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South China's bakery industry is booming, but demand for U.S. ingredients depends on price

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Report Highlights:

The baking industry is booming in South China, fertile ground for domestic and foreign investors. Large industrial manufacturers, high-end or large bakery chains, retail outlets and luxury hotels make fancy baked products to satisfy demand for high quality mostly from middle to high income urban families and well educated young generation. This presents ample opportunities for a wide range of U.S. baking ingredients including wheat, dairy products, dried fruit, nuts, fruit puree, fillings and even colorings. However, limited knowledge, lack of new recipes and low awareness, together with higher prices compared to Chinese ingredients, challenge penetration of U.S. ingredients. Partnerships with the Chinese industry mutually benefits both the Chinese industry and U.S. exports, and marketing efforts need to greater integrate education and training, technical assistance, recipe development and in-store promotion to encourage use.

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I. An Overview of the baking industry in South China

The bakery business is booming in wealthy South China, especially in large cities in the provinces of Guangdong and Fujian. Specifically, large South China cities such as Guangzhou, Shenzhen, Dongguan and Foshan are the big engines of higher end bakery growth. Industry sources believe that the industry enjoyed two-digit percentage annual growth in recent years, despite unavailable official statistics. Improving income levels drive consumers to become more lifestyle focused, and the faster pace of life is making ready-to-eat and prepared foods more accepted. Western style baked items, including breads, cakes, pastries and desserts, are becoming popular daily items as Chinese are exposed through travel and media, not to mention the influence of *Starbucks* which has become a very popular brand to middle and upper class in metropolitan cities including Guangzhou and Shenzhen.

The lucrative business has attracted both foreign and domestic bakery operators. While veteran chain stores, for example, Maxim's Group and Queens Cake Shops in Guangdong, enjoy consumer loyalty, thanks to their consistently high product quality, upscale newcomers like Bread Talk, Yamazaki and even Starbucks Coffee and Circle K Convenience Stores are trying to gain market share by introducing innovative flavors, interesting product names, on-site baking, and catchy store images.

The recent global financial crisis and slow growth of China's economy have had minimal impact on this fast growing industry, though sales of very pricey items ever slightly slowed. No adverse impact has been placed on those items at moderate or lower prices. Baking business investors tended to hold their expansion plans in 2008 given the uncertainty from the global economic crisis, but have reignited the investment in 2009, as they believe the economy growth in China continues.

The bakery industry is highly fragmented due to its requirement of product freshness, meaning baked products can't be delivered too far from where it's produced, given the requirement of freshness. Therefore, there is uneven development of the industry in various areas like for instance Shenzhen and Guangzhou versus Fuzhou and Putian, as well as subtle differences of consumers' taste in each province. Therefore, each area has its dominant bakery chains. Meanwhile, high-end bakeries are eager to differentiate themselves from competitors, and a focus of their strategy is on product quality and innovation, which creates ample opportunities for high quality ingredients from the U.S. and other countries, but price is still a challenge.

Generally speaking, imported ingredients and those made by foreign invested companies or joint ventures accounted for a substantial portion of high value items. Price remains a constraint that limits expansion of high quality ingredients in China. Setting up processing and manufacturing facilities in China is a way that many foreign companies employ to make their products more price competitive.



Mooncakes in a fancy case

(Source: ATO
Guangzhou)

Though traditional Chinese pastries such as mooncakes still dominate, consumers are becoming more sophisticated and demanding greater variety and quality of bakery products. Premium bakery chains continue to play a leading role in distribution and product innovation with fierce

competition. Regional bakery chains are the most influential operators in respective territories, and there is no national chain yet.

Mooncakes, Chinese delicacies enjoyed by families in the Mid-Autumn festival season in mid-to-late September and the following National holidays, have become the biggest revenue generators during the year for bakeries in China. Conventional mooncakes in South China consist of very fine crusts of flour and different fillings: lotus seed puree with egg yolks, multiple nuts with pork or red bean puree.

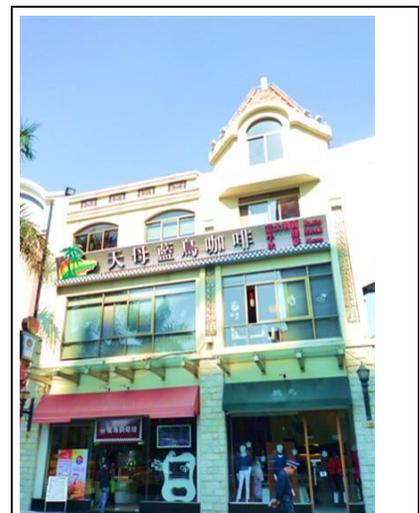
In recent years, new high value varieties with new ingredients, e.g., fruit flavors (filling with fruit flavor winter melon puree), ice cream and chocolate, have become popular, especially by young, urban high-income earners. Witness, for example, *Starbuck’s* line this past year of mooncakes, including chocolate hazelnut, coffee chocolate, green tea red bean, cranberry kiwifruit, custard nuts, coffee grapefruit and coffee baileys. Mooncake sales of US\$ 1.6 billion in CY 2008 plus growing hunger for trendy new style mooncakes with innovative and healthy fillings suggest a niche market for U.S. ingredients.

However, innovative mooncake recipes with certain U.S. ingredients, including cranberries, dried plum, fig and blueberries have not been commercially successful on a large scale because of dominant conventional recipes such as lotus paste in the market, limited promotion of these innovative recipes and difficulty in entering complicated retail channels. The problem with promoting high value ingredient or specialty mooncakes is justifying a production line that creates limited amounts or needs further investment to modify the equipment or production line. Also, retailers tend to want to promote a line of mooncakes rather than focus on specialties.

A look at Taiwan could provide a window to future trends for China. There, mooncakes have evolved from a seasonal item to many applications that can be sold year-round and even pitched to the tourist sector. There have been product lines developed using mooncake ingredients/fillings to create wedding cakes and tarts; using nuts, almond paste, figs to make all natural ingredient mooncakes; and using dried fruit such as cranberries, blueberries and raisins to make ice cream mooncakes.

However, the chief challenges are price and ingredient awareness. They need to be combined to maximize taste and profit.

(Note: Refer to GAIN CH7624 for more details on the China mooncake market.)



An upscale bakery cafe with sit-in area in Dongguan, Guangdong province
 (Source: ATO Guangzhou)

II. Structure of the baking industry

Major baking contacts have told Post that they tend to view China in terms of north, east and south while the west, as an underdeveloped area, is not a priority. The baking industry in South China is comprised of domestic and international ingredients makers, baking ingredients traders and numerous bakeries in various sizes. The baking industry in Guangdong and Fujian provinces

are much better developed than in other southern China provinces, due to better-developed economy in the region and close connections with Hong Kong and Taiwan.

A few ingredient traders serve most of the market in respective provinces, e.g., Guangdong or Fujian. They consolidate ingredients from a number of traders located either in China or overseas, and sell to bakeries. Many supply a full range of ingredients, whereas some specialize in certain categories of ingredients, for instance, dairy ingredients, or oils and fat. With the support of ingredient producers, large ingredient traders often provide technical assistance to their bakery clients.

Traders categorize bakeries in general as:

- High-end with large international chains, high volume and high quality;
- Small chains that target high-end customers, have high quality, but low volume; and
- Small chains such as those located in supermarkets that have sizeable business, high volume, but not necessarily high-end products.

Baked sweet breads and cakes are the most common items that bakeries offer in South China. In addition, traditional specialty products, e.g., wife cake (*Lao Po Bing*, as wedding gifts from the groom's family to the bride's family), egg tarts and almond cookies (*Xing Ren Bing*) are also popular items. Western style pastries, for instance, tiramisu and cheesecakes, have gained increasing popularity in high-end bakeries shops.

In South China major baked products makers for upper end products can be categorized as industrial manufacturers, bakery chains, retail outlets as well as upscale hotels:

Large industrial manufacturers

This group of companies with its commercial manufacturing plants produces a large volume of baked products from packaged cakes and bread to cookies, crackers, and confectionary (candy). Its products are nationally well-known and sold through large retailers such as supermarkets and convenient stores. Key players include:

- *Huajia Food Co., Ltd.* and *Hsu-Fu -Chi Food Co., Ltd.* in Dongguan, Guangdong
- *Guangzhou Restaurants Group* in Guangzhou, Guangdong
- *Four Seas Group* and *Angel Food Co. Ltd.* in Shenzhen, Guangdong
- *Mankattan Food Co., Ltd.* in Foshan, Guangdong

High-end large scale bakery chains

This group of companies targets upper segments in large cities with freshly baked products. They own their bakeries and central baking plants and aggressively increase their coverage in the region by increasing the number of bakery shops and number of new products. Their products are mostly sold through their own bakeries in large cities. Some even make products for large retailers. Key players include:

- *Bread Talk* in Guangdong and Fujian provinces;
- *Queen's Cake Shops*, *Maxim's*, *Dong Hoi Tang*, *Angel Simple* in Guangzhou of Guangdong Province
- *Ichiban* and *Croissants de France* in Shenzhen, Guangdong
- *Bluebird* and *Bread Paradise* in Dongguan, Guangdong
- *Xiangjiang Yiben* and *Minghua* in Foshan, Guangdong
- *Bagatelle* and *Lafayette* in Zhuhai, Guangdong
- *Cai Die Xuan* and *Madeli* in Zhongshan and Zhuhai, Guangdong
- *Andersen* and *Sunmile* in Xiamen and Fuzhou of Fujian province
- *Ausland Bakeries* in Xiamen and Longyan of Fujian province

- *Fumao* in Fuzhou and Putian of Fujian province
- *Chayao Cakes* and *Hong Ye Cakes* in Fuzhou, Fujian

Retail outlets

This category consists of upscale coffee shop chains, convenience stores and top notch supermarkets. The group outsources manufacturing of baked products to high-end bakery chains and sells them at its own retail outlets. Sales of baked products in this category are growing dramatically, thanks to fast growing outlets in this category. Key players in this sector for upper end bakery goods include:

- *Starbucks*
- *85°C Cafe*
- *Circle K* and *7-Eleven* convenience stores
- *Ole Store* of *Vanguard Supermarkets*
- *Sam's Club* of *Wal-mart*

Luxury hotels

International luxury hotel brands, including *Sheraton*, *Marriott*, *Shangri-La*, *Sofitel*, *Crown Plaza* and even *Grant Hyatt* and *Ritz Carlton*, aggressively open new hotels in large cities in South China. Baked products and desserts are one of their efforts to please international and domestic guests. They usually employ highly qualified chefs as their executive baking chefs and purchase high quality ingredients from ingredients traders located in the region.

The industry encounters these trends:

- Bakery chains increasing grabs more shares from individual bakery shops;
- Cold chain and frozen dough is becoming popular to ensure freshness
- Industry operations is getting more standardized and less labor intensive due to higher labor costs and limited labor supply
- Food safety and quality has become a bigger concern for the industry



A nicely decorated bakery with detached baking kitchen in Fuzhou
(Source: ATO Guangzhou)

III. Middle to high-income urban families and well-educated young generation are key consumers

Consumers of bakery products in China mostly consist of middle to high-income urban families. Parents in this group of families are usually born in the 1960's or later. Baked products, especially breads, with milk or yogurt, are regular breakfast items in such families, as they are considered more nutritious and convenient than the popular Chinese style breakfast, such as congee (rice "gruel" or thick soup), rice noodle, steamed bun and Chinese fry bread.



Popular Chinese breakfast:
Top: Rolling rice noodle (left) and congee (right); bottom, clockwise: Chinese fried bread; steamed buns and bowl of soy milk
 (Source: ATO Guangzhou)

Well-educated young urbanites, especially ladies, drive consumption of pricey items. High priced cakes and desserts, such as cheesecake, tiramisu and desserts featured with fresh fruit or costly nuts, have become more popular in recent years, as this group of consumers enjoy such products as a symbol of westernized and healthy lifestyle. These consumers also buy pastries or cakes for gift giving or celebration.

To better market their products, various upscale chains innovatively elevate products beyond generic commodity status and focus on creating a purchasing “experience.” For example, each nicely decorated *Breadtalk* shop has a sizable, detached baking kitchen with a see-through large window, which not only ensures the freshness of the products, but more importantly, transparently shows consumers how breads and cakes are made. They also create special names and background stories for its products. *Bluebird* in Guangdong and *Sunmile* in Fujian have also opened coffee shop type stores with sit-in area where customers can enjoy baked products with soft drinks and even fusion meals.

IV. Opportunities and constraints for U.S. ingredients

The bakery market in South China offers promising opportunities for U.S. bakery ingredient exporters. Making products with high quality ingredients is a way high-end bakeries may differentiate themselves from competitors, and thus create more demand for high quality ingredients. A wide range of imported baking ingredients, including wheat flour, dairy ingredients, dried nuts, fruits, fruit jam, filling and premixed flour, are frequently incorporated in baked goods by high-end bakeries. They aim to enhance nutrition and improve appearance to grow profit margins.

Large international baking ingredients makers, including *Rich’s* (US origin), *Bake Mark* (US), *AB Mauri* (UK) and *Roquette* (France) aggressively promote their products in this market. Some international giants have also established processing plants in China to better serve this huge market in the long term. Baking related associations from the US, France, Germany and Japan actively develop their influence in the Chinese industry. Overall, the US is a competitive supplier in this market, given its high product quality, constant supply, as well as versatility and diversity of product, but this depends on price.



Bread with dried U.S.

<i>cranberries</i>

(Source: ATO Guangzhou)

Traders tend to view want ingredients that fall into three categories:

- Large volumes of frequently used ingredients such as flour, sugar, fat and oil;
- Items used less frequently but add value to the final products, such as canned fruit, baking powder and chocolate;
- Additives and coloring

Below summarizes the opportunities and constraints for U.S. ingredients in South China.

Opportunities

- Booming baking industry in the region creates ample opportunities for high quality baking ingredients;
- Upper income consumers in the region and westernized life style generate substantial demand for high quality baked products;
- Depreciated U.S. dollar against Chinese Remenbi makes U.S. ingredients more price competitive in this price sensitive market;
- As consumers are exposed to more western baked goods in their travels to other Asian countries and to North America and Europe, they look for similar items locally.

Constraints

- Limited knowledge by baking professionals on use and application and how U.S. baking ingredients can add value;
- Lack of new recipes featuring U.S. ingredients because of the perception that products made with U.S. ingredients are too expensive;
- Low consumer awareness of the wide variety of U.S. bakery ingredients and their benefits.

Price is the determinant factor for bakery ingredient sales. Chinese ingredients, such as peanuts and raisins, are usually less expensive, and produced by numerous individual farmers or small farms. Compared to Chinese ingredients, U.S. ones are commercially grown and processed, which enables more consistent quality, traceability and guaranteed food safety. However, prices are highly sensitive and constrain expansion of U.S. ingredients in this market.

As a result of cost concerns, most baking ingredients are domestically processed, by either foreign invested companies or domestic Chinese companies. But some ingredients, for example, cheese, butter, whipping cream, high quality fruit jam, rely on imports. High quality dried fruit and nuts are also competitive for upscale bakeries as they are eager to differentiate their products from lower end competitors. High end bakeries insist on quality, despite high prices. However, higher prices compared to Chinese ingredients together with improved quality of domestically processed ingredients make imported ingredients less competitive.

U.S. bakery ingredients are available in China, but there is potential to expand penetration, promote sustained usage and diversify selection. To further promote ingredients, U.S. exporters are suggested to continue working closely with ingredient traders, to educate users, as well as promote final products to consumers. Targets are bakery manufacturers, bakery chains and luxury hotels with internal bakeries in South China markets including Guangzhou, Shenzhen, Dongguan and Foshan in Guangdong province, as well as Fuzhou and Xiamen in Fujian province, where the baking industry is well capable to further feature U.S. ingredients.

High quality and health benefits are strong selling points for U.S. ingredients in China market. The following suggestions would help U.S. ingredients exporters spur consumption of U.S. ingredients in the market:

1. Educate both bakers and consumers with the product;
2. Provide technical assistance to bakeries;
3. Work with Chinese bakers to develop recipes that suit the local palette and market;
4. Conduct in-store promotions to encourage purchases

Post also recommends a visit to *Bakery China* in Shanghai, the largest bakery show in Asia with healthy traffic of domestic and international visitors. USDA cooperators exhibit, including the *Almond Board of California*, *Raisin Administrative Committee* and *California Milk Advisory Board*; large international baking ingredients makers, including *Rich's*, *Bake Mark*, *AB Mauri* and *Roquette* which have large exhibition areas to aggressively promote their products; and a number of baking related associations from France, Germany and Japan. The exposition showcases a full range of baking ingredients and additives, wheat flour, baking oil, butter and cream, fruit filling and jam, chocolate, custard powder to flavoring, coloring and stabilizers.

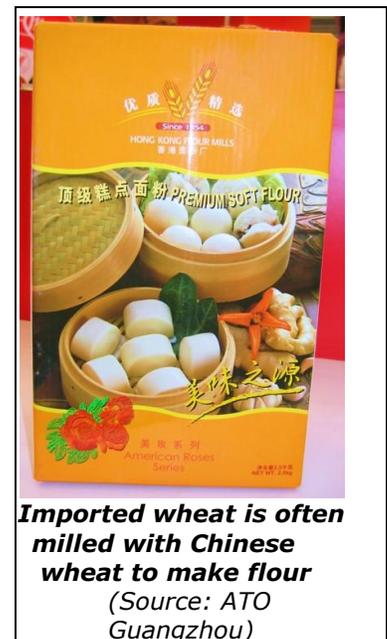
V. Niche market for U.S. ingredients, but price is a constraint

The fast growing bakery sector in China has created huge demand for high quality baking ingredients. Imported products and products made by foreign invested companies or joint ventures accounted for a substantial portion of the high valued items. Price remains a constraint that limits expansion of high quality ingredients in China. Setting up processing and manufacturing facilities in China is a way that many foreign companies employ to make their products more price competitive.

5.1 Wheat

Wheat accounts for the largest volume among all the baking ingredients. South China, according to an industry insider, consumes 90 percent of China's imported wheat, of which around 40–50 percent are imported, mostly from the U.S., Canada and Australia for its quality and consistency. Millers in Guangdong, annually mill 3.0 million tons of wheat.

Though the wheat flour market is dominated by less expensive Chinese wheat, mostly for Chinese style products at lower prices, including Chinese steamed buns and noodle, imported wheat, including U.S. wheat are present in the high-end niches including bread, cake, cookie and cracker flour. Most consumers prefer finely milled flour with white wheat, though there is growing demand for healthy varieties such as multi-grain and whole wheat from a small, but growing number of health-concerned consumers. However, a flour miller Post talked to opined that Chinese in general don't see the connection between healthy breads and health.



South China is a large wheat buyer due to large consumption by well developed food processors, affluent consumers, as well as the lack of wheat fields. Substantial supplies of subsidized domestic wheat and rising petro costs crowd out imports, and price is absolute key. In 2007 and the first three quarters of 2008, wheat imports plummeted, as a result of skyrocketing wheat prices in global markets and good supply of much less expensive domestic wheat. Millers mix domestic and imported wheat to mill flour to optimize cost and quality. The opportunity for U.S. wheat still exists in high value niches to make products such as bread, cakes, hamburger buns, sandwich bread, cookies and crackers, dim sum wrappers, noodles, and steam bread, because of the consistent quality. Declining wheat prices in the global market in 2008 made high quality U.S. wheat more competitive against less expensive Chinese wheat in South China.

China harvested a good crop in recent years due to good weather and the government's production support programs. To maintain self-sufficiency in wheat and raise farmers' income, the government implemented a series of policies, including direct payments, seed subsidies, price support programs, and subsidies for farm use of fuel and fertilizer, which have favored production.

Major wheat production provinces include Henan, Shandong and Hebei in the north, as well as Anhui and Jiangsu in the east. The supply to south China is mostly shipped by ocean vessel or train from these regions as there is very limited wheat production in the south. China's wheat production in 2009 was estimated at 106 million metric tons. Imports account for only a fragment of China's wheat market.

China has a large volume of national grain reserves which is controlled by the *National Development and Reform Council* (NDRC). To ensure farmers plant enough wheat, the government sets a yearly minimum purchase price based upon which the government buys wheat from farmers. The government holds regular auctions at provincial wholesale markets to sell off the wheat. Commercial stocks have to come from the auction system through which reserve wheat comes to the market.

Globally surging prices since 2007 have prohibited China's wheat imports. China customs data show that wheat imports in 2007 already plunged 85.7 percent to 83,000 tons from a year ago (mostly *Durum* from Canada and Australia). In the first nine months of 2008, imports dramatically dropped 99.5 percent to only 373 tons, compared to the same period in the previous year. Declining wheat prices in the global market in CY 2009 made high quality U.S. wheat more competitive against less expensive Chinese wheat in South China. As a result U.S. wheat imports to China in CY 2009 will reach 400,000 tons or about 50 percent market share of all 2009 wheat imports.

In 2009, declining wheat prices in the global market, together with lowered freight cost widely narrowed the gap between U.S. wheat and Chinese wheat. CIF price for U.S. wheat at the port of entry in November 2009 was at US\$ 270-310 per ton, depending on wheat class (RMB 1,840-2,120, including 1 percent import tariff, 1.5 percent port handling charge, and 13 percent VAT), versus US\$ 286-336 (RMB 1,950-2,300), including transportation from the fields to South China) for domestic wheat. Millers have expressed that they prefer U.S. wheat given the consistent quality and better bite. If the price difference between U.S. wheat and domestic wheat is within 10 percent, they will buy U.S. instead of domestic.

5.2 Dairy ingredients

A range of ingredients, including powdered milk, butter, cheese and cream are commonly used in the baking industry. Powdered milk accounts for most of the dairy ingredients consumption in the industry. Domestic supply used to dominate the market. But after the melamine crisis in 2008, the industry substitutes the supply with imports from US, Oceania or EU, for the sake of food safety and better product quality. *Anchor* from New Zealand holds an overwhelming share of the supply of butter – the most commonly used dairy ingredients after powdered milk, as there have been no other competitors since the very beginning when the baking sector just started. Cheese consumption is ready to take off the ground in China which traditionally does not eat nor produce cheese. International brands, including, *Kraft, Anchor, MG, Bega, Suki*, and *Land'O Lake*, have entered the market with efforts to cultivate the market of huge potential. U.S. dairy ingredients, despite the good quality, have limited share in the market, due to low awareness and limited availability in the market.

(For more details of dairy ingredients in South China, please refer to GAIN CH8605, South China, Where Opportunity Knocks for High Value U.S. Dairy Ingredients)

5.3 Almonds

The *Almond Board of California (ABC)* emphasizes its long term commitment to the China market which has quickly grown to second largest export market after Spain for California almonds in the 2008-2009 crop year (August – July), three positions up from the previous year. In China, *ABC* has traditionally targeted the snack sector but is increasingly focusing on the fast growing sectors of baking, confectionary and food service. *ABC* has conducted promotions in supermarkets, convenience stores and a large bakery chain. Despite *ABC's* tremendous marketing support to the trade, the most vexing challenge continues to be high import tariff rates on almonds (10 percent for shelled almonds, and 24 percent for in-shell). China produces apricot seed that it calls "almond." It is used for herbal drinks, not for the baking sector.

5.4 Walnuts

China is one of the largest walnut producers in the world, yet strong domestic demand and surging walnut prices prompt imports, mostly from the States. The *California Walnut Commission (CWC) & Walnut Marketing Board (WMB)* target high-end bakeries, snack and food manufacturers in affluent regions given California walnuts' consistent high quality, high product standards and versatile application. To differentiate from less expensive Chinese walnuts, promotions will tout California walnuts' good taste (less bitter, sweeter than Chinese varieties) and added nutritional value, e.g., helps fight cardiovascular diseases, diabetes and weight gain. Chinese walnuts dominated the market until 2007 when prices beefed up to a very high level due to strong demand. This gave the ever-expensive U.S. walnut the opportunity to enter the China market, thanks to the competitive prices. Compared to Chinese walnuts, U.S. ones are of more consistent quality and sizes. With advantageous prices, U.S. walnuts are gradually grabbing share from Chinese ones in the upper market niches.

5.5 Pecans

It is the hopes of the U.S. *National Pecan Shellers Association* to gradually penetrate into the bakery sector where pecans can be used as a value added ingredient. The US produces 80 percent of the total pecan production in the world and is the dominant supplier to China (besides some from Mexico and Australia). China buys mostly in-shell for snacks and limited amounts of shelled as ingredients for baked products such as for *Starbucks*, ice cream such as for *Haagen Daz* and

candies. China has started a very small production of pecans, but it will take another four or five years until crops mature for commercial channels. U.S. pecans face the challenge of needing to differentiate from many tree nuts including almonds, walnuts and Chinese small walnut available in the market. Chinese tariffs for in-shell are 25 percent CIF and for shelled 20 percent CIF.

5.6 Raisins

Most imports come from the States, followed by Turkey. Imports enter Qingdao and Tianjin in northern China for repackaging and re-export to other Asian countries including Japan and Korea. Imports through Shanghai and South China are mostly for domestic consumption for snacks and ingredients. Less expensive Chinese raisins from Xinjiang dominates the market, especially in the mass and lower end market where prices are highly sensitive. U.S. raisins in recent years have gained small but increasing sharing in high-end niches, especially luxury hotels and high-end bakeries, as the users in these sectors learn the multiple values that U.S. raisins can add to their products. The *Raisin Administrative Committee (RAC)* holds annual bread baking contests judged by team of professional baking judges to encourage Chinese bakers from all parts of China to understand how to use California raisins for commercial usage in Chinese bakeries.

5.7 Blueberries and Cranberries

Not until recent years did blueberries and cranberries come to China market. China does not grow cranberries, and has a small crop of blueberries in Liaoning and Shandong. Both fruit have gradually gained awareness in the food industry as ingredients. Many wealthy consumers, especially those in large cities, know the name of blueberry, but the awareness of cranberries is comparably limited. Blueberry jam or filling, dried blueberries are often seen in pricey western style baked items and pastries in upscale bakery shops, whereas in lower end market, blueberry flavor, instead of real blueberries are used due to much cheaper costs. As for cranberries, most are dried cranberries pits used in such items as muffin and bread. It has also been innovatively incorporated to make the cranberry-red wine mooncake filling. There is still largely untapped potential for both fruit in both primary and secondary cities, due to the price constraint and limited knowledge about the products and applications.

For continuous success in the China market for U.S. dried fruit and nuts, there is a need to:

- Educate Chinese buyers on product knowledge including sizing, supply availability and proper product handling;
- Educate Chinese users on the value that they add as ingredients and the versatile application
- Provide trade service and technical assistance to users and processors through importers and distributors
- Educate Chinese consumers about health/nutritional benefits
- Conduct retail promotion to target young consumers (aged 18-45 years, mostly female) of high-income in large cities

VI. Collaboration between U.S. and Chinese baking industry – foundation for success

USDA's *Agricultural Trade Office* in Guangzhou, (*ATO Guangzhou*), together with U.S.

cooperators, including *U.S. Wheat Associates (USW)*, *Almond Board of California*, *Raisin Administrative Committee (RAC)*, *U.S. Dairy Export Council (USDEC)* and *U.S. Highbush Blueberry Council (USHBC)*, have for years been actively promoting various U.S. ingredients in this market. As a result, many ingredients have been successfully introduced into this market. Some ingredients, for example, U.S. wheat and California almonds are well recognized in the industry. Further, U.S. cooperators have established good relationships with the Chinese industry which is the solid foundation for further success in this market.

A highly successful example of such collaboration is USW's over-twenty-years partnership with the top Chinese baking institute *Sino-American Baking School (SABS)*. The long term partnership between USW and SABS since the 1980's helped develop China's baking industry, provide technical assistance, knowledge of U.S. ingredients, baking expertise, while promoting U.S. ingredients. It has largely benefited development of the Chinese baking industry and the exports of U.S. wheat as well as many other U.S. baking ingredients to China. With the support from the US, SABS has become the most reputed baking training and consultation provider in China. Many SABS teaching staff members have been trained in the US with U.S. sponsorship. They, in turn, disseminate knowledge to thousands of baking students and bakers in the country through their classes and consultation services. This partnership model is worth consideration by other cooperators to work with a Chinese partner for long term market development.

In October 2007, Post coordinated a baking trade mission and visited to *International Baking Industry Expo (IBIE)* featuring 600 + exhibitors including baking equipment manufacturers and ingredients manufacturers. The 11-member mission consisted of baking ingredients traders and large bakery chain owners from South China. This mission created unique opportunities for Chinese baking businessmen to gain substantial exposure of U.S. baking industry and establish business relationship with U.S. ingredient exporters. Group members showed strong interest in dairy based ingredients (including cheese, butter and whipping cream), pre-mixed bread / cake flour, dried fruit and fruit paste (blueberry, raisin, cranberries), almond as well as flavorings.



In 2009, Post worked with *U.S. Wheat Associates* and large ingredients suppliers to organize a program to develop distribution channels to cities beyond the primary markets, i.e., Guangzhou and Shenzhen. Ten recipes of breads, Danish and pizza were specially developed by a famous baking consultant, targeting the emerging city markets. These recipes featured a wide range of high quality U.S. baking ingredients, including wheat flour, raisins, blueberries, cranberries, dried cherries, prunes, figs, almonds, walnuts, hazelnuts, cheese, and butter. One-on-one baking trainings focusing on the featured ingredients were provided to selected bakery chains in Dongguan and Zhongshan of Guangdong province, as well as Xiamen and Putian of Fujian province. These selected bakery chains will carry on in-store promotions to introduce baked items with such ingredients to their customs. Multifold benefits have been realized in this program:

- Built up the distribution channels delivering ingredients from key ingredients traders in primary cities to distributors and users in promising emerging city markets;

- Introduced multiple ingredients into the promising city markets;
- Enhanced the awareness, product knowledge and applications of high quality U.S. ingredients among users and consumers in those cities;
- Stimulated the demand of high quality U.S. ingredients in emerging markets;
- Laid down a solid foundation to further promote U.S. ingredients in the emerging markets

VII. Baking industry centers in Guangdong and Fujian provinces

7.1 Guangdong - Nationally leading industry in Pearl River Delta cities

As the first region in China to open to foreign trade and investments, Guangdong has the best developed baking industry across the country of well-known large manufacturers, reputed bakery chains, baking ingredients traders as well as a large number of consumers.

The industry is intensively centered in the affluent Pearl River Delta cities, including Guangzhou, Shenzhen, Dongguan, Foshan, Zhongshan and Zhuhai. Guangzhou and Shenzhen top this market, in terms of sales, number of bakeries and consumers, quality, product development and prices. Dongguan, Foshan, Zhongshan and Zhuhai have already cultivated a second-tier sizable market for baked products.

Key ingredients traders mostly are located in Guangzhou and Shenzhen, who import, trade and distribute ingredients to bakeries within the province, as well as bakeries and secondary ingredients distributors in other provinces, including the neighboring Fujian.



Ever rising food prices affected the industry, as many small bakeries lost their business due to rising costs as larger bakeries chains and manufacturers offset cost increases with strong finances. Despite increasing costs in CY 2007 and 2008, the industry still saw business growth, though at a slower pace compared to the previous year, due to overall growing demand from consumers.

The global economic crisis has placed very limited impact on the industry. Sales of expensive items such as cheesecakes or desserts as well as luxury mooncakes still go well in 2009, not to mention those at moderate or lower prices as daily staples (*Note: Refer to Table 1 for price ranges of bakery products in Guangdong*). Bakeries especially higher end ones, have increasing concerns about quality of ingredients and final products. However, relatively high prices, limited awareness and knowledge of U.S. ingredients constrain expansion of U.S. products. Underdeveloped cold chain system restricts expansion of chilled products.

Table 1. Retail Prices of baked items in wealthy cities* in Guangdong			
(US\$/Pcs**)	Lower end	Middle	Upper
Breads in pieces (50-60 grams)	0.44 or less	0.45-0.59	0.6 or more

Baked cakes in pieces (50-70 grams)	0.59 or less	0.74 – 0.88	0.88 or more
Cheese cake/dessert	N/A	0.74 – 1.18	1.18 or more
*Includes cities of Guangzhou, Shenzhen, Zhongshan, Zhuhai and Dongguan (Source: ATO Guangzhou)			

Temperature controlled logistics place challenges for delivery of some ingredients, e.g., cheese, as well as chilled desserts. Underdeveloped cold chain system limits the delivery of chilled products to a broader geographic region out of manufacturing plants. Even within the vicinity, logistics is an unsolved problem in terms of packaging, protection and delivery of such products.

Guangzhou

Guangzhou, or known as Canton, as one of the first cities in China for foreign trade, has a long history of baking. Bakeries started selling western style baked products, mostly breads, in early 1980's. There are a number of bakeries in Guangzhou which have a long history and good reputation of traditional Cantonese products, e.g., mooncakes and wedding pastries. In recent years, western style items, from breads to cakes, enjoy a dominant share in the market, especially in daily consumption, whereas traditional Chinese items, have seen seasonal fluctuation for the traditional Chinese festivals or special occasions.

It can be almost anytime in a day that consumers buy baked products in Guangzhou, for breakfast, lunch, gifts, snacks in the between of meals or even night snacks. To serve such consumption patterns, bakeries usually have long business hours, from as early as 7 a.m. until 10 p.m.

Bakeries offer a wide range of items, from bread to cookies, and from baked cakes to chilled dessert. In general, the share of breads (mostly sweet dough based) in a bakery is slightly higher than cakes and desserts, and higher end bakeries often have comparably more dessert or cake items than those in middle or lower end.

Twenty some chains in various sizes share the middle to high end market in Guangzhou. None of the chains has a dominant share in the market. While all chains make a full range of baked items from bread to cakes, and from pastries to dessert, some have started to differentiate themselves from competitors by focusing more on certain product types. For instance, *Breadtalk*, as the name suggests, focuses more on making high quality bread varieties while *Angel Simple*, on their cheesecakes. To list a few chains in Guangzhou:

Name	Descriptions of Guangzhou bakeries
<i>Li Ko Fu</i>	Run by the famous <i>Guangzhou Restaurant</i> with over 50 outlets in Guangzhou. Middle range prices, offering western style breads and cakes, in addition to traditional Cantonese style items including mooncakes and cookies. Has gained brand loyalty especially from local Cantonese residents for decades.
<i>Queen's</i>	One of the high end chains in Guangzhou with over 10 outlets, run by a Hong

<i>Cake Shop</i>	Kong headquartered food service company. Gained increasing popularity, especially among middle to high income young people. High quality western style breads, cakes and desserts in middle to high price range are the main product categories.
<i>Steinburg Bakeries</i>	Opened in 2008 with aggressive expansion. Now runs 7 outlets including bakeries, cafe and restaurant type bakeries.
<i>Angel Simple</i>	Opened 14 outlets in Guangzhou, specializing in cheesecakes, along with regular breads and cakes.
<i>Breadtalk</i>	This Singaporean-invested chain has opened 5 outlets in Guangzhou, mostly in grant shopping malls. It has gained a lot of popularity from wealthy young consumers for its wide range of high quality products at premium prices.
<i>Lian Xiang Lou</i>	Established in 1889, this brand has gained loyalty from Cantonese in generations. Famous for its Cantonese mooncakes, wedding pastries and traditional Chinese baked items. In recent years, the chain has integrated its well established brand name into the redesigned corporate image. It currently runs 13 outlets in Guangzhou.

In the upper segment of the market, café type chains, for instance, *Starbucks*, *SPR* and *37°C*, offer very good quality pastries and desserts along with coffee or other beverage at premium prices and have quickly gained popularity in recent years. Young people with middle to high incomes have adopted this as a way to mingle and as a symbol of the metropolitan life style.

Shenzhen

Similarly to Guangzhou, Shenzhen has a large group of wealthy young consumers who regularly buy baked products for breakfast, lunch, tea or coffee break, snacks or gifts. Bakery chains therefore open long hours to serve consumers who may eat baked products at any time of a day from morning to late night.

Café type bakeries, which offer both baked products and homemade beverage, has become popular. The very popular café type bakery chain *85°C* opened its first South China shop in Shenzhen in mid 2009, after its great successes in Taiwan and Shanghai. Other bakeries have also started to operate café type outlets which will generate larger sales and profit margin from cross-selling of pricey baked items and home-made beverage.

Though breads overall hold a slightly higher share over cakes and pastry, but the latter has gained increasing share. Though all the bakeries carry a mixed product portfolio of both breads and cakes, there are bakery chains in Shenzhen specializing in a certain product type, for instance, *Croissants de France* for French style croissants and desserts, and *Bo Di Jia* for cheese cakes.

About 20 some sizable chains comprise the majority of baking sector in Shenzhen, to list a few:

Name	Descriptions of Shenzhen bakeries
<i>Ichiba</i>	Largest chain in Shenzhen with about 50 outlets, good product quality in middle price range
<i>Croissants de France</i>	Twenty-three café type outlets, offering high quality French style Croissants and a wide range of cakes and desserts

85°C	Very popular café type bakery chain newly opened in South China, following great success in Taiwan and Shanghai. Offers a wide range of products, mostly cakes and desserts, along with home made beverage, in middle price range
Wing Wah	Famous brand originally from Hong Kong with long history of making mooncakes and traditional Chinese baked items. Runs twenty-one outlets in Shenzhen
Bo Di Jia	Thirteen outlets, aims to specialize in cheese and produces breads and cakes in middle price range
Panamie	Nine outlets in Shenzhen, high quality Korean style products including breads, cakes and desserts

Dongguan

Guangdong bakery owners believe Dongguan ranks third in South China in terms of the size of baking market after Guangzhou and Shenzhen followed by Zhongshan and Foshan. The start of the baking industry in Dongguan may be traced back to the 1980s, when Taiwanese came to town in clusters, and baked breads became popular. Many apprentices acquired skills and techniques from Taiwanese stores, then quit and opened their own bakeries. (Note: please refer to GAIN CH9609 for more general information regarding the city of Dongguan .)

In Dongguan, there are a number of big food manufacturers that require large supplies of baking ingredients, such as Garden, Nestle, La Rose Noire and Xu Fu Ji. In addition, there are more than six famous local chain bakery stores with over 180 outlets spread around the city and individual towns. Bakery sector leaders and suppliers have strong confidence in the future of the industry. They believe the quality of the products would be improved and expensive imported ingredients used by increasing numbers of stores. Opportunities for U.S. exports lie in nuts, and dairy products, such as almonds, cheese and butter. Currently, they do not use whey. Top revenue earners industry-wide are bread, followed by cakes and desserts.



The chain store concept saw a boom in 1998, and then every town formed its leading bakery brand. Most of these chain bakeries have at least 20 outlets in their native towns. For example, Big Thumb in Dalang has over 20 stores, Paradise opened over 60 in Liaobu, Shenxin owns some 50 outlets in Chashan. High end bakery such as Blue Bird and Gordon each has over a dozen stores in downtown Dongguan. On average, 40 percent of bakery sales are in bread, 30 percent in cake, and the rest are in cookies. It is expected that cookie/cake will become the fastest growing sector. Due to price, many imported baking ingredients have been substituted by local ingredients, except American almonds, raisins, cheese and butter. One owner stated he used more nuts in his products such as cookies and cakes which adds texture. Some bakery owners see potential because of health benefit, believing that increasing demand for high quality product drives up demand for high quality ingredients such as nuts, dairy ingredients, whipping cream and cheese.

Bakery owners commented that it was very important for them to visit the U.S. market and gain ideas on how to make good use of American baking ingredients. For instance, a noted bakery

increased consumption of American nuts after the owner’s trip to the States. Traders believe the Dongguan market has great potential, and American baking ingredients can improve the taste of their pastries and cakes. Consumers consider nuts and raisins as tasty and healthy choices. However, since American raisins cost substantially more than Chinese raisins, they don’t sell well. Trade contacts believe in the long run, quality and prices of baking products will rise in Dongguan. Eventually, there will be more people buying higher priced products. Since U.S. almonds have no close substitute, it maintains strong advantages in the market.

Major bakery chains in Dongguan include:

Name	Descriptions of Dongguan bakeries
Dalang	Over 20 are on east side of Dongguan near <i>Hyatt Hotel</i>
Shengxin	50 in DG in central part. Competes against <i>Paradise</i> . Some are in shopping mall.
Paradise	Started downtown, over 50 in DG, no shops in shopping mall
Bluebird	More than 20 in downtown – high end, breakfast is 70-80 (US\$10-12) or 100 RMB (US\$15), once in a while customers get this
Garden	More than 10 downtown, nicely decorated.

Bakery owners don’t think there’s a market for organic flour because of prohibitive price and difficulty in proving organic claims for consumers.

When Post interviewed bakery owners in 2008, bakery owners referred to “medium priced,” as a 30 RMB (\$4.41) purchase on average. A medium priced cake was about 50-60 RMB (\$7.35 – 8.82) while a more expensive one cost about 100 RMB (\$14.71).

As for recommendations on how to promote American ingredients, since the ingredient maker sells to the trader, promotion should be with traders to show how to use them since the ones who sell to the baker. Bakers should also be taught how to use ingredients and what kind of products can be developed (in all categories such as cookies, cakes, etc)

Insiders gave the following advice:

- Make sure internal standards are up to standard
- Constraint is talent. Good managers are hard to find because there’s so many companies who want good managers
- Competition is local and international
- When you’re good, there’s no problem expanding
- Internal management is the most important
- The center of Dongguan is well established. Next area for expansion is the industrial zone where there’s a lot of people
- Get rid of slow moving products and introduce new ones

(Note - Refer to GAIN CH9609, Made in China. Made in Dongguan! (dated 05/13/09)

Zhongshan

Compared to counterparts in Guangzhou, Shenzhen or Dongguan, the baking sector in affluent Zhongshan lags behind in both the supply and demand side. Two chains, *Cai Die Xuan* and *Ma De Li*, together dominate the market. Each operates about 50 shops, offers similar products, mostly breads. Breads for breakfast account for most of the bakery sales, though there is increasing but still limited demand for pricey items such as cheesecakes and desserts. Lack of well-trained bakers also constraints the further development of the sector.

Supply of high quality ingredients, including cheese, butter, nuts and dried fruits, heavily relies on traders or distributors in Guangzhou, Shenzhen or Dongguan, due to the unavailability of ingredients from local distributors who are comparably small. There is limited presence of ingredients from U.S. and other countries.

Consumers in this city, despite being affluent, are rather price sensitive, compared to those in larger cities, i.e., Guangzhou and Shenzhen. They carefully compare the value of the products they pay for. An evidence of the price-sensitivity is the fact that prices for most products sold in a bakery fall into the range from US\$ 0.14-0.44 (RMB 1.0 - 3.0). Given the large number of affluent consumers in the city, Post believes that substantial potential for baked product consumption can be unleashed in this wealthy city, and that market development including educational and promotional efforts are needed for U.S. ingredients to penetrate into this market.

Post together with *US Wheat Associates* and a local bakery chain organized a baking program to feature a range of high quality U.S. ingredient from wheat flour to dairy ingredients, from dried fruit to nuts, in Zhongshan, a selected emerging city market. In the hopes to promote high quality U.S. ingredients to both the baking sectors and consumers in this city, in this program, bakers from the local chain were trained by a highly experienced baking consultant, and recipes of ten products using various U.S. ingredients were developed for the training and prospective in-store promotion. Post believes that this program will help clear many constraints in developing this market.

Zhuhai

Compared to its neighboring city Zhongshan, Zhuhai has a more diverse baking sector, with a couple of chains targeting higher end and a few serving the medium mass market. High end chains, including *Lafayette* from Macau and *Bagatelle* from Taiwan offer a full range of products from breads to cakes and from pastries to desserts. Pricey items, such as cheese cakes and desserts account for substantial, though not dominant, portion in the product portfolio. The mass medium market is shared by only a few dominant local players, including *Cai Die Xuan* and *Xin Qi Lin*.

The size of baking sector in Zhuhai is largely limited by the rather small population. Latest statistics [1] show that there are only 1.5 million permanent residents in Zhuhai, whereas 10.2 million in Guangzhou, 8.8 million in Shenzhen, 7.0 million in Dongguan and 2.5 million in Zhongshan. Given the vicinity and affluence of Zhongshan and Zhuhai, market development activities targeting these cities can be combined for sake of better cost effectiveness.

(Note – Refer to GAIN CH9621, *Zhuhai, South China's city of romance. . .and more*, dated 11/24/09)

7.2 Fujian - baking industry flourishes in Xiamen and Fuzhou with fierce competition

Baking industry in the province of Fujian is steadily developed with many sizable chains. The industry consists mostly of medium to large bakery chains, while single-shop bakeries, large retailer's in-house bakeries, star-rated hotels together have a small share of the market. The industry offers substantial but largely untapped potential for a range of U.S. baking ingredients from wheat flour, dairy ingredients to nuts, dried fruit, fruit puree. Constraints come from very limited awareness and availability of U.S. ingredients and the applications, prices and short of professional bakers.



A bakery in Xiamen
(Source: ATO Guangzhou)

Imported ingredients, including those from the US, have limited presence in this market, due to lack of awareness and availability. Ingredients traders in Fujian primarily source imported baking ingredients from importers in the neighboring Guangdong province. Butter, cream and cheese, mostly from New Zealand via importers in Guangdong province, are the most commonly used imported ingredients, but in very small volumes. Imported dried fruit and nut ingredients are rarely found in baked products, even in upscale bakeries. To enter this market, it is necessary to increase the awareness of U.S. ingredients and applications through product showcase and educational seminars targeting both ingredients traders and bakers.

Similar to the other parts in China, price is a constraint for the baking industry in Fujian. Take wheat as an example. Flour millers in Fujian used to import wheat to make flour. In 2007, simply due to historical high prices in global market, they shifted to domestic Chinese wheat which is much cheaper than imported. Industry source in Fujian indicated that if the cost difference between Chinese wheat and U.S. wheat is within a limited range, say 10 percent, they will prefer U.S. wheat due to its constant quality and timely delivery.

In Xiamen and Fuzhou, the most developed cities in the province, they are the centers of the baking business, respectively accommodating hundreds of bakery outlets. Out of these two cities, only a limited number of chains operate in cities of Quanzhou and Putian along the highway connecting Fuzhou and Xiamen. Both foreign and domestically invested bakeries, including *Andersen Bakery, Sunmile, You Si Mai, Te Xiang Bao, Bread Talk*, operate in this market of increasing competition.

The baking industry in Fujian has been heavily influenced by Taiwan, as substantial investment, baking technique and recipes are introduced to Fujian by the latter. Largest bakery chains in Fujian, including *Andersen Bakery, Sunmile, and Sheng Fu Xing* are Taiwanese investment. Taiwanese style baked items, such as bread and cakes with shred pork, pineapple cakes are popular.

Compared to their counterparts in primary cities such as Guangzhou, Shenzhen and Shanghai, bakeries in Fujian have a less sophisticated product portfolio. Consumers eat baked products mostly for their breakfast. Consequently, most varieties in a bakery are bread, while cakes (especially birthday cake) falling into middle price range. Desserts, especially those at high prices, account for only a small share. (*Note: Refer to Table 2 for various retail price ranges of baked products in Fujian.*)

To cultivate consumption in high-end niche, upscale shops have just started to produce more sophisticated items such as cheese cake, tiramisu and mousse. However, the growth of this high end niche is constrained by consumers' limited knowledge of such products, lack of awareness of

high quality ingredients and recipes, availability of imported ingredients, short of qualified professional bakers. These factors also inhibit the long term development of the industry.

Table 2. Retail prices of baked items in wealthy cities** in Fujian			
(US\$/Pcs**)	Lower end	Middle	Upper
Breads in pieces (50-60 grams)	0.29 or less	0.30-0.59	0.6 or more
Baked cakes in pieces (50-70 grams)	0.44 or less	0.44 – 0.74	0.74 or more
Cheesecake/dessert	N/A	0.59 – 1.18	1.18 or more
**Includes cities of Xiamen, Fuzhou and Putian			
***1 US\$=6.8 RMB			
<i>(Source: ATO Guangzhou)</i>			

Xiamen

Xiamen has the best developed baking sector in Fujian province. The market consists of a number of sizable chains, which open all together hundreds of outlets, primarily targeting middle mass market with a full range of baked items. Years ago the sector went through a time of elimination when small bakeries had to close their businesses due to the fierce competition from sizable chains.

Taiwan-invested chains *Sunmile* and *Andersen* are the leaders in the market, respectively opening 50 - 60 shops in the city, followed by *Sheng Fu Xing*, originally from Taiwan, which in the past two years have quickly grabbed a cut in the market by opening more shops. Other sizable chains, including *Ausland*, *You Si Mai* and *Te Xiang Bao*, respectively operate 20 - 30 some shops. Work-shop type bakeries with one shop or two account for only a fraction in the market.

Industry contacts commented that Baking sector in Xiamen has the most fierce competition across the country, due to the large number of bakery outlets. In a main road near residential area in the land-limited town center, it is often to see several bakeries located paces away from each other. Café type bakery shops have been opened to cultivate emerging premium consumption out of the common consumption of breads for breakfast.

(Note – Refer to GAIN7603, Xiamen: Fujian’s Booming Southern Port City (dated 01/25/07)

Fuzhou

Having not undergone an elimination process similar to the one in Xiamen, baking sectors there

consist of both sizable chains which operates several to tens of bakery outlets and quite a number of small bakeries that run only one or few outlets. Middle mass market consists mostly of large chains, including *Andersen*, *Sunmile*, *Fumao* and *Xialang*, each respectively having about ten to fifty some shops. Upper segment of the market, holding a small but increasing share, is primarily shared by Taiwan-invested *Chaoya Cheesecakes* and *Hong Yeh Bakeries* (both featuring high quality cakes and desserts in addition to bread items). Numerous small bakeries with only one outlet or two together also have a cut in the middle to lower end market, mostly in an accessible location by the community.

(Note – Refer to GAIN 9623, Fuzhou, propelled by the ocean's legacy, sails on, dated 12/04/09)

Putian

Putian may be considered a third tier city for U.S. ingredients, after the second-tiered ECMs including Xiamen and Fuzhou. The local market is filled with middle-to-low price items, overwhelmingly breads and local specialties for breakfast. The Putian based chain *Fumao Bakeries* is the only sizable chain in the city, dominating the market with middle-range products at reasonable prices. *Fumao* also runs about ten outlets in Fuzhou, targeting the middle mass market segment.

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IX. Related GAIN Reports

Related ECM reports:

- **CH7603:** Xiamen: Fujian's Booming Southern Port City (dated 01/25/09 2007)
- **CH9609:** Made in China? Made in Dongguan! (dated 05/13/09 2009)
- **CH9621:** Zhuhai, South China's city of romance. . .and more (dated 11/24/09 2009)
- **CH9623:** Fuzhou, propelled by the ocean's legacy, sails on (dated 12/06/09 2009)

Related product reports:

- **CH7624:** Moon cake mania – golden opportunity for Chinese baking sector, but what about U.S. ingredients? (dated 10/25/07)
- **CH8605:** South China, where opportunity knocks for high value U.S. dairy ingredients (dated 05/22/08)

(Note: *Other China reports may be found on the Foreign Agricultural Service's website www.fas.usda.gov. click "Attache Report," then follow instructions)*