

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: 7/19/2011

GAIN Report Number:

China - Peoples Republic of

Post: Beijing ATO

Frozen Foods an Opportunity For U.S. Exporters

Report Categories:

ATO ACTIVITIES reports

Export Accomplishments - Other

Food Processing Ingredients Sector

Market Development Reports

Product Brief

Approved By:

Ralph Bean

Prepared By:

Ralph Bean/Wang Jun

Report Highlights:

ATO/Beijing outreach to the city of Zhengzhou, Henan province, identified a massive, fast-growing, highly modern frozen food industry that is hungry for new ingredients. The top two manufacturers produce half a million metric tons of frozen food at a sales value of nearly \$1 billion, and are interested in using more imported ingredients.

General Information:

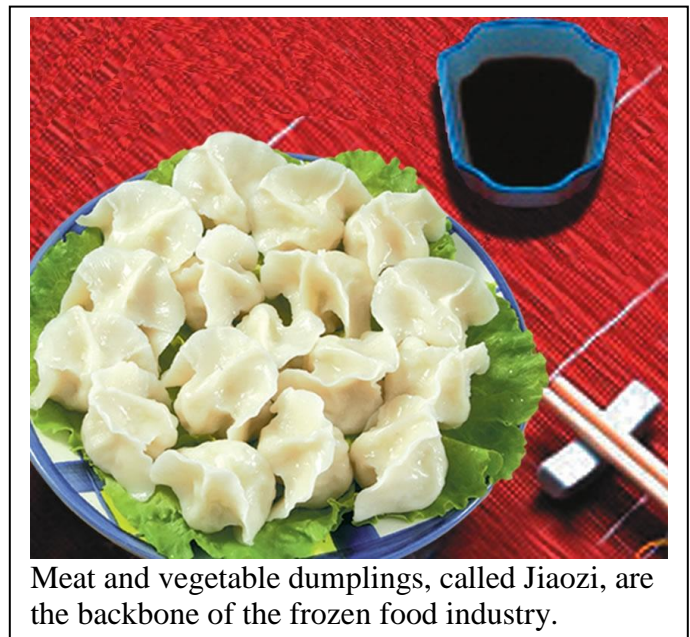
A Boom In Frozen Foods

In ten years China's frozen food industry has grown from a small-scale industry dominated by mom-and-pop stores into a massive, highly modern industry accounting for nearly \$2 billion in annual sales. The industry is centered around the city of Zhengzhou, home to China's two largest frozen food manufacturers, San Quan and Syneer. Each company commands close to ¼ of the market, with over 250 thousand metric tons in current manufacturing capacity and gross sales of 3 billion yuan (a little under half a billion US dollars). Both are adding new manufacturing capacity, and the largest, San Quan, expects to triple its output within the next five years.

These manufacturers are a far cry from their homespun antecedents. They are large corporations whose products are a household name across China, and who have brand names and reputations to protect. San Quan currently exports to twenty different countries, but is much more focused on domestic markets. With famous names and large investments in their product lines, these companies have a powerful interest in guaranteeing the quality of their products – including the ingredients they use to manufacture them. Laboratory facilities are extensive and include the latest gas chromatography and other equipment. This need to ensure quality and safety, along with the need to innovate in order to stay ahead of me-too manufacturers, is driving a keen interest in new ingredients, including imports.

'Lil Dumplings are Serious Business

China's frozen food industry revolves around several traditional foodstuffs: vegetable and meat dumplings that are boiled (jiaozi) or fried (guotie), and sweet rice flour balls traditionally stuffed with black sesame sauce (tangyuan). Other products include won ton (hun dun) and noodles. The principal ingredients are simple: wheat flour, pork, fresh vegetables. However, as competition grows, manufacturers are seeking ways to distinguish themselves by offering new tastes and varieties. Sanquan is already producing a line of fruit-flavored tangyuan, including one that uses blueberry fillings imported from the United States. ATO is currently working with Sanquan to identify a reliable supplier of frozen wild blueberries. At both Sanquan and



Meat and vegetable dumplings, called Jiaozi, are the backbone of the frozen food industry.

Syneer, interest was strong enough for the companies to request a list of products with good potential. While

producing a list of all food ingredients available for export from the United States is perhaps a tall order, ATO is working to narrow down the range of categories so that it can work with these and other companies to identify products with good potential.

Why EMP Matters

ATO's outreach to these companies is part of an EMP-funded project to identify and make contact with the major players in China food manufacturing industry. Because the industry has grown so quickly from humble origins, many of the key players are not well known outside of their regions, let alone internationally. Likewise, these companies, although large, have limited experience in sourcing ingredients outside of traditional local channels. Of the fifteen companies ATO has contacted on this project so far, only one has an international sourcing operation. ATO is seeking to build contact between these rising manufacturers and potential U.S. suppliers by reaching out to these companies, identifying their ingredients needs, and passing this information along to potential U.S. suppliers. Longer term, ATO hopes to identify areas where a lack of technical information on the use of U.S. ingredients limits their use, and to provide this information as a means of building new markets for U.S. food ingredients.

Frozen food is actually only one of the product categories covered under this project: in this outreach effort ATO also conducted meetings with manufacturers of noodles (ingredients of interest: wheat flour, starches, peas and dried beans), instant noodle dinners (flavorings, essential oils, freeze dried vegetables, meat powders, various starches), steamed breads (starches, wheat flour), and hot pot ingredients (starches and seafood and meat products for manufacturing fish balls and meatballs). The strategic objective is to build markets for U.S. products by helping Chinese manufacturers identify ingredients with good potential, then adapt these into Chinese food products and cooking styles, thereby tapping into the larger demand stream of daily Chinese food use.

ATO's ability to quickly identify these key companies owes a great deal to previous work done through the EMP-funded Cold Chain program. Cold Chain activities sought to improve markets for U.S. meat, fruit and dairy products by providing the technical knowledge that importers, logistics providers and end users need to ensure that products were properly handled to ensure quality and prevent spoilage. This project built connections to the frozen food logistics industry that ATO has been able to use to identify potential partners for the current Food Manufacturing project. Cold chain continues to be an extremely important aspect of trade development with China, and at least one USDA fresh fruit cooperator has identified cold chain problems as the primary barrier to penetration of second and third-tier markets in inland China.

Contact Us

For any questions about this report or about markets in North China in general, please contact us directly.

U.S. Agricultural Trade Office
Beijing China
Ralph Bean, Director
ATOB Beijing@fas.usda.gov

(8610) 8531-3050

The Foreign Agricultural Service also maintains ATO offices in the following Chinese cities:

ATO/Shenyang (Northeast China): ATOShenyang@fas.usda.gov

ATO/Shanghai (East China): ATOShanghai@fas.usda.gov

ATO/Guangzhou (South China): ATOGuangzhou@fas.usda.gov

ATO/Chengdu (West China): ATOChengdu@fas.usda.gov