the price is right. Wine consumption could take off if proper education is provided. U.S. soybeans are expected to have a bright future to meet demands by crushers. Shoe manufacturers continue purchases of high quality hides from the US.

**Table 8: Promising U.S. Products**

<b>Product</b>	<b>Markets</b>	<b>Notes</b>
<b>Beef</b>	HRI	Beef steak is the best seller of western style dishes. Most imported beef are from New Zealand and Australia given the ban on U.S. beef since 2003. The HRI sector has a strong interest in introducing beef back on menus once the ban is lifted.
<b>Seafood</b>	HRI	U.S. seafood has real potential if menu promotions are held during peak season. Consistent supply and proper education to chefs are the key focus.
<b>Wine</b>	Retail, HRI	Market starts to emerge, but must compete with local, European, Chilean and Australian counterparts. Usually wineries rely on an established importer based in first tier cities like Guangzhou and Shenzhen to develop second tier and newly emerging markets.
<b>Food ingredients</b> <ul style="list-style-type: none"> <li>• Whey powder</li> <li>• Lactose</li> <li>• Skimmed powdered milk</li> <li>• Dried nuts</li> </ul>	Food processing	Promising, if consistent supply and quality are ensured and price is right. Food processors will tend to use imported ingredients to strengthen consumers' confidence on food safety.
<b>Tree nuts</b> <ul style="list-style-type: none"> <li>• Pistachios</li> <li>• Almonds</li> </ul>	Retail	U.S. pistachios and almonds are shipped in bulk and repackaged in processing plants in South or East China. All retailers in Quanzhou carry various brands of snack packs.

<b>Fresh fruit</b> <ul style="list-style-type: none"> <li>Cherries</li> <li>Oranges</li> <li>Red Delicious apples</li> <li>Table grapes</li> </ul>	Retail	Promising. Quanzhou consumer loves the sweet and juicy taste of U.S. cherries. Red Delicious apples are packed in gift boxes for Chinese holidays, such as the Lunar New Year (in late January or February) and Moon Festival (in late September or earlier October).
<b>Frozen potato products</b>	HRI	Promising, but nutritional information are needed by consumer, while there have been many negative media reports on adverse effects from eating deep fried foods, such as fries.
<b>Dairy products</b>	HRI	More education needs to be provided to consumers in Quanzhou. The younger generation is more receptive to cheeses with the introduction of pizza and cheese cake.
<b>Dried fruit</b> <ul style="list-style-type: none"> <li>Raisin</li> <li>Prunes</li> </ul>	Retail	U.S. dried prunes and raisins are available in the Quanzhou market in snack packs.
<b>Feed</b> <ul style="list-style-type: none"> <li>Soymeal</li> </ul>	Feed	Soymeal (particularly high protein concentrate soy meal) have big market potential in Fujian province for swine, poultry and aquaculture production.
<b>Soybean</b>	Crushing	U.S. beans compete with beans from South America. However, growing demand for protein and oil continues.
<b>Hides</b>	Shoe making	Promising, consistent supply and superior quality make U.S. hides the best choice to the shoe makers in Quanzhou.
<b>Cotton</b>	Apparel	Promising, more education on the benefits and characteristics of U.S. cotton are needed. Consumer preference for comfort and trendiness are the main drivers for apparels made with cotton.

#### **XI. Post Contact Information**

ATO Guangzhou continually works on new activities throughout the South China region.\*  
For more information, please contact us directly.

#### **U.S. Agricultural Trade Office (ATO) Guangzhou**

14/F, Office Tower  
China Hotel, Guangzhou  
Tel: (86-20) 8667-7553  
Fax: (86-20) 8666-0703  
E-mail: [atoguangzhou@usda.gov](mailto:atoguangzhou@usda.gov)  
Website: [www.usdachina.org](http://www.usdachina.org)

\* Covers the provinces of Guangdong, Guangxi, Hunan, Hainan and Fujian



**XII. Other ATO Guangzhou Emerging City Market (ECM) Reports**

<b>GAIN #</b>	<b>Issued</b>	<b>Title</b>
1. CH7603	01/25/2007	Xiamen: Fujian's Booming Southern Port City
2. CH7608	06/28/2007	Sanya: China's Tropical Paradise
3. CH7616	12/12/2007	Nanning: Strategic Gateway to Southwest China
4. CH8604	05/14/2008	Guilin: Rock formations soar, but what about demand for U.S. agricultural imports?
5. CH9609	05/13/2009	Made in China. Made in Dongguan!
6. CH9614	08/20/2009	Shantou, South China's diamond in the rough
7. CH9620	11/24/2009	Changsha, central China's dynamic pioneer
8. CH9621	11/24/2009	Zhuhai, South China's city of romance. . .and more
9. CH9622	11/25/2009	Quanzhou, Fujian's city of light reignites
10. CH9623	12/02/2009	Fuzhou, propelled by the ocean's legacy, sails on

**Note** - To access other GAIN reports, please use <http://fas.usda.gov>, click "attaché reports," and follow instructions from there.