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Tianjin is a crucial gateway to North China

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Report Highlights:

Home to the fourth largest port in the world and now connected to Beijing by high-speed train, Tianjin has combined with the nation's capital to form a single megalopolis. However, despite its huge market potential, the city's close proximity to Beijing has resulted in many exporters and food distributors overlooking it, instead aiming to target the capital city. As a result, Tianjin's distribution channels for imported food products lag behind those of other cities, including Beijing and Qingdao. This is a significant oversight, since Tianjin topped China's per capita GDP in 2012, surpassing even the likes of Beijing and Shanghai, although relatively low disposable income indicates a rising cost of living. Tianjin, along with Beijing, Shanghai, and Chongqing, is a Special Municipality directly under the control of China's Central Government.

General Information:

Introduction



Located 1.5 hours due west of Beijing by car, Tianjin is North China's largest coastal city and port. Tianjin is located on the Bohai Sea, and serves as a main gateway to Beijing and Hebei Province, as well as an important manufacturing hub. Tianjin has a number of plans in place to better integrate itself with Beijing, some of which have already been enacted. In 2008, a high-speed train began service between the two cities, cutting travel time to a mere 30 minutes between the two cities. With its increasing connectivity to Beijing and high levels of investment that continue to fuel the development of its ports, Tianjin is expected to continue its record growth. However, Tianjin still remains under Beijing's shadow, especially in regards to the development of distribution channels and imported food products.

| Tianjin at a Glance (2012) | |
|-----------------------------------|--|
| Population | 13.54 million |
| GDP | \$205 billion |
| GDP growth rate | 13.80% |
| Per Capita GDP | \$15,069 |
| Major Industries | petrochemicals, textiles, car manufacture, electronic communication, metalworking |
| Key Agricultural Products | seafood, poultry, eggs, dairy milk, beef, vegetable, corn, wheat, cotton |
| Major Food Retailers | Carrefour, Tesco, RT-Mart, E-Mart, Wal-Mart, Metro, China Resources Vanguard, Lotus, BHG |

An Emerging City Market

Tianjin is a key emerging city market because of its unique location in Northern China, high average income, and booming economy. It is also historically an industrial city, and the birthplace of China's modern machinery and textile industries. Tianjin is a hub for many other industries as well, including petrochemicals, auto manufacturing, electronic communication, and metalworking. Over the last five years, booming exports and domestic demand have pushed Tianjin's economic growth into double-digit

figures, with a per capita GDP surpassing that of Beijing and Shanghai and reaching \$15,069 in 2012, a growth of 13.8 percent. However, the city's per capita annual disposable income still lags behind that of the major cities, and even some prosperous coastal areas, such as Qingdao.

| City | Per Capita GDP | Growth Rate of GDP | Per Capita Annual Disposable Income | Growth Rate of Per Capita Annual Disposable Income |
|-----------|----------------|--------------------|-------------------------------------|--|
| Tianjin | \$15,069 | 13.80% | \$4,695 | 10.10% |
| Beijing | \$13,797 | 7.70% | \$5,780 | 7.30% |
| Shanghai | \$12,784 | 7.50% | \$6,369 | 7.90% |
| Chongqing | \$6,191 | 13.60% | \$3,640 | 13.40% |
| Qingdao | \$12,009 | 10.60% | \$5,094 | 11% |

The Retail Sector

Tianjin's per capita GDP increased rapidly in 2012, with its GDP growth rate ranked number one in China. Still, the large gap between upper and lower classes continues to widen. Tianjin residents shop primarily in wet markets, though younger consumers are becoming more interested in new, upscale products. Imported food products are appearing more regularly in stores such as E-Mart, Ole, Hisense Plaza and BHG, all of which have outlets in Tianjin's busy downtown areas. Outside of the city center, the best area to purchase imported products is the Binhai New Area, as there are many white-collar workers there who work for multinational companies and expatriates living nearby.

Though the market for imported goods is growing in Tianjin, underdeveloped distribution channels in the region place significant constraints on imported food supplies, particularly U.S. products. Local distributors often prefer to carry European and Asian products, given the lower prices and long-standing working relationships with European traders. However, in recent years some Tianjin-based distributors have established direct connections with U.S. traders and are importing products directly, which is another positive side for the future of U.S. products in Tianjin.

Over the past four years ATO Beijing has worked with high-end retailers to conduct annual American Food Festivals in Tianjin. These promotions work to increase consumer awareness of U.S. food products and improve distribution channels of U.S. products in the Tianjin market. The 2012 festival featured over 800 SKUs of U.S. products.

In terms of sales, CRC has become the city's top local retail operator, after taking over rival company Home World. The acquisition gave CRC a significant market share in the city. The company now runs 24 hypermarkets and 290 supermarkets throughout Tianjin, which target middle to lower-middle level consumers. In addition, in 2012 CRC opened its first BLT store in Tianjin, which targets upper-middle level customers. According to industry sources, sales of the store have increased steadily since its opening.

E-Mart of Korea has entered into a joint venture with the Tianjin TEDA, and owns five supermarkets targeting upper middle class consumers and Korean expatriates. Most of its outlets have special food display areas, featuring imported items such as cereal, snack food, wine and beverages. However, Korean products make up the majority of the imported goods that are carried.

Hisense Plaza carries a variety of US products sourced from importers based in Beijing and Shanghai. Their target customers are white-collar workers employed by neighboring businesses, and upper-middle income local residents.

Lotte, a Korean-owned supermarket, opened its first store in Tianjin in September 2012 with support from the Chinese government. Their supermarket offers a wide range of imported food products, primarily from Korea. The store also stocks high-quality fresh food products, and even conducts cooking classes for VIP customers.

While RT-Mart only operates two outlets in Tianjin, the sales of the stores are significant, as a result of its excellent location and a strong management team.

Tesco runs five hypermarkets in Tianjin. Its store in the Binhai New Area has special shelves for imported products, but its other outlets have more limited choices.

7-Eleven entered the Tianjin market in 2010 and has developed rapidly over the past three years. The company now operates more than 50 convenience stores in the area.

Beijing Hua Lian High End Supermarket (BHG) opened its first Tianjin store in 2012, offering a wide range of imported food products. BHG added an additional store in January, 2013. Hualian has emerged as the top import retail specialist in Beijing, and is now expanding to other cities (see GAIN report “Long Term Partnership Builds Export Success”).

| Major Retailers in Tianjin | | | |
|-----------------------------------|------------------|-------------------------|--------------------|
| <i>Retailer</i> | <i>Ownership</i> | <i>Type</i> | <i>Store (No.)</i> |
| CRC | Hong Kong | Hypermarket/Supermarket | 24/290 |
| Carrefour | France | Hypermarket | 5 |
| E-Mart | Korea | Hypermarket | 5 |
| Lotus | Thailand | Hypermarket | 4 |
| Tesco | United Kingdom | Hypermarket | 5 |
| Walmart | United States | Hypermarket | 2 |
| RT-Mart | Taiwan | Hypermarket | 2 |
| Metro | German | Cash-Carry | 1 |

The Food Service/HRI Sector

The 2008 Summer Olympic Games helped to accelerate the development of Tianjin’s hotel facilities. A number of international hotel chains, including the St. Regis, Westin, Sheraton, Crowne Plaza, and Renaissance chains, opened hotels in preparation for the Olympics, and the HRI market has continued to grow post-2008. The Ritz Carlton, Marriott, Hilton, and Shangri-La are all scheduled to open new hotels

in Tianjin over the course of the next one or two years. The success of Tianjin's economy has brought more and more trade shows and forums to the city. This has also contributed to the development of the HRI industry and the overall improvement of hospitality services. Several major hotel properties in Beijing have formed a coalition to help promote Tianjin as a travel destination, and Tianjin is seeing increased traffic from the cruise lines industry.

Unstable inventories and trade barriers to US beef, poultry, and pork have prevented U.S. imported food products from gaining a large market share in Tianjin's HRI sector, though demand is high. There is low demand for imported seafood products in the HRI sector, since Tianjin is a coastal city and local products are inexpensive. However, there are still good opportunities for U.S. wine and beer products, as well as meat.

Tianjin consumers spend a large proportion of their income on dining out, particularly when compared to people in other Chinese cities. The restaurant industry has rapidly grown over the past ten years, and competition is fierce. Though consumers place great emphasis on food flavor, western cuisine is less popular in Tianjin than in Beijing, Shanghai, and Guangzhou.

Weddings are an increasingly popular source of revenue for the HRI sector in Tianjin, as it is becoming an easily-accessible, affordable alternative to Beijing. Hotels and restaurants are generating significant business from wedding banquets, as costs are roughly 20 percent less than comparable food service in Beijing.

ATO Beijing has continued to explore the market over the past four years. As a result of ATO's promotional work, the traditional and famous restaurant Tianjin Gou Bu Li added Florida's Natural products to their menu, after they were introduced to the products during a mini trade show in 2009.

ATO also got the national restaurant chain Golden Jaguar to include ice cream from the U.S. as a permanent menu item. U.S.

The Food Processing Sector

Tianjin is a major food processing and packaging center for China. Many well-known brands are based there, including Dynasty Wine, Gou Bu Li, Gui Fa Xiang Fried Dough Twist, Tian Shi Soy Sauce, and Master Kong, one of China's top producers of instant noodles and other noodle products. The city is China's top grain and oil production base, and based on Tianjin's strong port infrastructure, a number of food companies have established large-scale production facilities in Bin Hai New Area for instant noodles, beverages, and agricultural product processing. As of June 2013, twenty-three factories of Tianjin's top 50 food processing companies are located in the Bin Hai New Area.

To accommodate the growing market, Tianjin's total gross output value of state-owned industry in food manufacturing has risen from 233.18 hundred million RMB in 2009, to 333.13 hundred million RMB in 2010, boasting an impressive 39.8% increase over the span of just one year. In accordance with the growing demand, consumer price indices on food rose, as well as the number of companies and businesses active in the market. In 2010, Tianjin had 163 food processing enterprises, 138 food manufacturing enterprises, and about 50 beverage manufacturers. The annual sales in billions of RMB were 32.9, 23.3, and 9.8, respectively. For a city with a much smaller population, Tianjin's statistics measured up well to those of Beijing. In 2012, Tianjin's industrial output values were more than \$25

billion, with a 25% growth rate. Processing of instant noodles and convenience foods increased in the same year by more than 75%, dairy products by 65%, canned foods by 45%, health foods by 37% and beverages by 22%. U.S. dry beans, dairy, seafood and meat products all show market potential in the Tianjin market.

Conclusion

As Tianjin attracts an increasing amount of attention and its market experiences rapid growth, the city is a great destination for companies looking to expand the reach of their food products in China. Certain areas pose challenges, like the tough-to-crack HRI section of the market and the distribution channel constraints on imported food supplies. But as more retail outlets stock imported goods and ATO Beijing works to increase awareness of US-imported products and educates consumers about how to integrate them into local life, Tianjin's market looks promising for US imported food products.

For more information about Tianjin, please visit our website at <http://www.usdachina.org> or contact the following USDA office in China:

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