

Traditional Food Sector and Consumption in China - Main Trends

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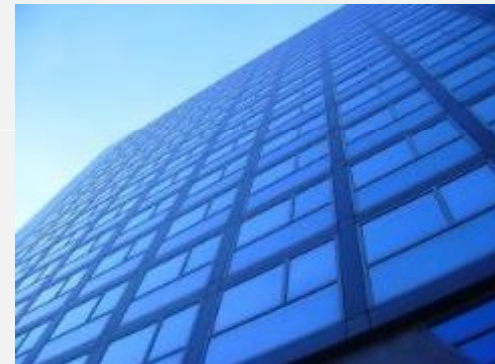


Sociedade Portuguesa de Inovação

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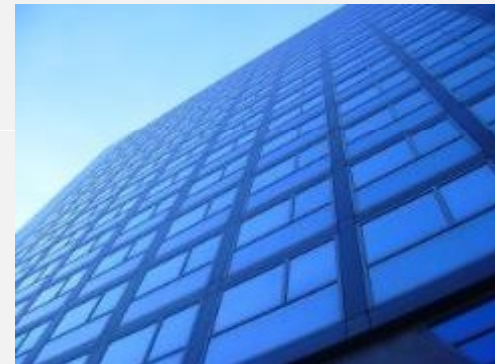
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1. Trade Overview

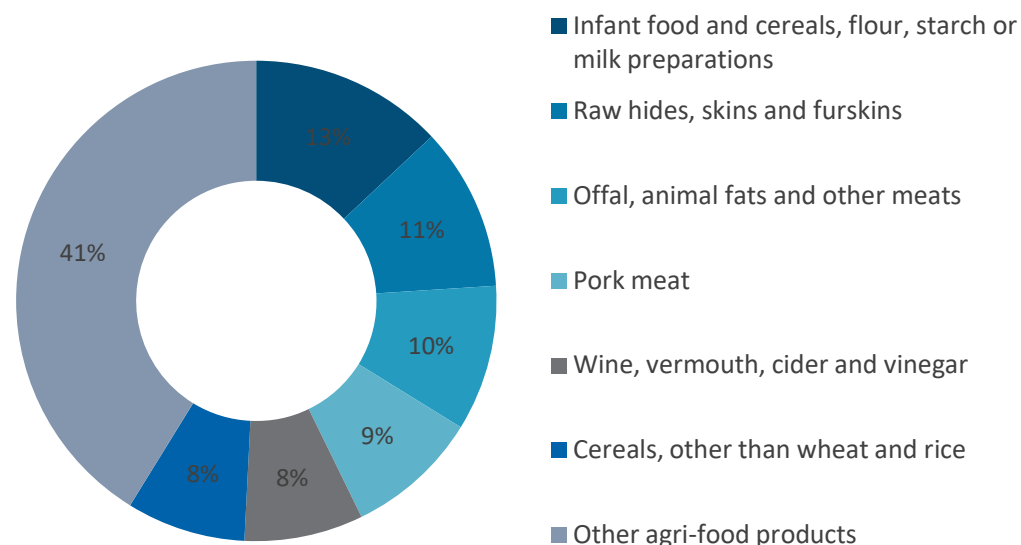
- In China, food sales have been growing steadily in the last decades. In 2014, the food industry revenues amounted to ¥12 trillion (around €1.6 trillion).
- Given the country population of 1.4 billion, coupled with an increasing demand for **quicker**, **safer** and **healthier** food, revenues relative to China's food industry are expected to continue growing in the next decade.



1. Trade Overview

- China has become the major driver of EU's agricultural exports.
- The growth rate of EU food exports to China increased 39% in 2015, surpassing the growth rate of EU food exports to the US.
- The most significant fraction of the EU agro-food exports to China consist in exports of: infant food and cereals, flour, starch or milk preparations (13%); raw hides, skins and fur skins (11%); offal, animal fats and other meats (10%); pork meat (9%); and wine, vermouth, cider and vinegar (8%).

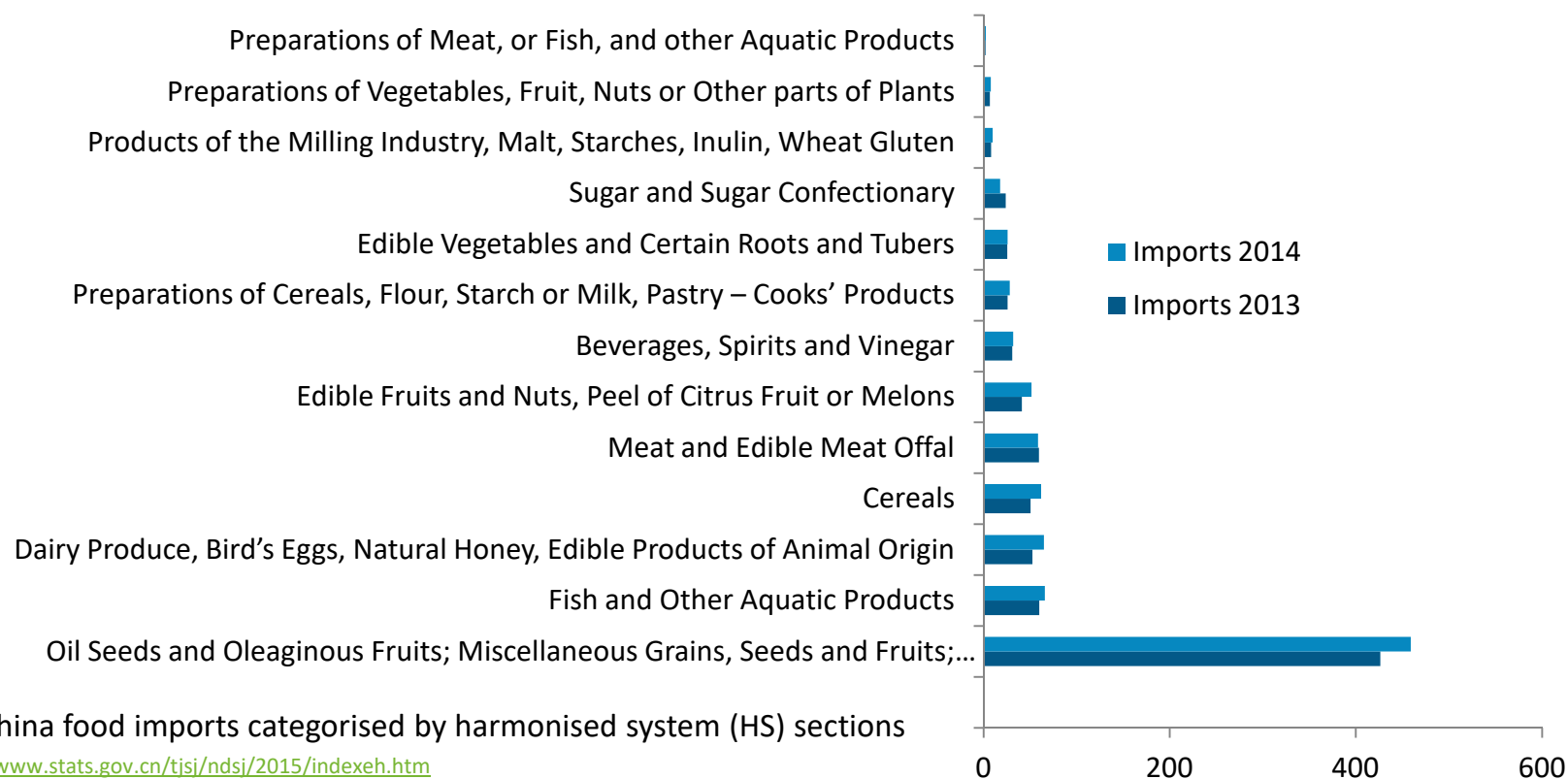
EU agro-food exports to China in 2015



Source: http://ec.europa.eu/agriculture/sites/agriculture/files/trade-analysis/map/2016-1_en.pdf

1. Trade Overview

A growing percentage of cash spent in food consumption by Chinese consumers, especially in urban areas, is dedicated to imported products and products with imported ingredients.



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2. Food of Fish

Import/export Trends

In 2015, China was the second trader of fishery and aquaculture products in the world in value, just after the EU.

Some details about the trade of fishery and aquaculture products of EU and China in 2015 are as below.



- Total extra-EU trade of **€26,81 billion** in 2015
- An increase of **6%** from 2014



- Total trade of **€25,73 billion** in 2015
- An increase of **13%** from 2014

Source: <http://www.eumofa.eu/the-eu-fish-market>

2. Food of Fish

Market Potential Barriers and Opportunities

Main Barrier – “Food Safety Law”

- It obligates importers to review relevant documents provided by their foreign suppliers (exporters and producers). All foreign food exporters and producers have to register in www.cnca.gov.cn.
- If the imported food products fall in the seven categories below, the importers are required to conduct on-site inspection of the exporters and producers.
 1. Infant formula products
 2. Food for special medical uses
 3. Health food
 4. Meat
 5. **Fresh and frozen seafood for direct consumption**
 6. Rice
 7. Bulk vegetable oil

Potential Opportunities

- With the changing lifestyles and growing income, the demand for processed and frozen fish products has gradually improved.

2. Food of Fish

Market Trend



live fish

traditional concept of fresh

limited choices

food security

hard to process



processed fish products

interests in new products

more choices

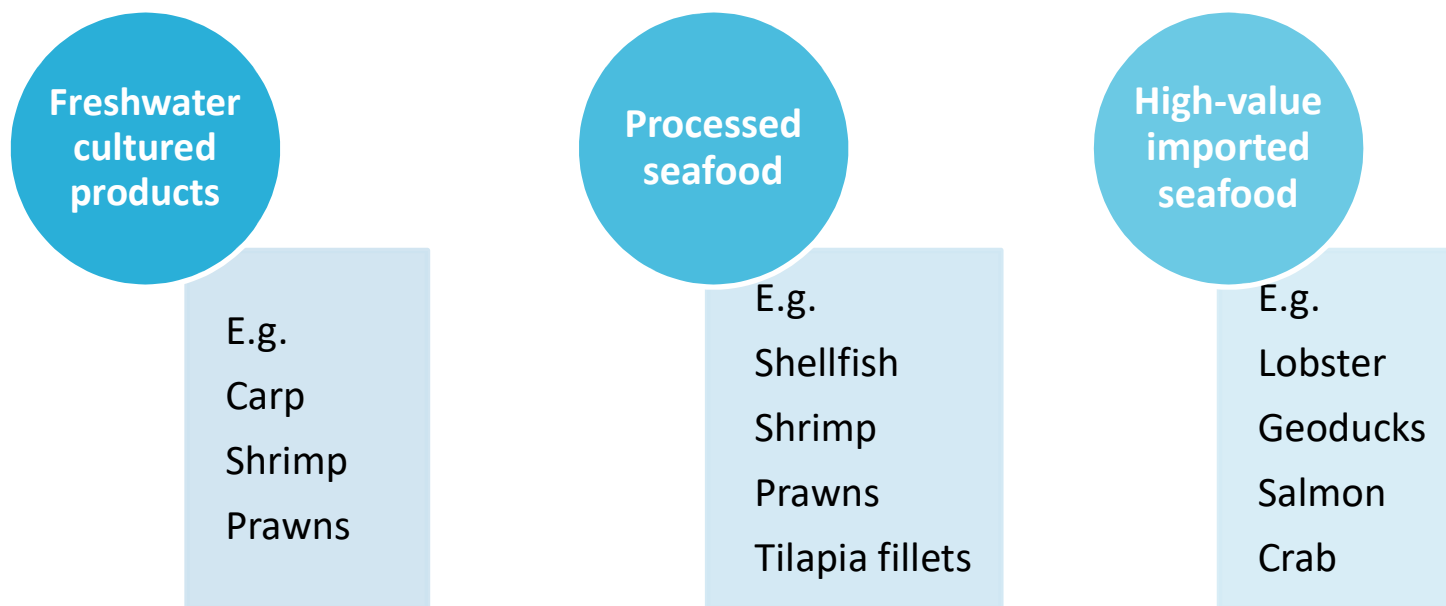
more secure

easy to cook

2. Food of Fish

Market Trend (cont.)

Some specific Chinese seafood consumption trends



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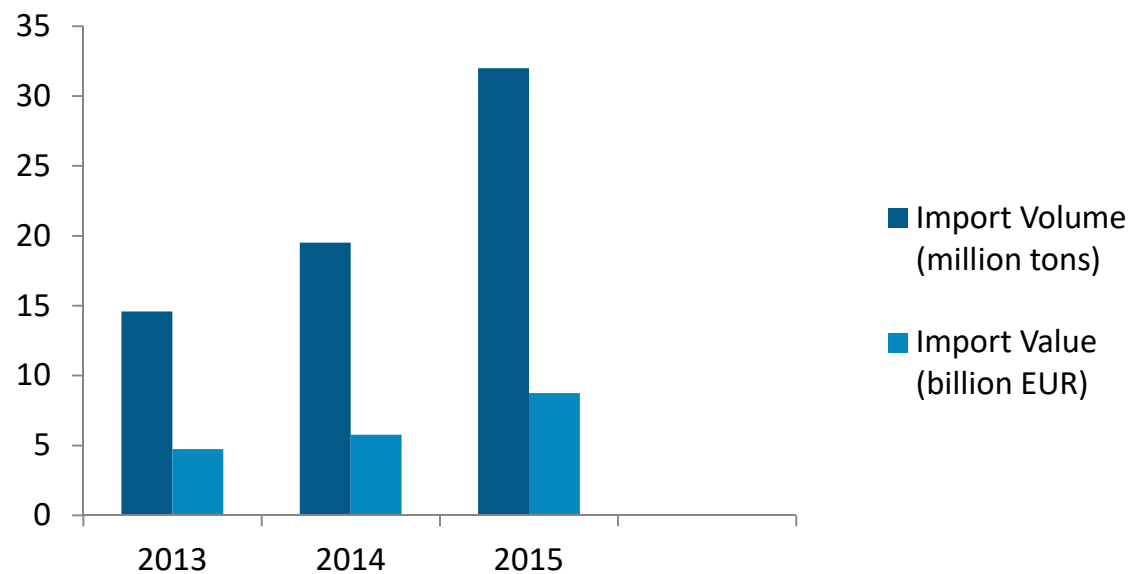
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3. Food of Grains

Import/export Trends

China is the largest grain producer and a consistent grain importer. Grain imports and exports mainly aim to adjust grain surplus and shortage as well as balancing the category of grain products for a balanced supply and demand.



China's Import of Grains

Source: <http://www.askci.com/news/chanye/2016/02/02/16410b74r.shtml>

3. Food of Grains

Market Potential Barriers and Opportunities

Main Barrier

- Among grains, rice is one of the seven categories that listed in Food Safety Law, so the importers are required to conduct on-site inspection of the exporters and producers.

Potential Opportunities

- China is now a net importer of **rice** and **wheat**, but China is still struggling to meet its domestic grain demand due to the rapid urbanization, growing middle class, increasing incomes and changing of dietary patterns.
- China's demand for **feed grains** has reached a turning point as a tightening labour supply and rising feed costs force significant structural change in China's livestock sector.
- China's demand for **organic grain** might be an opportunity, especially rice may find niche markets in China.

3. Food of Grains

Market Trend

General

- Chinese consumption of grain keeps on growing.
- Chinese consumers are more concerned with food safety and would like to choose **healthy** and **natural** food.



Fragrant long-grain rice



Black rice



Quinoa

3. Food of Grains

Market Trend (cont.)

Bakery industry

- It is expected that China's bakery market will reach to €44 billion by 2018.
- In order to meet the healthy trend, the bakery industry has been focusing on promoting more natural grain processing to make the bread, pastry and cakes contain more natural ingredients, low-sugar, low-fat, low-calorie, raw materials, natural and non-polluting.
- Foreign bakery products have been growing in China. For example, Japan, South Korea, Singapore and other countries open bakeries often.



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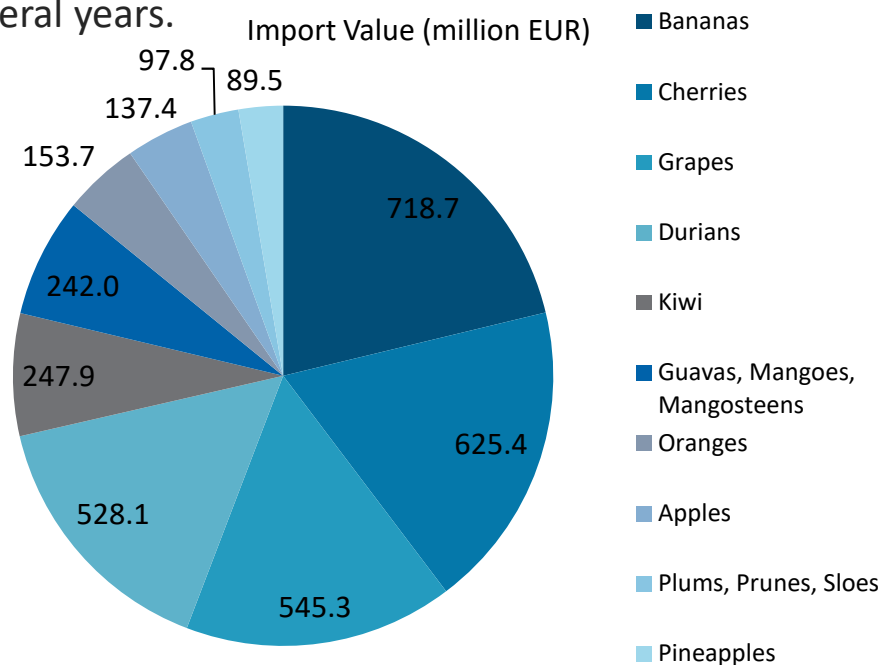
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Import/export Trends

China's imported fruit market has maintained steady growth, both in terms of total import volume as well as import value in the past several years.

- In 2014, China's import of fruit reached 3.87 million tons representing a total amount of €5.4 billion, a growth of 22.81% and 14.7% YoY respectively. From 2009 to 2014, the imported fruit has grown about 62%.

- The main suppliers of fresh fruit are Chile, New Zealand, Peru, South Africa, Australia and Thailand.



Major types of fresh fruit imported by China, 2015

Source: <http://www.pma.com/~media/pma-files/research-and-development/exporting-fresh-fruit-and-vegetables-to-china.pdf?la=en>

4. Food of Fruits and Olives

Market Potential Barriers and Opportunities

Main Barrier

- Not all fresh fruit products and countries are allowed to enter China, according to the regulation from General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ).
- As of February 2016, 39 countries were allowed to export specific categories of fruit to China.
- Allowed and disallowed product categories are reliant on both technical and political limitations, with quarantine and pest control being the major factors influencing technical admittance of imports into China.
- AQSIQ has established strict inspection regulations to safeguard domestic Chinese produce against possible pest infestation and fruit diseases. AQSIQ procedures can be slow and require large amounts of back and forth on the part of the importer/exporter.

4. Food of Fruits and Olives

Market Potential Barriers and Opportunities (cont.)

Potential Opportunities

- Chinese consumers are increasingly turning to **e-commerce** as a source for their fresh fruit demands. Online fruit sales are expected to grow by 300% year over year to meet increased demand, especially for high-end imported fruit.
- Due to the health and wellness trend, the juice market in China is well established.



4. Food of Fruits and Olives

Market Trend

- China's direct fresh fruit imports, 70% of the volume is coming from **South East Asian countries**
- Fruit gift boxes are basically one of the most common gifts in China **Online shopping platform**
- Chinese consumers have been increasingly turning to online retail and O2O platforms for their food and beverage consumption demands
- Imported fresh fruit and organic products are the key selling points for online business



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5. Food of Vegetables and Mushrooms

Import/export Trends

In 2015, both China's export and import of vegetables have been growing steadily.

- The import of vegetables reached 240 thousand tons, increasing growth of 10.30% YoY, with the total amount of €504 million.
- Among the import of vegetable products in 2015, half of imported vegetables came from **North America**, accounting for 130 thousand tons representing €186 million.
- The main imported vegetables include **preserved vegetables, canned vegetables and frozen vegetables**, which are from North America and Europe.



5. Food of Vegetables and Mushrooms

Market Potential Barriers and Opportunities

Main Barriers

- Chinese Government is aiming at boosting the domestic vegetable.
- There are strict inspection regulations for imported vegetable and mushroom products to safeguard domestic Chinese produce against possible pest infestation and diseases. The inspection procedure may be slow and long.

Potential Opportunities

- Imported organic foods are increasingly welcomed among the Chinese consumers.
- It is popular to purchase and consume western brands and products among the middle and upper income consumers in China.

5. Food of Vegetables and Mushrooms

Market Trend

- The consumption per capita for vegetable and mushroom is around 104 kg in 2014 and keeps on increasing.
- The imported vegetables in China are mainly preserved or dried vegetables now.
- Mushrooms are of good tastes and great nutritional value, leading to high prices in China.



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6. Conclusions

- **Largest imported food consuming market**

By 2018, the Association of Food Industries predicts that China will be the world's largest consumer of imported food.

- **Online retail and O2O platforms**

Chinese consumers have been increasingly turning to online retail and O2O platforms for their food and beverage consumption demands.

- **Health and Organic food market growing**

Whole grain food and organic grain have become the main selling points for Chinese consumer.

- **Not just a single market**

Apart from big cities; there are several second or third tier cities to be explored. Incomes are growing rapidly in second and third-tier cities, creating a new range of opportunities. In addition, the transportation infrastructure and end-to-end cold chain logistics continue to improve in China.

6. Conclusions

For more information, please visit the website of Trafoon,

www.trafoon.eu

Thank you!

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