TRENDS IN THE AGRI-FOOD SECTOR IN BEIJING

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Background

The capital of China

Total area of 16,400 km²
Hill above 100m 62%
Plain below 100m 38%

North temperate monsoon climate

Diverse landscape → provide variety of agricultural crops
### Background

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (km²)</td>
<td>16,410</td>
</tr>
<tr>
<td>Population (million)</td>
<td>21.7</td>
</tr>
<tr>
<td>GDP of Beijing (Trillion RMB)</td>
<td>2.297</td>
</tr>
<tr>
<td>GDP per kapita</td>
<td>106,284 (RMB) = 17,064 (US dollar)</td>
</tr>
</tbody>
</table>

- **Year:** 2015
- 1 RMB = 0.13 euro
- 1 RMB = 0.15 US dollar
Population

21.7 million in 2015

- Large cardinal number and rapid growth
- Urbanization
Economy/GDP of Beijing

GDP of Beijing

GDP (billion USD)

year


GDP of Beijing

319,962

121,767

primary industry

2,385

0
Food Consumption Structure

According to average food expenditure of people in Beijing in 2008

Average annual growth of expenditure: 5.7% (1997-2009)

- Meat products share declined significantly;
- Eggs, vegetable share decreased slightly;
- Fresh and dried fruit share increased;
- Dairy products share grew rapidly.

- Grain-based food structure change into a diverse, nutritious non-staple food type;
- Food Consumption Structure become more reasonable.
Agriculture of Beijing

Stages of agriculture development

Traditional agriculture stage
- Crops dominated

Transforming stage
- 6 kinds of agriculture were focused

Integration stage
- Grain crops & economic crops

Developing stage of modern urban agriculture
- Economic function + Social and ecological function
*Modern Urban Agriculture*

Agriculture integrated into urban economic and ecological system

- Fruit tree planting industry with regional characteristics
- Cluster modern urban processing industry with high technology and benefit
- Tourism industry combining
- Advantage in Seed agriculture (largest seed transaction and trade center in China (Annual Beijing’s Seed Trade Fair))
- Continued to increase investment in suburbs (from 2009)
Current Supply

Agricultural situation of Beijing
Current Supply

Production clusters and ties

Vegetable and Fruit
Green Food
Organic vegetables

Meat
Dairy Cow industry
Poultry industry
Pig industry

Edible fungus
Watermelon, Melon
Current Supply

Agricultural self-sufficiency rate:
- Vegetable and pork: about 30%
- Egg, milk, chicken: about 60%

Faster rural urbanization process in Beijing
• Small agriculture scale
• → Importation
Improving in Living Standard

Increasing in disposable income and food expenditure

1 RMB=0.15 USD conversions
Trend & Opportunity

Healthy Food
Food innovation shifts:

Preservation
Packaging
Transportation

New Market & Technology

Ready to eat
Food/Beverage
Healthy Products

Examples

1. High-end Yoghurt Products
   • 13.5% increase in price per year from 2012-2014
     – 7-9% from high-end product
     – With health concept e.g. with grains, fruit, cheese
   • Intensive competition/Homogeneity
Healthy Products

2. Herbal Tea Beverage

Claim: clam people down under warm weather; beneficial to cardiovascular system
- From 2014 to 2015

Beverage industry: Turnover increased 6.21%, Profit increased 15%

Herbal Tea Section: Turnover increased 10.6%, 4th largest group, 8.8% market share of beverage industry.
Healthy Products

Beverage market direction

- Healthy drinks!

Representatives: Herbal Tea, Fiber drinks, Low calorie drinks
Healthy Products

3. A Snack have a health beneficial claim to stomach (2013.9)

A specific Mushroom: Hericium

0.968 billion RMB for the first year sales!
Healthy Products

The importance of Patent!

After its huge Success
More than 10 intimate products suddenly appears within half of the year

But because they applied the Patents about the idea, shape of the snack and the package.

There’s no other similar products in the market now!
4. Organic Food

• Chinese imports of organic foods were about US$ 20 million in 2009

• Growing rapidly for those who’re increasingly concerned about nutritional value and pesticide in food.

• Small market share, less than 1% approximately (2010-2015, China)
## Categories of Chinese organic product

<table>
<thead>
<tr>
<th>Category</th>
<th>Product type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain</td>
<td>Rice, various legumes and pulses, peanuts, wheat, buckwheat, corn, etc.</td>
</tr>
<tr>
<td>Beans</td>
<td>Mung bean, kidney bean, etc.</td>
</tr>
<tr>
<td>Vegetable oil</td>
<td>Soybean, canola, flax, sunflower seeds, pumpkin seeds, etc.</td>
</tr>
<tr>
<td>Vegetables</td>
<td>All kinds of leafy vegetables, tuberous root vegetables, tuberous plant vegetables, fruit vegetables, garlic, ginger, bamboo shoots (mostly wild harvest), mushrooms (both from cultivation and wild harvest), etc.</td>
</tr>
<tr>
<td>Fruits</td>
<td>Apples, pears, strawberries, blueberries, peaches, jujube, grapes, etc.</td>
</tr>
<tr>
<td>Tea</td>
<td>Green tea, black tea, herbal tea, Puer Tea, Wuloon Tea, etc.</td>
</tr>
<tr>
<td>Textiles</td>
<td>Cotton, silk, flax, etc.</td>
</tr>
<tr>
<td>Medicinal herbs</td>
<td>Ginseng, various Chinese medicinal herbs (both from cultivation and wild harvest), etc.</td>
</tr>
<tr>
<td>Livestock</td>
<td>Meat, eggs and diary products, etc.</td>
</tr>
<tr>
<td>Aquaculture</td>
<td>Fish, shrimp, crab, etc.</td>
</tr>
<tr>
<td>Processed foods</td>
<td>Frozen vegetables, dried fruits, can vegetables and fruits, etc.</td>
</tr>
</tbody>
</table>

Need reliable certification
Consumer Composition

- white collar family: 10%
- families with young children: 7%
- with health issue: 5%
- overseas returnees: 5%
- business people from Chinese Taipei and Hong Kong: 3%
- government officials: 10%
- young people: 10%
- foreigners living in China: 10%
- high level hotels and restaurant: 10%
Prospective

(a) Organic fruits and vegetables

(b) Rice and grain

(c) Processed foods: the most promising product category

• Baby foods, dairy products and gourmet foods
• Good taste, health value and interesting packaging
Channels

Supermarket: 80%
conventional, high-end supermarket

Specialty Shop
-growing in number, sales are limited

<table>
<thead>
<tr>
<th></th>
<th>Beijing</th>
<th>Shanghai</th>
<th>Northern China</th>
<th>Southern China</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialty shops</td>
<td>37</td>
<td>16</td>
<td>21</td>
<td>48</td>
<td>122</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>19</td>
<td>38</td>
<td>19</td>
<td>26</td>
<td>102</td>
</tr>
<tr>
<td>Direct sales</td>
<td>7</td>
<td>3</td>
<td>n.a.</td>
<td>n.a.</td>
<td>10</td>
</tr>
<tr>
<td>Food service</td>
<td>10</td>
<td>5</td>
<td>n.a.</td>
<td>n.a.</td>
<td>15</td>
</tr>
<tr>
<td>Farmers markets</td>
<td>8</td>
<td>7</td>
<td>n.a.</td>
<td>n.a.</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>81</td>
<td>69</td>
<td>40</td>
<td>74</td>
<td>264</td>
</tr>
</tbody>
</table>

Source: Adapted from CESDRRC (2007).

Note: Outlets here refer to selling places where organic products can be found. There are several shops and supermarkets that have multiple outlets.
Organic Products Fairs

3 International Organic Trade Fairs
BioFach China
- largest, 300 exhibitors in 2010 (50 from abroad)
- [www.biofachchina.com](http://www.biofachchina.com)

Organic China Expo (OCEX)

China Nutrient & Health Food & Organic Product Exhibition (CINHOE)
- [http://aisffv021325.5jw.cn](http://aisffv021325.5jw.cn)
International and Local Food Companies

By the end of 2014, 1878 agricultural products processing enterprises (Beijing)
- 11 listed companies
COFCO

- China National Cereals, Oils and Foodstuffs Corporation
  - China's state-owned food processing holding companies
  - China's largest food processing, manufacturer and trader
  - Products: Oil, Flour, Meat, Chocolate, Instant noodle, Wine & Spirit, Dairy Product (Mengniu), Juice


Brands
Beijing Capital Agribusiness Group (CAG) — Established in 2009, SOE

Beijing Sanyuan Group - Dairy Products

Huadu Group – Animal husbandry & Pork, Chicken Production

Beijing Dafa Chia Tai – Chicken Production

http://www.bjcag.com
Beijing Yanjing Brewery

- A brewing company founded in 1980 in Beijing (SOE)
  - Produced 57.1 million hectoliters of beer in 2013
  - 8th biggest brewery in the world
  - 3rd biggest in China
  - 85% market share in Beijing, 11% in whole country

Huiyuan Juice

- China's largest manufacturer of fruit juices (56.5%) and fruit juice concentrates (42.7%)
- Founded in 1992

http://en.huiyuanjuice.cn/
Mars

• One of China’s earliest international food manufactures
  – Founded in 1993
  – Located in Beijing Huairou Yanqi Industrial Development Zone

• Products: Chocolate, sweets and pet food
• Brands:  Dove, Snickers, M&M’s, Crispy

www.mars.com/china/cn/
Coca-Cola

• Beijing Coca-Cola Beverage Co. Ltd
  – Founded in 1992
  – Address: No.9, Rongjing East Street, Economic And Technical Development Zone, Chaoyang, Beijing, China.
  – www.coca-cola.com.cn

• COFCO Coca-Cola Beverages Ltd., as a joint
  – www.cofcoko.com
  – Address: 11F, Tower A, COFCO Plaza, No.8, Jianguomennei Av., Beijing, China
• Beijing Pepsi-Cola Beverage Company
  – Address: No. 13, Dabailou, Tuanhe Road, Xihongmen Town, Daxing, Beijing, 100076 China
  – Tel: 010-6568 0050
Summary

- **Local:**
  - COFCO (Mengniu), CAG group (Sanyuan), Yanjing Beer, Huiyuan

- **International:**
  - Mars, Nestle, Cargill, Pepsico, Coca-Cola, Walls

Most local large food companies in Beijing are SOE

International food companies have their regional headquarters or office in Beijing
Agri-food Organizations in Beijing

- Ministry of Agriculture;
- Food and Drug Administration;
- Chinese Academy of Agricultural Sciences;
- China Agricultural University;
- Beijing Agricultural College
Distribution Channels

Supermarkets
Retailer stores
E-commerces
Traditional Markets
Supermarkets and Retailer stores

• Large scale:
  Carrefour(15), Wal-Mart(9), Wumart(26), Lotus(8), Hualian(9), CR Vanguard(2)

• Medium scale:
  Meilianmei(39), Chaoshifa(10), Tiankelong(>30), Chaoshifa(10), Huaguan(35)

• Boutique supermarket:
  BHG(9), Ole(10)

• Retailer stores
  Beijingshouhang(42), Wumart(>200), Jingkelong(159), Huarun(>100), Chaoshifa(>100)
E-commerce

- JD.com
- Tmall.com
- yhd.com
- Womai.com
Traditional Markets

- **Xinfadi Farm Produce Wholesale Market (est. 1988)**
  - Location: west of Xinfadi Qiao, Hua Xiang, Fengtai District
  - Largest agricultural product market in Beijing
  - Supply 80% vegetable and fruit, 40% Aquatic products for Beijing
  - Fixed supplier number: about 2000; fixed consumer number: > 4000

http://www.xinfadi.com.cn
Infrastructures and Logistics
Airport

• Beijing Capital International Airport (IATA: PEK, ICAO: ZBAA)

• Passenger throughput 86 million (2014)
• Cargo Throughput 1.844 million ton (2014)
Railways

Beijing is a major railway hub in China's railway network

The following eight major railways radiate out of Beijing:

- **Jingguang Railway**, to Guangzhou, Guangdong
- **Jinghu Railway**, to Shanghai
- **Jingha Railway** (includes Jingqin Railway), to Harbin, Heilongjiang
- **Jingbao Railway**, to Baotou, Inner Mongolia
- **Jingtong Railway**, to Tongliao, Inner Mongolia
- **Jingyuan Railway**, to Yuanping, Shanxi
- **Jingcheng Railway**, to Chengde, Hebei
- **Jingjiu Railway**, to Shenzhen, Guangdong and onwards to Kowloon, Hong Kong

The city also hosts a number of high speed railway lines:

- **Beijing-Tianjin Intercity Railway**, to Tianjin
- **Beijing-Shanghai High Speed Railway**, to Shanghai
- **Beijing-Shijiazhuang High Speed Railway**, to Shijiazhuang, Wuhan and Guangzhou, opening late 2012.
Railways
International trains departing from Beijing

• K3: Beijing to Ulaan Baatar (Mongolia)/Moscow (Russia)
• K5: Beijing to Hanoi (Vietnam)
• K19: Beijing to Moscow (Russia)
• K23: Beijing to Ulaan Baatar (Mongolia)
• K27: Beijing to Pyongyang (North Korea)
National Highway

The eleven China National Highway routes depart from Beijing in a spread of compass directions:

- **China National Highway 101** to Chengde and Shenyang
- **China National Highway 102** to Harbin
- **China National Highway 103** to Tanggu
- **China National Highway 104** to Fuzhou
- **China National Highway 105** to Zhuhai and Macau
- **China National Highway 106** to Guangzhou
- **China National Highway 107** to Shenzhen
- **China National Highway 108** (also known as Jingyuan Road) to Kunming
- **China National Highway 109** to Lhasa in Tibet
- **China National Highway 110** to Yinchuan
- **China National Highway 111** ending in Heilongjiang province

813 kilometres of the system lies within Beijing municipality.
Highways and Main Roads
Beijing Subway
Regulations

Food Safety

• Food Safety Law of PRC and its implementing regulations
• Import and Export Commodity Inspection Law of PRC and its implementing regulations
• Provisions of Registration and Administration on Imported Overseas Food Production Enterprises
Taxes

Regulations of the People’s Republic of China on Import and Export Duties
http://english.customs.gov.cn/Statics/d30338b4-2f6a-47ea-a008-cff20ec0a6d2.html

Import-Export Taxes and Duties in China

Taxes depends on **Product categories** and **Trade Agreement** with different countries
Thank you!