Agriculture and Agri-Food Canada | Agriculture et Agroalimentaire Canada

Canada

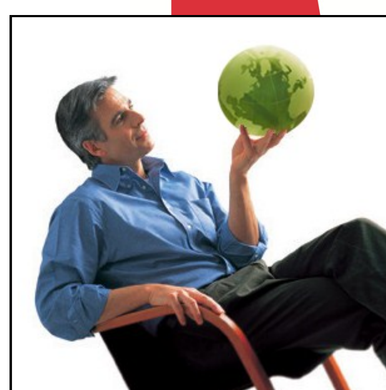
**International Markets Bureau**

**MARKET ANALYSIS REPORT | JANUARY 2013**

# Consumer and Retail Trends in China


***Source:*** *Planet Retail, 2011.*

***Source:*** *Planet Retail, 2009.*



Growing Forward

Canada

## EXECUTIVE SUMMARY

This report focuses on the grocery retail market in China, current trends that are affecting the sector, and potential opportunities for Canadian agri-food exporters.

With a large population of roughly 1.4 billion and a consumer market that continues to evolve through urbanization and rising disposable incomes, China's retail grocery market is also evolving. While traditional wet markets are still present in China, they are increasingly meeting competition from modern grocery retail formats, such as hypermarkets, supermarkets and convenience stores.

Supermarkets and hypermarkets already dominate the markets of some larger cities, and their continued expansion from major cities into smaller cities is expected to further drive competition in the grocery retail sector. Of the various retail channels, hypermarkets are expected to have the most growth potential in the Chinese market and are benefitting from consumer trends toward convenience and evolving modern and urban lifestyles. Convenience stores are also expected to grow along with consumer demand for convenience and rising disposable incomes, while Internet retailing continues to expand its presence in the market.

Chinese consumers, lifestyles and cultures are distinct throughout the country's various regions. Grocery retail formats and strategies also vary geographically. Successful grocery retailers have been able to tailor their store format and product offerings that cater to local tastes. As a result, in some markets and grocery categories, domestic companies have an advantage over foreign companies. However, both foreign and domestic companies are notable players in China's expanding grocery retail market.

As China's grocery retail market evolves, so do the consumer trends influencing food and beverage products. Current trends toward convenience, health and wellness, fresh foods and cost consciousness are all helping to determine the agri-food products available in grocery retail channels in China. Due to busier, urban lifestyles and rising disposable incomes, opportunities in packaged food sales are growing in the Chinese market. Products that address other consumer concerns, such as health and food safety, may be particularly promising.

## INSIDE THIS ISSUE



**China's grocery retail market grew**

**57.1% from 2006 to 2011**

***Source:*** *Euromonitor International, 2012*

***Source:*** *Planet Retail, 2011.*

## CONSUMER TRENDS

### *China's Consumer Market*

In 2011, China's population was roughly 1.4 billion, which is expected to grow and peak at 1.54 billion around 2040. Population growth stands at just under 1% annually, due to China's efforts to decrease it. There is also a greater proportion of males than females and, as a result, young male consumers are a key target market for food products. While there is a growing market of young graduates, China's overall population is ageing with more than 8% of the population over 65 years of age in 2010 (Planet Retail, 2012, Datamonitor, 2011).

Along with population growth, increasing disposable income and living standards, as well as an expanding economy, are all contributing to strong development in China's retail sector. The growing population is also placing pressure on the domestic food and beverage industry and increasing China's need to import more food-related products. For example, China relies on foreign countries for more than 60% of its edible oil and 70% of its soybeans (GrokChina LLC, 2010).

### *Consumer Expenditure*

Overall, consumer spending per capita was US$1,753 in 2011 and is forecast to grow an additional 51% to reach US$2,640 by 2015. Of overall expenditures, consumers spent 21% on food and non-alcoholic beverage purchases. This is more than the 15% share allocated to housing expenditure. With rising incomes, consumers are increasingly buying more grocery products as well as higher quality items.

Contrary to the situation in some other Asian countries, foreign goods are perceived as being of higher quality and value in China. As a result, the target market for imported products is higher-income consumers, with demand for high quality imports expected to grow. Furthermore, as the number of single-person households increases and young consumers wait longer to get married and have children, smaller product sizes are becoming more popular. Lower-income consumers, who might not have enough money to purchase larger quantities and tend to buy their foods fresh daily, are also demanding smaller sizes (Euromonitor International, 2012, Planet Retail, 2012).

### *Food Perceptions*

Consumers tend to shop for food frequently, with many shopping on a daily basis. There is a preference for fresh food, especially fresh produce. There are mixed perceptions of packaged food, which can be seen as inferior or lacking in freshness. While there is demand for fresh products, consumer diets have also been evolving in China, with a move toward foods that are convenient and of high quality. Demand for these types of products is expected to continue to grow in the future. Western products are often perceived as being safer and more reliable because of past food scares, such as tainted powdered milk, in the domestic market (Euromonitor International, Packaged Food Sales, 2011).

Food preparation also differs from Western cultures. Cooking at home is less common than in the west, and traditional Chinese cooking doesn't typically require an oven or grill. These appliances are often not present in households, however, urban middle class households now often have fridges and freezers (Euromonitor International, Consumer Lifestyles in China, 2012).

### *Urbanization*

According to Datamonitor, China has 31 provinces, the largest being Henan, followed by Shandong and Sichuan. There are 666 cities in China, with most major cities located within China's eastern and southern regions. Of the major cities, 11 cities have a population of more than two million, and 23 cities have a population between one and two million (2012).

Urban migration continues to expand in China. Half of China's population resided in urban areas, such as Beijing, Shanghai, Guangzhou, Tianjin and Chongqing, in 2011. This growing urbanization is leading to a greater concentration of urban consumers, who live busier lifestyles and earn high incomes. These urban consumers are increasing demand for imported food products that are convenient and quick, such as ready-meals, and are a key target market for imports. This has also led to strong growth in China's second-tier, smaller cities, boosting demand and retail development in these regions. Second-tier cities can particularly be found along the Yangtze River corridor (IGD, 2010).

### *Convenience*

Urbanization, smaller households, rising incomes, and growing economic independence among women, are driving a growing demand for convenience products, particularly in large, tier-one cities. Supermarkets are the most significant distribution channel for meal solutions in China, as they are more convenient than hypermarkets, and have more frozen and chilled storage than smaller grocery channels (Euromonitor International, Packaged Food Sales, 2011). Convenience stores, particularly chains that have a wide product offering, can also provide a channel for this type of product. For example, Tesco has launched a convenience chain format in Shanghai called Express, which has a fresh focus. However, domestic convenience stores often have a limited product offering (IGD, 2010).

Chilled ready-meals are particularly popular, and can be found in many convenience stores, while delicatessen chains and semi-prepared foods are also doing well. However, canned/preserved fish and seafood registered the highest value growth of meal solutions (15%) in 2011. This product category has benefitted from the increasing presence of Western-style media using canned fish products, such as tuna salads, casseroles and sandwiches. Rising consumer prices did impact meal solutions in 2011; however, the average price growth of 5% in 2011 was less than overall food inflation, due to strong competition in this category (Euromonitor International, Packaged Food Sales, 2011).

The growing number of foodservice chains also provides opportunities for manufacturers of meal solutions. Overall meal solution value sales increased by 12.2% from 2010 to 2011, with the chilled processed food category leading growth with a 14.4% increase. Soup, with sales value growth of 13.3% and frozen processed food with growth of 12.6%, also performed well from 2010 to 2011. In the future, meal solutions are predicted to see continued sales value growth, with a compound annual growth rate (CAGR) of 9.1% from 2011 to 2016. Chilled processed food will continue to lead growth with a CAGR of 12.4%, followed by soup (10.4%), and frozen processed food with (9.9%) (Euromonitor International, Packaged Food Sales, 2011).

Among China's younger generations, the demand for snacks has grown, with a preference for Western-style snacks such as potato chips, snack bars and cookies. Jelly is another popular snack product. However, the health and wellness trend is also affecting this category, leading to the development of healthier snack offerings (Euromonitor International, Consumer Lifestyles in China, 2012). The trend toward convenience is expected to progress within the Chinese market, as consumer demographics supporting these products develop further.

**Market Value Growth (CAGR) of Health and Wellness Claims in China**

| | 2005-2010 | 2010-2015 |
|---|---|---|
| **Health and wellness** | **13.5%** | **10.7%** |
| Better-for-you | 12.8% | 12.1% |
| Food intolerance | 18.1% | 14.7% |
| Fortified/functional | 17.3% | 12.3% |
| Naturally healthy | 12.8% | 11.1% |
| Organic | 34.7% | 20.1% |

***Source:*** *Euromonitor International, 2012.*

## CONSUMER TRENDS (continued)

### *Health and Wellness*

As living standards improve, consumers are increasingly concerned with living healthy, high-quality lifestyles. Diet-related health problems, food scares and safety concerns have further fuelled the health and wellness trend in China. Consumers are increasingly interested in products that are nutritious, contain healthier ingredients and functions, and support a balanced diet. This trend is evident in a number of retail food categories, including confectionery (such as dark chocolate), dairy products (which are natural and without additives), sauces (with healthier or reduced ingredients), and snacks. Manufacturers are also working to increase overall product quality to address food safety concerns.

While there is growing demand for organic packaged food and beverages among middle-income consumers, organic foods are still too expensive for most consumers and there is scepticism about their validity. Organic packaged food value sales increased by 21% in 2010 and organic beverage sales increased in value by 30%.

China has the largest diabetic population in the world. This has resulted in an increasing demand for diabetic food products, which are, in turn, expected to lead the food intolerance category in China.

New launches of health and wellness product have been particularly prominent in China, especially better-for-you and fortified/functional products. From 2005 to 2010, health and wellness value sales increased by 88.6%, with a CAGR of 13.5% (Euromonitor International, Packaged Food Sales, 2011, Health and Wellness in China, 2011).

### *Fresh Foods*

With strong demand for fresh products among consumers, hypermarkets have been changing how they source fresh foods, and are increasingly sourcing directly from farmers. While recently-established national standards for cold chain distribution are improving efficient distribution, further adoption will allow for increased food safety and quality, and provide further opportunities for the mass distribution of fresh food in China (Euromonitor International, Fresh Food in China, 2011). While supermarkets are growing in prominence in China, the quality of fresh produce is typically poorer in these channels due to long transportation distances. Older consumers in particular still prefer purchasing their fresh food from traditional markets (Euromonitor International, Consumer Lifestyles in China, 2012).

Chinese food therapy, or healing by consuming specific amounts and combinations of foods, is popular in China and also fuels demand among consumers for food products that they believe will benefit their health. Some food products often used in food therapy include: mung bean, eggplant, yam, and corn. This trend is expected to spur demand for commonly used fruits and vegetables, but not necessarily imported food products which are still fairly new to the market.

From 2005 to 2010, fresh food sales experienced volume growth of 13%, with a CAGR of 2.5%. Fish and seafood grew by 20.7%, while meat sales increased 18.3%. In the future, fresh food volume sales are expected to continue to grow at a CAGR of 2.3% from 2010 to 2015, representing total growth of 12.1%. The fastest growing categories are expected to be fish and seafood, meat, nuts, and starchy roots (Euromonitor International, Fresh Food in China, 2011).

## CONSUMER TRENDS (continued)

### *Private Label Products*

Private labels have a notable presence in China's retail sector and can be found in hypermarket, supermarket and convenience store chains. Many private labels carry the same name as the retailer, and are popular among price-sensitive consumers. However, perhaps due to this lower-price focus, consumers have the perception that these products are of an average or lower quality. As a result, these products can face considerable challenges when competing against trusted brands. However, as large retailers build trust among Chinese consumers, their private label products are beginning to see success and gain broader acceptance in the market (Euromonitor International, Retailing in China, 2011, Consumer Lifestyles in China, 2012).

Several examples of new private label product launches in China in the past year are provided below.


**Milk flavoured biscuits**
**Category:** Bakery
**Company:** Tesco
**Private label:** Tesco Value
**Pack Size:** 1 kg
**Price:** US $1.64
**Launch Type:** New product


**Nutritional oatmeal**
**Category:** Hot beverages
**Company:** Dia
**Private label:** Dia
**Pack Size:** 600 g
**Price:** Unknown
**Launch Type:** New product


**Cheese and tomato pizza**
**Category:** Meals and meal centres
**Company:** Tesco
**Private label:** Tesco Value
**Pack Size:** 268 g
**Price:** US$4.42
**Launch Type:** New product


**Potato chips**
**Category:** Snacks
**Company:** Aeon
**Private label:** Topvalu
**Pack Size:** 110 g
**Price:** Unknown
**Launch Type:** New product

**Lemonade**
**Category:** Carbonated soft drinks
**Company:** Tesco
**Private label:** Tesco
**Pack Size:** 600 ml
**Price:** US$0.41
**Launch Type:** New variety/ range extension

***Source for all:*** *Mintel, 2012.*

## CONSUMER TASTES AND PREFERENCES BY REGION

Chinese consumer tastes vary across the country's regions, each of which have their own rich, cultural heritage, and unique tastes and dishes. For example, while consumers in the north of China include significant amounts of wheat in their diet, those in the south eat more rice, and consumers in mid-China prefer rice noodles. Coastal consumers prefer seafood cuisine, particularly in the south, while consumers in the interior of the country prefer red meat (Euromonitor International, Consumer Lifestyles in China, 2012).

China has seen an increase in demand for convenient packaged goods, especially baby food. Nationwide trends, such as health and wellness and concern for food safety, have increased consumer demand for trusted brand-name products, as well as new domestic and imported food products. These trends are most influential in major, tier-one cities, such as Shanghai, Ningbo, and Beijing, but are also gaining in influence in the growing smaller cities, such as Xi'an, Chengdu, and Suzhou. Increasing brand awareness and exposure to Western lifestyles and international cuisine in these cities is also increasing demand for imported and higher quality products (Euromonitor International, Packaged Food Sales, 2011).

Consumers in rural areas tend to have lower income levels and focus their food purchases on essential items, while urban consumers have higher income levels and a greater ability to purchase imported food. However, the income gap between urban and rural consumers has been decreasing and is expected to narrow even more in the future (Euromonitor International, Packaged Food Sales, 2011). Rural consumers also have less access to refrigeration and, as a result, prefer non-perishable food. As a result of China's large geography and complex consumer market, the retail sector is fragmented throughout the country. However, the government is focused on developing smaller, second-tier cities, which are largely unaffected by chain and big box retail stores, and represent a significant market that has been largely untouched by Western products. This represents a shift away from the traditional key markets in China along the Eastern coast (IGD, 2010).

### *East China*

East China is the most developed region of China, with a higher standard of living and city populations comprised of white-collar workers and expatriates. The strong purchasing power of these consumers, combined with their concern for food safety and exposure to Western lifestyles, provides opportunity in the market for high-end and branded products. International supermarkets and hypermarkets have a strong presence in this market and tend to be the top shopping choice for consumers.

Chilled processed food is predicted to experience strong growth in the future in East China, while ready-meals have seen notable growth in the region, and represents a category opportunity. Packaged food sales in large cities, such as Shanghai, Ningbo and Qingdao, are dominated by well-known international brands. This has lead domestic manufacturers to focus on penetrating lower-tier, smaller cities, such as Nanjing and Suzhou, and Linyi. (Euromonitor International, Packaged Food Sales, 2011).

### *Mid-China*

Rising disposable incomes and living standards in this region are driving similar trends in health and wellness, as well as food safety and quality concerns. Obesity is also an increasing concern. Consumers prefer strong tastes and spicy food, which are believed to help with the rheumatic problems that can result from the region's wet climate. While sales of packaged food did increase value in Mid-China in 2011, there was a decrease in manufacturer profit margins. Mid-China is also expected to have increased demand for some packaged food categories, such as baby formula and ice cream, while lower-end products are expected to diminish on store shelves in large cities (Euromonitor International, Packaged Food Sales, 2011).

## CONSUMER TASTES AND PREFERENCES BY REGION (continued)

### *North and Northeast China*

As one of the most affluent regions in China, consumers in North and Northeast China have seen increasing purchasing power compared to average consumers in the country and, for this reason, presents a particularly opportune market for packaged food. This region includes Beijing, and a number of well-developed provinces, including Liaoning, Jilin and Heilongjiang, as well as second-tier cities in Northeast China, such as Dalian and Harbin. International players are quite prominent in this region, offering high-quality products that target different consumer segments, such as Kraft's Pacific Biscuits, Prince Cookies, and ChipsAhoy!. However, domestic players benefit from advantages in categories such as dairy and sauce/dressing/condiment products that cater to local tastes, and from their shorter shipping distances for fresh products. Specific consumer tastes also exist in this region, such as the preference for denser spoonable yogurt preferred over yogurt beverages.

This region is expected to provide growing opportunities for packaged food sales in the future, outperforming overall packaged food sales in China. Premium packaged food lines are expected to be particularly desirable among consumers, especially high quality baby products. (Euromonitor International, Packaged Food Sales, 2011; Planet Retail, Country Report: China, 2010).

### *Northwest China*

The city of Xi'an, which is the economic and cultural hub of Northwest China and a key tourist destination. Tourism has led to significant economic growth in Xi'an and the surrounding area, and resulted in changes in consumer behaviour and eating patterns, such as increased consumption of packaged food in both retail and foodservice channels. This region also contains the majority of China's 20 million Muslim population. As a result, meat products such as mutton, lamb and beef are prominent, while pork products are rare. Halal products are also in demand in this region, including packaged food. Local companies often have an advantage in the popular Halal market, and an international halal food industrial park in the region is underway.

Lower disposable incomes compared with more developed consumer regions, such as in North and Northeast China, will fuel demand for less-expensive food products and thus a lower growth in the value of packaged food sales. However, consumers are expected to be willing to spend on quality baby food products, many of which contain imported raw ingredients, and are predicted to have a CAGR of 14% over the next five years. Interest in new cuisine experiences has driven demand for condiments, herbs and spices and value sales of sauces, dressings and condiments are expected to grow, albeit at a minimal rate.

Local brands with strong consumer loyalty, such as Yinquia's dairy and baby food products, have done well in this region, while national and local brands have also done well in the oils and fats category.  However, domestic companies without solid distribution networks and brand awareness can find it difficult to compete with multinational players in Northwest China.  (Euromonitor International, Packaged Food Sales, 2011).

## CONSUMER TASTES AND PREFERENCES BY REGION (continued)

### *South China*

Living standards have improved for consumers in South China, which has increased demand for high quality food products. Higher disposable incomes and concerns about health and food safety in this region are expected to result in particularly strong growth in healthy and natural food products. Consumers here are willing to pay more for trusted brands and healthy food products. Despite health concerns, sweet products also remain popular in this region and are widely available in the market, including at dessert shops that offer traditional Chinese desserts. Within South China, developed cities with a high concentration of purchasing power include Guangzhou, Shenzhen, and Xiamen. In these types of markets, foreign brands of premium quality can have an advantage over domestic companies.

Additionally, the higher birth rate, due to more families in this region having more than one child, is expected to continue to drive strong baby food sales and rapid growth over the next five years. Due to food safety concerns, packaged food companies are expected to focus more on food quality and branding, as opposed to price competition (Euromonitor International, Packaged Food Sales, 2011).

### *Southwest China*

Major brands are facing trust concerns from consumers in this region, and food safety is an area of concern, particularly in developed cities, such as Chengdu and Kunming. Consumers in this region also place importance on their food and taste experiences, enjoying snacking and preferring heavy tasting, spicy foods. Due to these consumer preferences, conveniently packaged food products with spicy sauces can be particularly popular. Also, among packaged food, baby food grew the fastest in Southwest China in 2011. In fact, baby food, particularly mid- and high-end infant milk, and chilled processed foods are predicted to be the most dynamic categories in this region. Milk formulas for pregnant women are also expected to present an area of opportunity. (Euromonitor International, Packaged Food Sales, 2011, Grocery Retailers in China, 2011).

Chengdu is the most prosperous and affluent city in Southwest China, the capital city of Sichuan Province, and an emerging city in China with high living standards. The city of Kunming is another emerging market in Southwest China, and is the largest city and capital of Yunnan province. The mild climate of Kunming makes it a popular area for both tourists and expatriates. Increasing prosperity in major cities in the region has led to an increase in imported brands and international retailers. For example, the retail sector in Kunming has become increasingly competitive as both foreign and local retailers grow their presence in the market. Hypermarkets in the city include Carrefour, Wal-Mart, PARKnSHOP, and Metro, while Parkson, Wang Fu Jing, and Gingko are major supermarkets/department stores, and Zhijia is a well-known convenience store chain. (Euromonitor International, Packaged Food Sales, 2011, Grocery Retailers in China, 2011; USDA Foreign Agricultural Service, Chengdu, Kunming, 2012).

## GROCERY RETAIL FORMATS

China's retail sector is expected to continue to expand, with strong competition from both domestic and international retailers and the growth of modern grocery retail formats. According to IGD, by the end of 2011, China's grocery sector surpassed that of the United States (U.S.) to become the largest food and grocery retail market in the world. Dynamic economic growth, combined with a growing population and rising food inflation, have been key drivers of the expansion of China's grocery sector, and IGD forecasts that China's grocery market will triple in value between 2006 and 2015 (BBC, 2012).

Modern grocery retail formats, such as supermarkets and hypermarkets, already dominate the market and represented 62% of all sales, and 13% value growth in 2011. Infrastructure development in larger cities has increased the ease of distribution and communication in China. However, despite developments, car ownership remains low in China, which results in more frequent shopping trips as consumers either walk, bike or take courtesy buses to stores.

With a consumer population that is largely price-sensitive, low price is a key competitive factor in the grocery retail sector, particularly for formats such as hypermarkets and supermarkets. However, as the consumer market develops and urbanization continues to expand, higher disposable incomes are creating a growing demand for premium products. This has resulted in retailers beginning to focus on premium grocery retailing, such as high-end supermarkets (Euromonitor International, Grocery Retailers in China, 2011).

China's large and increasingly wealthy consumer population has also gained the attention of international retailers who have focused on expansion plans in urban areas of supermarket and hypermarket chains, as well as convenience stores. However, there has also been a focus on the opportunities presented by less saturated, smaller cities in China, as well as China's high-end, premium market opportunities. The top 10 grocery retailers in the market are comprised equally of domestic and international players. However, international players face challenges in the market relating to their ability to cater to evolving local consumer needs (Euromonitor International, Grocery Retailers in China, 2011).

While international retailers are focusing on building their chains/brands in the country, domestic retailers have also been consolidating and growing in size to emerge as local chains. Some domestic retail operators in China include the Shanghai Brilliance Group, as well as NGS and Lotus (IGD, 2010). In 2011, it was China Resources Enterprise that led fragmented grocery retailing. The company focuses on modern retail grocery formats such as supermarkets, hypermarkets and convenience stores, and has two leading brands, CR Vanguard and CR Sugo. A merger of Auchan China and RT Mart in 2011 formed Sun Art Retail Group, which is the second largest grocery retailer in the market (Euromonitor International, Grocery Retailers in China, 2011, Planet Retail: Country Report: China, 2010).

**China's Grocery Retail Market Size by Value (Historic) in US$ Billions (Historic and Forecast)**

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Growth 2006-2011* | 2012 | 2013 | 2014 | 2015 | 2016 | Growth 2011-2016** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 321.0 | 353.8 | 392.6 | 418.8 | 459.7 | 504.4 | 57.1% | 539.8 | 577.9 | 618.3 | 661.3 | 707.2 | 40.2% |

***Source:*** *Euromonitor International, 2012*
**Fixed 2011 exchange rates, current prices*
***Constant 2011 prices*

China's grocery retail market was valued at US$504.4 billion in 2011 (current prices at fixed 2011 exchange rates), representing growth of 9.7% from 2010 to 2011. Sales grew by 57.1% from 2006 to 2011, representing a CAGR of 9.5% over the same period. The grocery retail market is expected to reach a value of US$539.8 billion in 2012 and US$707.2 billion by 2016. This represents expected growth of 40.2% from 2011 to 2016 and a CAGR of 7% (Euromonitor International, Retailing - Market Sizes – China, 2012).

## GROCERY RETAIL FORMATS (continued)

### *Store Formats*

China's grocery retail landscape is evolving quickly, as larger store formats and chains become more popular and traditional retail formats, such as wet markets, become less prominent. Hypermarkets are becoming the main growth format in China's grocery retail sector, due to the lower prices that they can offer to consumers. As informal, traditional markets are increasingly overtaken by the expansion of chained supermarkets and hypermarkets, the penetration of these modern retail formats into more rural areas and smaller cities is also expected to increase. Urbanization has also increased the economies of smaller cities, and both domestic and international retailers have penetrated these markets further. With increasing competitiveness in the supermarket channel, retailers are focusing future expansion on hypermarkets, discount stores and convenience stores (IGD, 2010).

### *Wet/Traditional Markets*

While these retail formats face increasing competition from modern grocery retailers, they continue to remain a key part of China's retail environment, particularly outside of main cities. Wet markets focus on providing fresh, high-quality produce, meat and fish, and can offer good prices. While consumers are frequenting supermarkets more often, they continue visit wet markets to supplement supermarket purchases (IGD, 2010). According to Euromonitor International, traditional grocery retailers are forecast to have minimal growth in the future, with a sales value CAGR of 2.7% from 2011 to 2016 (Grocery Retailers in China, 2011).

### *Supermarkets*

Supermarkets are the largest grocery retail channel in terms of value, accounting for nearly half (46%) of sales in 2011 (Euromonitor International, Grocery Retailers in China, 2011). Consumers typically shop at these stores for their daily shopping needs, purchasing non-perishable, frozen and chilled products. In an effort to replace traditional wet markets with supermarkets, some big cities are encouraging the development of "fresh supermarkets," which dedicate a minimum of half their sales area to fresh food products. However, leading supermarket chains also offer a wide range of products to consumers from shelf-stable products, to dairy and meat, fresh produce, and live produce.

Premium supermarkets are cropping up in large cities and cater to wealthy consumers looking for quality products. Imported products feature prominently in these supermarkets, with imports typically accounting for a majority (50-70%) of all SKUs (Planet Retail, 2010). China Resources Enterprise was one of the first to enter the premium supermarket category, with a high-end chain of Olé supermarkets. Taste, another high-end supermarket brand from PARKnSHOP entered the Chinese market in 2010 (Euromonitor International, Grocery Retailers in China, 2011).

While supermarkets are widely available and the dominant retail format in small and medium cities, they are facing competition from hypermarkets, particularly in larger cities. Generally, supermarkets are at a lower product standard and are not as modern as their competing hypermarkets, and can have varying quality standards from region to region and among different operators. The rise of convenience stores is providing further competition for supermarkets. Domestic players tend to dominate the supermarket sector and there have been large expansion plans for the sector throughout the country, while foreign players are largely only present in Hong Kong and have been focusing their efforts more on expanding the hypermarket sector.

With roughly 2,000 supermarkets, China Resources Enterprise has the largest supermarket chain within China. The majority of these supermarkets are located within South and East China; however, the acquisition of local retailer Suguo from East China in 2004 also increased market presence in this region. Other key supermarkets and neighbourhood stores include: Lianhua, Shanghai Nonggongshang, Wu-Mart, and Chongqing Shangshe. Of premium supermarkets, key local retail players are China Resources Enterprise, Lianhua, and Beijing Hualian. These companies already have a store presence in large cities, with expansion plans for smaller cities in the future (Planet Retail, Country Report: China, 2010). In the future, supermarkets are forecast to experience a sales value CAGR of 8.5% from 2011 to 2016 (Euromonitor International, Grocery Retailers in China, 2011, Planet Retail: Country Report: China, 2010).

## GROCERY RETAIL FORMATS (continued)

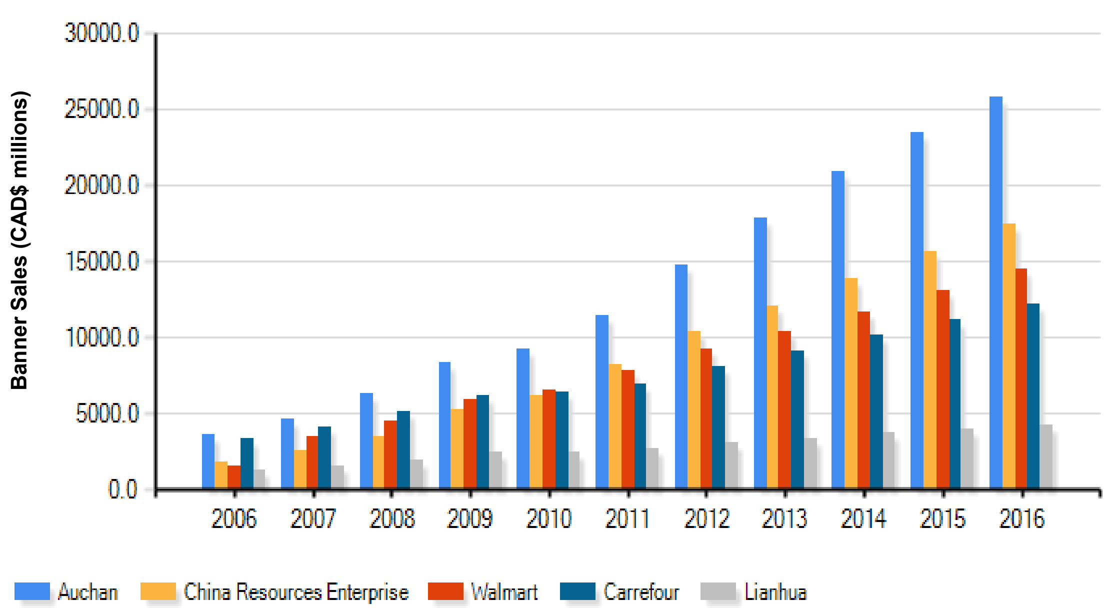
### *Hypermarkets*

Hypermarkets are seen as having the most growth potential in the Chinese market for both domestic retailers and foreign operators, and experienced sales growth of 15% in 2011. Consistent with their traditional shopping habits, Chinese consumers tend to shop frequently at hypermarkets, approximately three times a week, and purchase a few items at a time. Some hypermarkets also offer home delivery service or free shuttle buses to customers to encourage those without cars to make larger purchases. Hypermarkets located in city centres often cover a number of floors, with food items typically located on the ground floor level. Grocery sales at hypermarkets have been increasing, from 59% of total grocery sales in 2008, to 60% in 2011. Key players in the hypermarket (and superstore) format include: Auchan, China Resources Enterprise, Walmart, Carrefour, and Lianhua (Euromonitor International, Grocery Retailers in China, 2011, Planet Retail: Country Report: China, 2010).

Food items at hypermarkets are typically of a high quality, with a focus placed on offering fresh fruits and vegetables to consumers, as well as various service counters and live produce such as fish, turtles and snakes. By offering an array of fresh and live produce to consumers, hypermarkets are striving to compete against wet markets (IGD, 2010). Department stores can also offer food products, on a basement level for example, and can be particularly popular in large cities. These formats are evolving to compete, transitioning to become like small hypermarkets that offer fresh fruits and vegetables, as well as meat and other product offerings. (Planet Retail, Country Report: China, 2010).

Despite competition, hypermarkets are expected to continue to benefit from the convenience trend, as shoppers buy groceries less frequently at local markets and make weekly shopping trips to hypermarkets. Hypermarkets, along with convenience stores, are forecast to experience double-digit CAGRs from 2011 to 2016. A sales value CAGR of 11.6% is predicted for hypermarkets from 2011 to 2016 (Euromonitor International, Grocery Retailers in China, 2011).

**China's Hypermarket and Superstore Leaders**




***Source:*** *Planet Retail, 2012*

## GROCERY RETAIL FORMATS (continued)

Hypermarkets are a dynamic category in China, with different players each focusing on various growth strategies for the market.

- Both domestic and international retailers are interested in expanding hypermarkets, with players from both Europe and Asia testing the market. Domestic retailers are growing their hypermarket presence by moving from congested major cities to smaller cities where penetration is not as strong. Many local companies in small cities are also setting up their own small hypermarket chains.
- Carrefour, which is one of most successful foreign operators due to their ability to cater to local tastes, is increasing its presence in big cities such as Beijing, Shanghai, Guangzhou and Shenzhen. However, it is also expanding into medium-size cities located along the coast of China, as well as wealthy cities located in the interior and West China.
- Wal-Mart is focusing efforts on Southern China and second-tier cities such as Dalian and Harbin located in Northeast China. It is also slowly expanding its presence in more competitive markets such as Shanghai and Beijing. Wal-Mart has also acquired the Trust-Mart chain of 101 stores, which is a leading hypermarket operator and has a strong presence in South and East China.
- RT-Mart, a new leader in this channel, has been focusing on providing a large merchandise selection and low prices to consumers in smaller second- and third-tier cities (Euromonitor International, Grocery Retailers in China, 2011, Planet Retail: Country Report: China, 2010).

### *Discount Stores*

Discount stores are not yet a significant channel in China and have only a limited presence in large cities. However, they are expected to grow noticeably in the future, with a number of large retail players expected to establish discount chains. However, the large growth in discounters is due in part to the small base that currently exists (Euromonitor International, Fresh Food – China, 2011). Current challenges facing discount stores in the Chinese market are the already low prices of products in supermarkets that also offer a similar range of products. However, discount stores are often also less aesthetically designed and have lesser-known private label products. Regardless of these challenges, growth in discount stores will likely result in increased competition in the supermarket sector. Major players in China's discount store market include Shanghai Nonggongshang, Dia, Carrefour, and Walmart. According to Euromonitor International, discounters are predicted to experience a sales value CAGR of 8.9% from 2011 to 2016 (Grocery Retailers in China, 2011).

Cash and Carry (CandC) and warehouse clubs are also present in China's market, but are still an emerging format. These channels are not price competitive with hypermarkets and are often visited by consumers who find them to be a convenient variation on the hypermarket. The most successful warehouse club in the market is likely the Wal-Mart-owned Sam's Club, which caters to wealthy consumers and has been popular in large cities, but still has a limited presence in the market. Major CandC and wholesale club stores in China include: Metro Group, Walmart, and Shanghai Nonggongshang (Euromonitor International, Grocery Retailers in China, 2011, Planet Retail, Country Report: China, 2010).

### *Convenience Stores*

These formats are particularly popular among younger consumers, who are not particularly price sensitive, and appreciate convenient hours and store locations. Convenience stores are playing an increasingly important role in the Chinese market and have benefitted from the growing consumer trend for convenience. However, early rapid growth of these formats has resulted in slower growth recently, with only a small increase in convenience store locations in the past five years. There has also been a decrease of these formats in large cities, such as Shanghai and Guangzhou, where they have reached market saturation.

However, while companies continue to plan market expansion in major cities, they are also targeting smaller cities in East and South China, as this retail format is still underdeveloped throughout the country. Convenience stores located on petrol forecourts are also expected to grow in importance as car ownership increases among consumers. As a modern grocery format in the market, the convenience store channel is expected to drive growth for the future, with a CAGR of 11.2% from 2011 to 2016 (Euromonitor International, Grocery Retailers in China, 2011).

## GROCERY RETAIL FORMATS (continued)

While domestic players dominate the convenience store channel in China, a growing number of foreign players are also increasing their presence (IGD Retail Analysis and Planet Retail). While 7-Eleven is the largest foreign player, FamilyMart is the fastest growing. Kedi and Alldays are domestic players in the market, with Alldays offering chilled ready-meals. Despite high market saturation in large cities, key players such as Lianhua Quik stores and 7-Eleven are continuing with expansion plans. Within Southwest China, chained convenience stores have been a growing retail channel, with the 7-Eleven chain opening in Chengdu (Planet Retail, Country Report: China, 2010; Euromonitor International, Retailing in China, 2011).

### *Internet Retailing*

While Internet retailing has been expanding in China, bricks-and-mortar retail formats are expected to remain popular in the grocery retail sector, as consumers continue to rely on these channels for fresh produce. Older consumers will also continue to rely on store-based retail formats. However, while Internet packaged food value sales were minimal (0.2% of total Internet retail sales in 2011), they grew considerably in both 2010 and 2011. Of Internet packaged food sales, baby food was the most popular. In the future, Internet packaged food sales are expected to continue growing due to competitive prices and the convenience of Internet shopping. Leading grocery retailers in the market also have online shopping platforms. According to the United States Department of Agriculture's (USDA) Foreign Agricultural Service, key online retail websites in the Chinese market include: YiHaoDian.com, 360buy.com, Dangdang.com, Amazon.cn, YesMyWine.com (Ye Mai Jiu), and YiGuo.com (Efruit) (2011).

China has the world's largest Internet population and, as of June 2011, roughly 36% of China's population was online, which represents 485 million users. The Internet is expected to see the fastest growth among East China's population. The online market generally sells high-end food and beverages, targeting high-income consumers and white-collar workers who are well educated. China's online grocery market is seen as being a potential high-growth market and having a fairly high market value overall. From 2009 to 2014, China's online grocery sales value is expected to record a CAGR of 25.8% (Euromonitor International, Packaged Food sales, 2011, Retailing in China, 2011; Datamonitor, 2010, USDA Foreign Agricultural Service, Overview of China's Online Shopping Market, 2011, GrokChina LLC, 2010).

**Retail Format Banner Sales for Edible Grocery by Channel Type* in China – US$ (Historic and Forecast)**

| Channel | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Hypermarkets and superstores | 36,010,009,595 | 43,218,938,923 | 49,780,119,135 | 56,410,919,126 | 62,833,971,917 |
| Supermarkets and neighbourhood stores | 12,245,941,285 | 13,510,059,224 | 14,623,388,275 | 15,740,297,339 | 16,881,621,842 |
| Convenience and forecourt stores | 2,979,803,003 | 3,452,255,130 | 3,866,967,457 | 4,393,899,244 | 4,987,835,321 |
| Department and variety stores | 2,213,208,101 | 2,585,145,017 | 2,961,304,132 | 3,365,703,120 | 3,787,055,189 |
| E-commerce | 175,822,881 | 394,812,462 | 656,638,856 | 983,824,876 | 1,311,014,039 |
| Discount stores | 462,861,164 | 542,460,124 | 615,662,814 | 677,123,995 | 725,466,534 |
| Cash and carries and wholesale clubs | 187,964,025 | 245,512,962 | 333,845,718 | 416,533,531 | 505,480,203 |
| Other grocery formats | 34,865,439 | 54,202,264 | 76,041,148 | 98,490,625 | 121,882,862 |
| Catering | 87,245,504 | 85,321,498 | 87,392,911 | 90,437,462 | 94,860,004 |

***Source:*** *Planet Retail, 2012.*
**See Appendix A on pages 25-28 for a breakdown of the top modern grocery retail sales by retail format and banner.*

## GROCERY RETAIL FORMATS (continued)

### *Location and Market Strategies*

Supermarkets remain the dominant retail format in small and medium cities. While hypermarkets are the dominant retail format in major cities, they are not widely present elsewhere in the country. In China, hypermarkets are primarily found in city centres, which is different than in Europe and the U.S., where hypermarkets tend to be located on the outskirts of cities. The widespread penetration of hypermarkets in major cities has led to a maturing market in these areas. As a result, international retailers are increasingly focusing on expanding hypermarket channels into smaller cities and convenience store channels in larger cities (Euromonitor International, Retailing in China, 2011, Grocery Retailers in China, 2011). The smaller, lower-tier cities are a strong focus for retail growth and expansion in China, which has more than 160 cities with a population of more than one million (IGD, 2010).

Distribution in China can be a challenge, particularly for fresh food products. Currently, approximately 15% of China's food, meat and vegetables are transported by cold chain distribution. However, the establishment of national cold chain standards in 2010 leaves opportunity for further development of distribution, less food decay and higher food safety standards for the future (Euromonitor International, Fresh Food in China, 2011). China's distribution network for imported food and beverages has grown considerably in the past 30 years, particularly in large cities such as Beijing, Shanghai and Guangzhou. The central and local governments of China have also put significant effort into developing a national infrastructure and investing in transportation to increasingly supply quality products to consumers in remote areas (GrokChina LLC, 2010).

## PACKAGED FOOD

In 2011, food inflation and increasing demand for convenience foods fuelled the double-digit growth of packaged food sales in China across nearly all product categories. Retail food prices were particularly high in 2011, and increased significantly more than the Consumer Price Index (CPI). The prices for raw material inputs for packaged foods rose, which resulted in higher retail prices. Supermarkets and hypermarkets accounted for the greatest portion of packaged food sales in China in 2011. However, Internet retailing that offers home-delivery to consumers is also a growing trend in the market.

Products are also being reformulated with healthier ingredients, improved manufacturing methods, and ingredient reductions to cater to consumer health trends. Wheat flour noodles are being replaced with rice flour noodles and salt has been reduced in products. Bakery products are also being affected as manufacturers focus on reducing trans fats or producing whole-grain bread. Of packaged food nutrition/staple products, baby food recorded the second-strongest growth in 2011, while rice experienced the most growth. Food safety concerns have also created demand for quality products and there has been an increasing presence of international brands in the market (Euromonitor International, Packaged Food Sales, 2011). Accordingly, Canadian producers may want to capitalize on the safety and health value perception of Canadian products with their labelling (GrokChina LLC, 2010).

**Sales of Packaged Food in China by Region: % Value Growth**

| Region | 2010-2011 | 2006-2011 CAGR | 2006-2011 Total |
|---|---|---|---|
| East China | 13.45 | 11.59 | 73.05 |
| Mid-China | 12.42 | 10.71 | 66.28 |
| North and Northeast China | 13.34 | 11.30 | 70.79 |
| Northwest China | 11.81 | 10.42 | 64.16 |
| South China | 13.31 | 11.73 | 74.16 |
| Southwest China | 11.77 | 10.37 | 63.77 |
| Total | 12.97 | 11.22 | 70.15 |

***Source:*** *Euromonitor International, 2011.*

## PACKAGED FOOD (continued)

Many processed/prepared products have better market results if they are adapted to suit local preferences. For example, savoury Western foods and desserts are often perceived as being too sweet for the Chinese palate. As a result, local market testing and product re-formulation tailored to Chinese tastes may be beneficial (GrokChina LLC, 2010).

***Source:*** *Planet Retail, 2008.*

Despite higher food prices, consumers are expected to remain loyal to branded products, particularly due to food safety concerns. Increased tailoring of packaging for different consumer groups is expected to grow in the market, with different formats being used to cater to the needs of different consumers, such as young consumers, women and children. Due to the higher price of imported Canadian products, exporters might consider smaller package sizes in order to lower unit prices. Product bundling is fairly common and particularly appeals to middle class consumers in China. Combining two complementary products to be sold together as one package may be a strategy to consider, as long as product positioning and brand messaging support one another and do not conflict. For example, plastic cups paired with high end wine would undermine the luxury of the wine (Euromonitor International, Packaged Food Sales, 2011, GrokChina LLC, 2010). However, quality cheese and crackers, or a delicacy/appetizer may be a good pairing for high-end wine.

**Packaged Food Sales in China by Category**
**- Historic and Forecast Period Value Growth (%)**

| Food Category | 2006-2011 CAGR | 2006-2011 Total | 2010-2011 | 2011-16 CAGR |
|---|---|---|---|---|
| Baby food | 26.34 | 221.86 | 21.66 | 15.49 |
| Bakery | 10.15 | 62.17 | 14.13 | 7.11 |
| Canned/preserved food | 10.83 | 67.19 | 11.21 | 6.65 |
| Chilled processed food | 13.34 | 87.05 | 14.40 | 12.41 |
| Confectionery | 7.49 | 43.52 | 9.37 | 3.83 |
| Dairy | 10.41 | 64.04 | 11.58 | 8.37 |
| Dried processed food | 12.60 | 81.03 | 15.69 | 6.11 |
| Frozen processed food | 10.05 | 61.43 | 12.57 | 9.93 |
| Ice cream | 6.22 | 35.19 | 8.00 | 6.08 |
| Meal replacement | 37.29 | 387.80 | 19.12 | 9.38 |
| Noodles | 10.97 | 68.30 | 13.56 | 3.31 |
| Oils and fats | 14.75 | 98.93 | 12.26 | 7.12 |
| Pasta | 7.01 | 40.34 | 9.91 | 6.45 |
| Ready-meals | 9.81 | 59.65 | 10.20 | 5.62 |
| Sauces, dressings and condiments | 8.32 | 49.15 | 9.60 | 4.41 |
| Snack bars | - | - | 21.27 | 10.53 |
| Soup | 11.78 | 74.52 | 13.27 | 10.44 |
| Spreads | 8.23 | 48.47 | 10.09 | 4.16 |
| Sweet and savoury snacks | 8.20 | 48.30 | 12.10 | 6.59 |
| Impulse and indulgence products | 8.50 | 50.35 | 11.69 | 6.00 |
| Nutrition/staples | 13.33 | 86.96 | 14.15 | 8.83 |
| Meal solutions | 10.85 | 67.38 | 12.22 | 9.07 |
| **Total packaged food** | 11.22 | 70.15 | 12.97 | 8.08 |

***Source:*** *Euromonitor, 2011.*
**Note: Sum of sectors does not equal total packaged food because of double counting (e.g. canned soup is included in soup and canned food)*

## PACKAGED FOOD (continued)

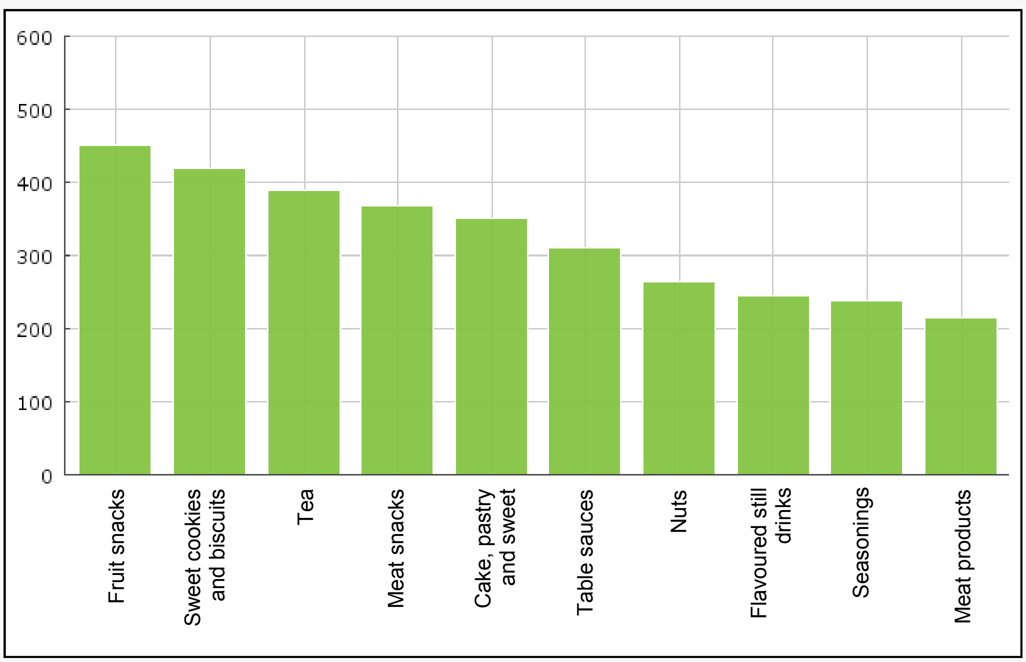
### *Sales Channels*

Supermarkets and hypermarkets account for the largest portion of packaged food sales in China, and are sales leaders in dairy products and baby food. Food safety concerns have helped to grow sales of packaged food in these channels over more traditional ones, and further expansion of supermarkets and hypermarkets into smaller cities has also provided consumers with easier access to packaged food and supported sales growth. With increasing competition in the market, companies are also expanding their creative marketing methods, instead of only using the traditional television, newspaper/magazine and outdoor advertising channels. For example, product placement in movies and shows is becoming increasingly popular, along with online and mobile marketing (Euromonitor International, Packaged Food Sales, 2011).

## NEW PRODUCTS

Of new food and drink product launches tracked by Mintel, there were 8,534 new products introduced to the Chinese market from May 2011 to May 2012. Fruit snacks was the category with the most product launches (representing 5.3% of all launches), followed by sweet biscuits/cookies (4.9%) and tea (4.6%).

**New Product Food and Drink Launches by Product Sub-Category in China From May 2011 to May 2012**




***Source:*** *Mintel, 2012.*

## NEW PRODUCT EXAMPLES

Below are examples of some new products launched in China from May 2011 to May 2012, representing evolving consumer demands and trends in the market (Mintel, 2012).

**Dried American Blueberry**

Chaoshike Mei Guo Lan Mei Gan (Dried American Blueberry) is imported from America. The blueberry is said to be tasty and healthy, and retails in a 50 g re-sealable pack.

**Category:** Snacks
**Sub-Category:** Fruit snacks
**Company:** Bai Yang Food Retailing
**Brand:** Chaoshike
**Price:** US$4.00
**Claims:** Convenient packaging


**Throat Soothing Plums**

Jiabao Hou Shuang Qing Run Mei (Throat Soothing Plums) are said to offer a cool feeling and help soothe the throat. This product retails in a 55 g pack.

**Category:** Snacks
**Sub-Category:** Fruit snacks
**Company:** Jia Bao Group
**Brand:** Jiabao
**Price:** US$0.63
**Claims:** Other (functional)


**Raspberries**

Dashi Bei Da Huang Fu De Shu Mei (Raspberries) are processed using a freeze-drying technique to help retain 95% or greater of the nutrients from the raspberries. According to the manufacturer, the raspberry contains ellagic acid, which helps to fight against carcinogens and reduce the rate of cancer cell growth. This fruit snack is free from preservatives, flavourings and colourings, and retails in a 10 g pack.

**Category:** Snacks
**Sub-Category:** Fruit snacks
**Company:** Dashi Food
**Brand:** Dashi Bei Da Huang Fu De
**Price:** Unknown
**Claims:** No additives/ preservatives, other (functional)


**Frozen Blackberries**

Kingsberry Su Dong Hei Mei (Frozen Blackberries) are said to offer antioxidant benefits. This product is 100% natural and retails in a 200 g pack.

**Category:** Fruit and vegetables
**Sub-Category:** Fruit
**Company:** DF Berry
**Brand:** Kingsberry
**Price:** US$1.78
**Claims:** All natural product, antioxidant


**Cake Powder**

Xiaocaiwa Dan Gao Fen (Cake Powder) contains added papaya powder. The cake powder can be prepared in the microwave and is ready to eat in just one minute. The product retails in a 202 g pack containing four sachets.

**Category:** Bakery
**Sub-Category:** Baking ingredients and mixes
**Company:**
Shantou Tongxinyuan Food
**Brand:** Xiaocaiwa
**Price:** US$1.69
**Claims:**
Microwaveable, time/speed


**Taro and Milk Flavoured European Style Cakes**

MasterKong Muffin Ou Shi Dan Gao Xiang Yu Niu Nai Wei (Taro and Milk Flavoured European Style Cakes) are now available with an enhanced taste and newly designed packaging. The cakes are soft and offer an aroma of milk. This microwavable product retails in a 96 g pack with two convenient individually wrapped units.

**Category:** Bakery
**Sub-Category:**
Cakes, pastries and sweet goods
**Company:** Dingyuan Foods
**Brand:** MasterKong Muffin
**Price:** US$0.76
**Claims:** Convenient packaging,


***Source for all:*** *Mintel, 2012.*

## NEW PRODUCT EXAMPLES (continued)

### Coarse Cereal Cookie

Mai Xiang Yuan Zha Liang Qu Qi (Buckwheat Cookies) are available in a buckwheat flavour. This product retails in an 800 g pack. Also available are Nai You Qu Qi (Cream Cookies), which retail in a 150 g pack.


**Category:** Bakery
**Sub-Category:** Sweet biscuits/cookies
**Company:** Mai Xiang Yuan Foods
**Brand:** Mai Xiang Yuan
**Price:** US$2.64
**Claims:** None

### Vegetable Biscuits with No Cane Sugar

Lai Li Yi Li Wu Zhe Tang Shu Cai Bing (Vegetable Biscuits with No Cane Sugar) contain maltitol and are free from white granulated sugar. This product is said to be crispy and retails in a 1000 g pack.


**Category:** Bakery
**Sub-Category:** Sweet biscuits/cookies
**Company:** Laili Food
**Brand:** Lai Li Yi Li
**Price:** US$2.54
**Claims:** Low/no/reduced sugar

### Atramentous Bitter-Buckwheat Tea

Yi Jia Shan Zhai Atramentous Bitter-Buckwheat Tea is made using selected buckwheat, which is naturally rich in rutin, vitamins, minerals, 19 kinds of amino acids, crude protein and chlorophyll. This organic product retails in a 156 g pack containing individual sachets.


**Category:** Beverages
**Sub-Category:** Tea
**Company:** Yi Cottage Farming
**Brand:** Yi Jia Shan Zhai
**Price:** US$4.77
**Claims:** Organic

### Fruit Salad Tea

Golden House Shui Guo Sha La Guo Li Cha (Fruit Salad Tea) is imported from Germany and is made with natural ingredients. This tea is 100% natural and is free from caffeine and artificial additives. The product retails in a 100 g pack.


**Category:** Beverages
**Sub-Category:** Tea
**Company:** Qi Xin International Trade
**Brand:** Golden House
**Price:** US$7.01
**Claims:** All natural product, caffeine-free, no additives/ preservatives

### Botanical Drink

Xi Cao Zhi Wu Yin Liao (Botanical Drink) is said to reduce damage to the gastric mucosa caused by alcohol, smoking, tea, coffee and spicy food. According to the manufacturer, regular consumption of the drink helps to protect the stomach. This product retails in a 248 ml pack.


**Category:** Beverages
**Sub-Category:** Fruit/flavoured still drinks
**Company:** Xi Cao Pharmaceutical Technology
**Brand:** Xi Cao
**Price:** US$2.67
**Claims:** Digestive (functional)

### Soybean Drink for Women

Bixue Jin Bi Xue Nv Ren Dou Jiang (Soybean Drink for Women) is made with quality soybeans and isomalto-oligosaccharide. It contains essential nutrients for women, such as quality vegetable protein, bifidus factor, soy lecithin, soybean isoflavone, dietary fibre, vitamins and minerals. This instant soy drink is free from added cane sugar and retails in a 320 g pack containing individual sachets.


**Category:** Dairy
**Sub-Category:** Soy based drinks
**Company:** Biquan Food
**Brand:** Bixue Jin Bi Xue
**Price:** US$1.32
**Claims:** Female, low/no/ reduced sugar, time/speed

***Source for all:*** *Mintel, 2012.*

## NEW PRODUCT EXAMPLES (continued)

### Functional Biscuits with Calcium, Iron and Zinc for Babies

For babies aged six months and older, these biscuits are made with New Zealand imported colostrum and contain ultra immunoglobulins and active prebiotics (oligo) to strengthen the immune system and promote digestive health. This product contains added calcium, zinc, vitamins, DHA, beta-carotene and dietary fibre, and is said to develop babies' grasping and chewing skills, and is available in a 50 g pack.

**Category:** Baby food
**Sub-Category:** Baby biscuits and rusks
**Company:** Heshan Jiashiwei Food
**Brand:** Wei Er Dun Chu Ru
**Price:** US$1.54
**Claims:** Added calcium, babies and toddlers (0-4), digestive, high/added fibre, immune system, prebiotic, other (functional), vitamin/mineral fortified


### Compound Probiotics Nutrition Cereal (Stage 2)

For babies between six and 24 months old, this cereal contains GOS and FOS to maintain a healthier intestinal environment, to multiply bifidobacterium and lactobacillus, and to inhibit the growth of harmful bacteria inside the stomach. It is enriched with calcium, iron and zinc to maintain bone and tooth health, deliver oxygen to different organs, help form red blood cells, and increase appetite. This product retails in a 680 g pack.

**Category:** Baby food
**Sub-Category:** Baby cereals
**Company:** Jubilee Food
**Brand:** Jubilee
**Price:** US$6.09
**Claims:** Added calcium, babies and toddlers (0-4), bone health, digestive, other (functional), vitamin/mineral fortified


### Fruit Purée with Peas and Spinach

For babies aged one year and older, this fruit puree contains soluble corn fibre to regulate intestinal functions. The product contains protein, amino acids, fats, carbohydrate, betacarotene and vitamins from peas, as well as vitamin A, vitamin C and iron, which is a good source of folic acid, from spinach. This product is free from preservatives, cane sugar, colourings and artificial flavourings and is available in a 120 g pack.

**Category:** Baby food
**Sub-Category:** Baby fruit products, desserts and yogurts
**Company:** Heinz
**Brand:** Heinz Little Kids Shu Le 2+2
**Price:** Unknown
**Claims:** Babies and toddlers (0-4), digestive, low/no/reduced sugar, no additives/preservatives


### Honey Gift Box

Ming Yuan Miyu Gao Ji Li He (Honey Gift Box) includes one 450 g jar of chrysanthemum honey, one 450 g jar of astragalus sinicus honey, and one 230 g jar of camellia bee pollen. This product retails in a gift pack that also comes with a spoon.

**Category:** Sweet spreads
**Sub-Category:** Honey
**Company:** Ming Yuan Honey
**Brand:** Ming Yuan Miyu
**Price:** US$14.50
**Claims:** None


### Pickled Chilli Flavoured Beef

Made with free range beef and said to be tender and unique in taste, this product retails in a 200 g pack.

**Category:** Snacks
**Sub-Category:** Meat snacks
**Company:** Fu Long Food
**Brand:** Fulong Niu Rou
**Price:** Unknown
**Claims:** Ethical - animal


### Roasted Salmon

This product is made with refined quality ingredients and is said to be aromatic and tasty. It is ready to eat and is available in a 150 g pack.

**Category:** Processed fish, meat and egg products
**Sub-Category:** Fish products
**Company:** Xian Xian Foods
**Brand:** Seakin
**Price:** US$3.57
**Claims:** Ease of use

***Source for all:*** *Mintel, 2012.*

## MARKET ENTRY STRATEGIES

China's supply chain structure is complex, which makes working with a network of distributors necessary. It is important to determine how to target the market and which retail networks to focus on. Attention should be paid to the particular region in China that best suits a company's growth strategy, and which retail formats, products and brands are present in that market. To get Canadian products onto grocery store shelves, the great majority of Canadian exporters will not work directly with grocery stores that have been mentioned in this report. Instead, the majority of exporters will need to work with importers/distributors who have a strong network of contacts among the various types of retail channels, such as supermarkets, hypermarkets, etc. (IGD, 2010). Distribution and import partners can help in negotiating logistics, but Canadian suppliers should also be aware of various Chinese laws and regulations (GrokChina LLC, 2010).

### *Agents*

There are distributors who are also agents for foreign suppliers. This type of arrangement is often welcomed by distributors, particularly arrangements that are general or exclusive and can provide them with additional compensation due to sales volumes. Canadian exporters may want to consider a general or local agent that has an established distribution partner, if they would like assistance managing distributors or coordinating promotions. One of the important functions that an importing agency partner can play is to help Canadian exporters to ensure that products meet with import requirements, including labelling requirements. Exporters should look for local partners or agents who are familiar with the industry and have proven track records with successful domestic producers or importers. Diligence and checking references can be important in locating reliable service providers based in China (GrokChina LLC, 2010).

### *Distributors*

Many imported food and beverages are still handled by traders in Hong Kong. However, distributors in mainland China are becoming increasingly important, particularly with regard to seafood, fruit and meat. A large number of experienced distributors and import companies, agents, and wholesalers can be found in major cities such as Beijing, Shanghai and Guangzhou. Canadian suppliers in a relationship with a prominent national distributor typically work very closely with the distributor to establish brands with promotions and training. However, some national distributors look for suppliers who already have a certain level of brand awareness in the market, can supply high volumes and offer favourable terms. Clever product placement can be a strategy for generating interest and awareness of a product in the market, as consumers appreciate clever, humorous and noteworthy product placement. However, it is highly recommended that companies work with a marketing agency that has expertise in the local market (GrokChina LLC, 2010).

### *Mid-Tier Distributors*

Mid-tier distributors are also becoming increasingly important, with many targeting specific regions where strong regional relationships with buyers exist. Mid-tier distributors would typically request that Canadian suppliers provide promotional materials and sales training programs. Close sales relationships are also important. When evaluating the feasibility of exporting products to secondary regions of China, it is recommended that Canadian producers take into account the strength of the distribution network and retail formats, which can vary from region to region (GrokChina LLC, 2010).

## MARKET ENTRY STRATEGIES (continued)

### *Recommendations and Available Services*

Relationships are an important component of doing business in China, and attention should be paid to having a strong physical presence for building sales and distribution relationships in the market. Due to the complexity of the market, strong knowledge of the local market can be a valuable and necessary asset, as there are vast differences among China's cities and provinces. A product analysis can also aid in determining whether any tailoring of the product, packaging, taste, etc., needs to be done for the Chinese market. An analysis of the competing brands in China as well as the lifecycle stage of the target product category, can aid in determining entry strategies for the market (IGD, 2010).

Don't necessarily expect dramatic or rapid success. Many companies fail due to these expectations and a lack of commitment to developing a solid presence in the market, despite challenges. A company is typically required to make long term investments in developing trusting partnerships with distributors in order to achieve success. Be prepared to experiment with regard to your approach to China, such as in finding the best long term distributor or the appropriate regional market or product mix (GrokChina LLC, 2010).

Canadian exporters are encouraged to register with the Department of Foreign Affairs and International Trade (DFAIT) Virtual Trade Commissioner Service (view link below) to gain access to Canada's embassies and posts abroad. Canadian exporters are also encouraged to use the services of Export Development Canada (EDC) and DFAIT, both of which offer trade information, and financial and risk management services to Canadian exporters. Canadian exporters must also take note of market access issues when planning to export products to China. The Canadian Trade Commissioner Service of DFAIT can also aid Canadian exporters in entering the market and obtaining up-to-date information on market access.

- Virtual Trade Commissioner Service: http://www.tradecommissioner.gc.ca/eng/virtual-trade-commissioner.jsp
- EDC: http://www.edc.ca/english/index.htm
- DFAIT: http://www.international.gc.ca/international/index.aspx
- Canadian Trade Commissioner Service: http://www.tradecommissioner.gc.ca/eng/home.jsp

## COMPETITION

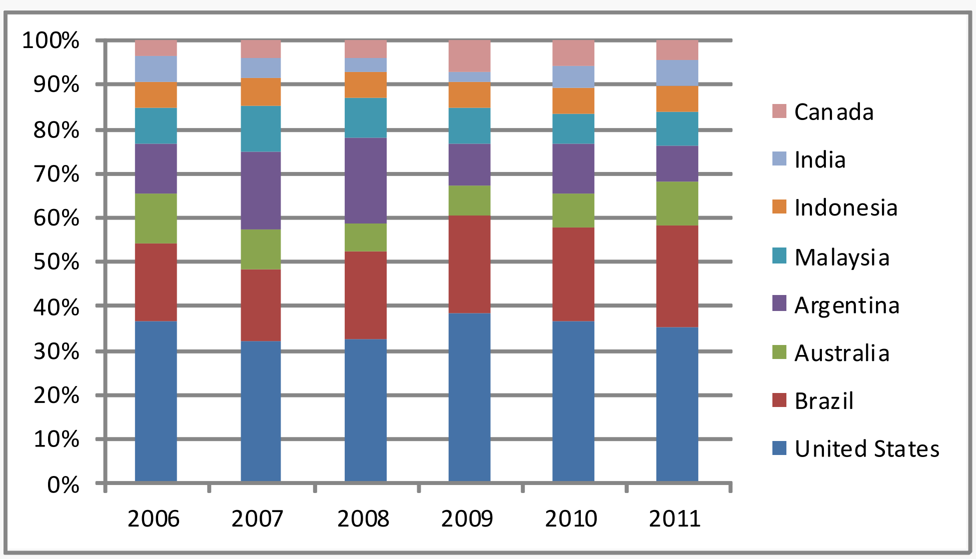
Canada's agri-food, fish and seafood exports to China totalled $3.1 billion in 2011, making China the third-largest destination for Canadian agri-food, fish and seafood exports. This level of traderepresented growth of 3.9% from 2010 and growth of nearly 500% from 2002. Canada's top five agri-food, fish and seafood exports to China in 2011 were: oilseeds, seeds for sowing and fodder; animal/ vegetable fats and oils, margarine; fish and crustaceans; edible vegetables and certain roots and tubers, pulses; and meat and edible meat offal (CATSNET Analytics, 2012).

In 2011, China's top five agri-food and seafood import sources were the U.S. (representing 24.8% of imports), Brazil (16.6%), Australia (6.9%), Argentina (5.8%), and Malaysia (5.4%). Canada ranked as China's eighth-largest agri-food and seafood import source in 2011, representing 3.4% of China's imports. Canada's agri-food and seafood imports to China grew minimally in 2011, compared to China's other main import sources. However, Canada's agri-food and seafood imports have grown more than those of many competitors from 2006 to 2011. While Canada experienced export growth of 241.9% from 2006 to 2011, the U.S. had growth of 167.3%, while Brazil had growth of 258.9%, and Australia had 142.1% growth. Overall, China's agri-food and seafood imports grew by 156.5% from 2006 to 2011.

China's top agri-food and seafood imports from the world in 2011 included: soybeans; cotton; refined palm oil; wool; whole bovine/equine hides and skins; flour meal and pellet of fish, crustacean, etc.; solid, raw cane sugar; frozen fish with bones, fresh or dried cassava; and crude soybean oil and fractions. China's top agri-food and seafood imports from the U.S. in 2011 included: soybeans; cotton; whole bovine/equine hides and skins; frozen, edible offal of swine; corn; brewing or distilling dregs and waste; crude soybean oil and fractions; frozen meat, swine, hams, shoulders, etc.; frozen pacific salmon; and frozen plaice (Global Trade Atlas, 2012).

A variety of processed food categories which may be of interest to Canadian exporters are being exported to China by other competitors. Australia is a large supplier of baby-oriented food products to China, while the Netherlands also exports baby formula to the market. The United States is also a large exporter of a number of processed products, including a wide range of canned food, snack food, and breakfast cereals.

**China's Top Eight Agri-Food and Seafood Import Sources, 2006-2011**




***Source:*** *CATSNET Analytics, 2012.*

## FOR MORE INFORMATION

For additional information regarding travel to China, or to prepare and be successful for business in China, please consult the following resources:

- DFAIT's travel report
  http://www.voyage.gc.ca/countries_pays/report_rapport-eng.asp?id=55000

- The Government of Canada's portal, *Doing Business with China*
  http://www.canadainternational.gc.ca/china-chine/commerce_international/index.aspx?lang=engandview=d

- Agriculture and Agri-Food Canada's Agri-Food Trade Service (ATS) website
  http://www.ats-sea.agr.gc.ca/stats/stats-eng.htm for export-related trade statistics
  http://www.ats-sea.agr.gc.ca/info/asi-eng.htm#China for Chinese market information

- Canada's International Market Access Report database on trade barriers
  http://w01.international.gc.ca/CIMAR-RCAMI/index.aspx

- Canada's trade negotiations and agreements with China
  http://www.international.gc.ca/trade-agreements-accords-commerciaux/agr-acc/index.aspx?view=d

- China's World Trade Organization (WTO) member page (for information on trade and tariffs)
  http://www.wto.org/english/thewto_e/countries_e/china_e.htm

### *The Canadian Trade Commissioner Service in China*

The Canadian Trade Commissioner Service of DFAIT provides key services to Canadian businesses and also has a links to Canada's trade offices in China. The service also provides a number of market reports on agriculture, agri-food, beverages, and fish and seafood in China (http://www.tradecommissioner.gc.ca/eng/offices-china.jsp?cid=512).

***The Canadian Embassy in China (Beijing Office)***
19 Dong Zhi Men Wai Street, Chaoyang District
Beijing, 100600 China
**Tel:** (011-86-10) 5139-4000
**Fax:** (011-86-10) 5139-4450; Alberta 5139-4465; Quebec 5139-4445; Ontario 5139-4466;
**E-Mail:** infocentrechina@international.gc.ca
**Website:** www.tradecommissioner.gc.ca/cn
**Other URL:** www.china.gc.ca
**Territories/Responsibilities:** China (Beijing and Tianjin); Provinces/Regions of Gansu, Hebei, Heilongjang, Henan, Hubei, Hunan, Jilin, Liaoning, Nei Monggol (Inner Mongolia), Ningxia, Qinghai, Shaanxi, Shandong, Shanxi, Jiangxi, Xinjiang, Xizang (Tibet); Mongolia.

Additional Canadian Trade Commissioner Service Offices are located in: Chengdu, Chongqing, Guangzhou, Nanjing, Qingdao, Shanghai, Shenyang, Shenzhen and Wuhan.

## APPENDIX A: TOP GROCERY RETAILERS

The following table illustrates edible grocery retail sales by grocery formats and banner in China. Unless otherwise noted, all of the information in this section was derived from Planet Retail (2012).

**Edible Grocery Food Retail Format Banner Sales in China – US$ (Historic and Forecast)**

| Channel | Company | Banner | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Cash and carries, and wholesale clubs | Shanghai Nonggongshang | NGS | 3,252,820 | 26,452,893 | 39,679,340 |
| | Walmart | Sam's Club | 184,711,205 | 219,060,069 | 294,166,378 |
| Convenience and forecourt stores | AEON | Ministop | 31,311,353 | 62,299,737 | 82,955,561 |
| | BP | BP Shop | 106,182,449 | 124,695,678 | 133,393,962 |
| | Buddies | Buddies | 220,339,349 | 232,302,488 | 240,865,042 |
| | Chevron | Caltex | 2,899,149 | 3,111,509 | 3,281,324 |
| | Chia Tai | Lotus Life Station | 136,481 | 20,810,628 | 48,558,131 |
| | China Resources Enterprise | Howdy | 22,003,594 | 27,230,590 | 32,279,288 |
| | | Suguo | 69,521,090 | 77,891,898 | 85,025,157 |
| | | Vango | 57,015,369 | 92,733,172 | 115,916,465 |
| | Convenience Retail Asia | Circle K | 13,363,481 | 14,580,976 | 16,249,292 |
| | Dairy Farm | 7-Eleven | 408,650,000 | 412,643,402 | 412,548,447 |
| | ExxonMobil | On the Run | 23,457,048 | 29,029,312 | 34,411,504 |
| | FamilyMart | FamilyMart | 239,459,759 | 350,316,351 | 446,733,369 |
| | Jingkelong | Jingkelong | 82,919,178 | 98,416,514 | 112,791,945 |
| | LAWSON | Lawson | 112,633,952 | 133,247,229 | 152,841,374 |
| | Lianhua | Lianhua Quik | 421,735,560 | 446,509,395 | 476,030,675 |
| | Liqun | Liqun Convenience | 227,551,191 | 239,124,479 | 247,067,809 |
| | President Chain Store | 7-Eleven | 57,534,428 | 102,350,280 | 150,454,914 |
| | Seven and I | 7-Eleven | 70,477,740 | 103,705,999 | 136,651,276 |
| | Shanghai Nonggongshang | Alldays | 265,387,110 | 279,539,130 | 289,585,062 |
| | | Kedi | 273,774,170 | 288,521,171 | 299,038,233 |
| | Shell | Select | 12,142,288 | 13,039,588 | 13,732,806 |
| | Tesco | Tesco Legou Express | 19,734,453 | 23,623,294 | 27,531,482 |
| | Total | Total Sinochem | 77,578,514 | 95,063,869 | 111,882,861 |
| | Wuhan Zhongbai Group | Haobang CVS | 3,863,533 | 6,732,920 | 10,037,229 |
| | Wu-Mart | Wu-Mart | 150,147,638 | 163,791,744 | 175,338,251 |
| | Yonghui | Xuanhui | 9,984,125 | 10,943,778 | 11,765,999 |

*Continued on the following page...*

## APPENDIX A: TOP GROCERY RETAILERS (continued)

**Edible Grocery Food Retail Format Banner Sales in China – US$ (Historic and Forecast) (continued)**

| Channel | Company | Banner | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Department and variety stores | A. Best | EIAMALL | 20,497,645 | 32,439,319 | 42,215,858 |
| | Beijing Hualian | Hualian | 229,951,848 | 256,091,107 | 279,227,614 |
| | Better Life | Better Life Mall | 58,268,794 | 66,171,036 | 73,363,539 |
| | Chongqing Shangshe | Chongqing Department Store | 104,832,194 | 110,710,029 | 117,030,566 |
| | | New Century Department Store | 108,853,156 | 117,207,338 | 128,407,150 |
| | Dalian Dashang | Dashang | 170,737,481 | 186,601,493 | 200,094,216 |
| | | MYKAL | 93,935,920 | 106,253,590 | 117,410,217 |
| | | New-Mart | 359,048,092 | 424,719,943 | 486,697,594 |
| | Hefei Baida Group | Hefei Baida | 111,505,440 | 115,616,393 | 121,204,519 |
| | Isetan Mitsukoshi | Isetan | 69,013,142 | 87,632,126 | 105,845,694 |
| | Izumiya | Izumiya | 17,778,331 | | |
| | Jiajiayue | Jiajiayue | 80,883,883 | 91,853,116 | 101,837,150 |
| | Liqun | Liqun | 171,809,714 | 188,623,009 | 203,084,106 |
| | Lotte Shopping | Lotte Department Store | 17,946,515 | 39,295,317 | 74,923,073 |
| | Parkson Corp | Parkson Grand | 270,383,505 | 326,555,031 | 368,647,675 |
| | Renrenle | Chongshang | 211,948,438 | 299,240,873 | 384,849,784 |
| | Wuhan Zhongbai Group | Zhongbai | 15,245,414 | 17,244,521 | 19,055,197 |
| | Wu-Mart | Xinhua | 73,494,010 | 81,283,805 | 88,091,324 |
| Discount stores | Carrefour | Dia | 110,465,729 | | |
| | Dia | Dia | 113,793,056 | 248,495,846 | 266,733,335 |
| | Shanghai Nonggongshang | 5 Yuan | 236,630,392 | 293,463,128 | 348,403,272 |
| | Walmart | Smart Choice | 1,971,988 | 501,150 | 526,207 |
| E-commerce | Dalian Dashang | 66buy | 412,287 | 558,919 | 698,579 |
| | Lianhua | Lhmart | 962,169 | 1,164,414 | 1,342,958 |
| | Walmart | Yihaodian | 173,602,504 | 392,163,039 | 653,605,065 |
| | Wuhan Zhongbai Group | zon100 | 845,922 | 926,089 | 992,254 |

*Continued on the following page...*

**Edible Grocery Food Retail Format Banner Sales in China – US$ (Historic and Forecast) (continued)**

| Channel | Company | Banner | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Hypermarkets and superstores | A. Best | A.Best | 1,597,964,979 | 1,727,383,808 | 1,833,847,055 |
| | AEON | Jusco | 315,795,736 | 402,807,527 | 498,052,480 |
| | AS Watson | PARKnSHOP | 288,281,750 | 299,254,319 | 310,337,812 |
| | Auchan | Auchan | 848,894,462 | 981,856,709 | 1,117,766,348 |
| | | RT Mart | 4,612,494,765 | 5,956,169,403 | 7,276,860,265 |
| | Beijing Hualian | Hualian | 948,831,527 | 999,470,627 | 1,035,021,418 |
| | Better Life | hyper-mart | 678,043,082 | 825,950,259 | 942,763,224 |
| | Carrefour | Carrefour | 3,382,420,396 | 3,893,773,935 | 4,427,113,792 |
| | Chia Tai | Lotus | 1,208,477,938 | 1,319,987,678 | 1,385,413,154 |
| | China Resources Enterprise | China Resources Suguo | 847,358,603 | 985,015,487 | 1,115,303,021 |
| | | Suguo | 644,521,567 | 701,299,550 | 749,596,598 |
| | | Suguo Promotion | 113,765,290 | 139,406,747 | 164,071,018 |
| | | Vanguard | 3,461,824,492 | 4,515,305,379 | 5,302,991,147 |
| | Hefei Baida Group | JOYMART | 126,998,091 | 145,541,299 | 162,590,423 |
| | Jiajiayue | Jiajiayue | 339,600,070 | 376,238,188 | 403,443,103 |
| | Jingkelong | Jingkelong | 123,868,989 | 145,640,657 | 183,077,366 |
| | Lianhua | Centurymart | 1,610,660,944 | 1,794,587,898 | 1,992,162,407 |
| | Lotte Shopping | Lotte Mart | 596,721,864 | 731,216,494 | 857,387,183 |
| | Mega Mart | Mega Mart | 193,643,363 | 195,615,357 | 182,289,061 |
| | President Chain Store | Unimart | 31,939,452 | 29,148,719 | 29,440,204 |
| | Renrenle | Renrenle | 1,323,043,836 | 1,536,187,174 | 1,644,289,233 |
| | Sanjiang | Sanjiang | 295,891,190 | 317,200,029 | 334,152,031 |
| | Seven and I | Ito-Yokado | 425,142,284 | 508,990,024 | 597,255,066 |
| | | Wangfujing Yokado | 18,440,652 | 25,020,930 | 49,144,051 |
| | Shanghai Nonggongshang | NGS Mart | 1,133,753,033 | 1,209,139,104 | 1,267,580,843 |
| | Shinsegae | E-mart | 303,966,610 | 259,075,180 | 316,141,740 |
| | SPAR (China) | SPAR | 484,974,958 | 609,103,730 | 752,635,168 |
| | Tesco | Hymall | 1,331,380,533 | 1,613,787,943 | 1,874,371,923 |
| | Uny | Uny | | 30,990,613 | 92,971,862 |
| | Walmart | Trust-Mart | 474,529,003 | 482,376,288 | 482,376,288 |
| | | Walmart Supercenter | 3,285,200,793 | 3,859,010,300 | 4,444,086,058 |
| | Wuhan Zhongbai Group | Zhongbai | 1,515,245,414 | 1,762,707,754 | 1,993,392,550 |
| | Wu-Mart | Chaoshifa | 19,030,181 | 26,309,041 | 33,544,027 |
| | | MerryMart | 403,338,205 | 442,105,993 | 475,323,686 |
| | | Wu-Mart | 1,045,804,907 | 1,262,693,892 | 1,463,146,548 |
| | Yonghui | Bravo | 17,916,460 | 72,850,978 | 109,276,467 |
| | | Yonghui | 1,960,244,175 | 3,035,719,911 | 3,880,904,515 |

*Continued on the following page...*

**Edible Grocery Food Retail Format Banner Sales in China – US$ (Historic and Forecast) (continued)**

| Channel | Company | Banner | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Other grocery formats | China Resources Enterprise | CR Care Stores | 27,794,993 | 45,207,421 | 64,985,668 |
| | Convenience Retail Asia | Saint Honore | 7,070,446 | 8,994,843 | 11,055,480 |
| Supermarkets and neighbourhood stores | AS Watson | TASTE | 11,865,415 | 20,188,063 | 28,828,554 |
| | Beijing Hualian | BHG Market Place | 15,834,463 | 21,109,171 | 26,316,100 |
| | Better Life | Better Life | 50,856,446 | 55,435,583 | 59,302,553 |
| | | Super-mart | 5,629,183 | 8,171,406 | 11,906,906 |
| | Chia Tai | Lotus | | 15,047,721 | 37,619,303 |
| | China Resources Enterprise | blt | 11,102,120 | 17,790,507 | 24,550,884 |
| | | Fresh Market | 50,037,184 | 67,014,175 | 81,584,353 |
| | | Olé | 91,802,063 | 120,569,701 | 148,871,844 |
| | | SG | 8,635,040 | 13,793,744 | 19,697,467 |
| | | Suguo | 663,113,535 | 699,470,328 | 741,748,658 |
| | | Vanguard | 1,161,626,177 | 1,293,671,425 | 1,410,547,940 |
| | Chongqing Shangshe | Chongbai Supermarket | 418,435,226 | 458,654,098 | 493,115,136 |
| | | New Century Supermarket | 407,273,151 | 443,944,205 | 474,912,020 |
| | Dalian Dashang | Dashang | 581,450,533 | 649,263,244 | 697,726,107 |
| | | Tiankelong | 84,291,336 | 87,398,967 | 89,146,946 |
| | Hefei Baida Group | JOYMART | 190,749,956 | 223,031,302 | 253,245,731 |
| | Jiajiayue | Jiajiayue | 620,809,672 | 694,183,599 | 759,563,073 |
| | Jingkelong | Jingkelong | 375,325,359 | 409,119,817 | 437,658,419 |
| | Lianhua | Hualian | 1,143,638,448 | 1,082,688,607 | 1,025,460,784 |
| | | Lianhua | 2,917,699,554 | 3,213,055,225 | 3,442,700,986 |
| | President Chain Store | Unimart | 233,330,600 | 269,122,813 | 312,058,728 |
| | Renrenle | Renrenle | 20,492,927 | 21,248,450 | 21,673,473 |
| | Sanjiang | Sanjiang | 293,474,219 | 313,169,189 | 332,365,066 |
| | Shanghai Nonggongshang | NGS | 1,163,328,726 | 1,342,771,011 | 1,508,910,467 |
| | Walmart | Walmart Neighborhood Market | 16,022,403 | 16,913,803 | 17,540,240 |
| | Wuhan Zhongbai Group | Zhongbai | 365,765,989 | 436,255,960 | 499,363,848 |
| | Wu-Mart | Chaoshifa | 443,015,617 | 528,829,901 | 600,434,241 |
| | | Gongxiao | 360,444,353 | 391,116,056 | 416,668,972 |
| | | Laodafang | 16,026,277 | 16,895,151 | 17,669,333 |
| | | Wu-Mart | 218,331,450 | 226,380,836 | 230,908,453 |
| | | Xinbai Supermarket | 34,927,764 | 39,664,564 | 43,975,929 |
| | Yonghui | Yonghui | 270,606,098 | 314,090,604 | 357,315,762 |

***Source:*** *Planet Retail, 2012.*

# APPENDIX B: LABELLING

### *Product Labelling and Marks*

Labelling requirements to some extent depend on specific product categories, and Canadian producers should do their own due diligence as it relates to the labelling requirements for their specific products. For example, alcohol and tobacco have additional product labelling requirements in China. The following are some of the more common requirements:

### *China Inspection Quarantine (CIQ) Label*

Upon arrival at a Chinese port of entry, products must be declared to the local inspection and quarantine authority (CIQ), who will inspect and (possibly) sample the shipment for health safety testing. All imported products must meet standards for China's Compulsory Mark (CCC), and imported food and beverages that qualify for entry will receive the China Inspection Quarantine (CIQ) label, which permits this food to be sold and used in China. The CIQ label is issued by local AQSIQs and it is not required for all food categories.

### *The Quality Safety (QS) Mark*

The QS mark is a compulsory label for food and beverage products manufactured in China. Established in 2003, the QS mark indicates a product has passed the quality supervision agency's market access scrutiny. Food and beverage products wholly manufactured outside of China are not required to obtain the QS mark before being sold in China. However, if any part of the manufacturing process takes place within China, the manufacturer needs to apply for the QS mark, even if the products are only partly packaged in China.

### *Labelling in Chinese Language*

Aside from the CIQ Mark, a Chinese language label on foreign products is also a requirement for any product that is for sale within China. The label must be verified by CIQs as conforming to the specific laws and regulations related to labelling. Some of the mandatory items for the Chinese label are:

- Name and trademark of the product
- Ingredients
- Net weight and solid content
- Name, address and telephone number of the manufacturer
- Production date and storage instructions
- Packer / Distributor / Agent (Name, Address and Contact)
- Batch number
- Country of origin
- Quality guarantee and/or storage period
- Usage instructions

Please note that this Chinese language label is usually affixed before the goods pass through inspection and quarantine, and it can be affixed in Canada or after it arrives in China.

### *Labelling of Genetically Modified (GM) Products in China*

In 2002, the Ministry of Agriculture enacted a regulation "Implementation Regulations on Labelling of Agricultural Genetically Modified Organisms" stipulating five categories of GM crops (including soybeans, corn, cotton, rapeseed and tomatoes), as well as some of their products which are required to be labelled as GM. Similarly, the Ministry of Health enacted a regulation, "Health Administration Regulation on Transgenic Food" in 2002 that stipulated that all GM foods should be properly labelled. The specifics of labelling for genetic modification are somewhat complex and dependent on whether the foods have altered characteristics due to the use of GM ingredients, whether they contain novel DNA or proteins after processing, etc. Moreover, regulations and their enforcement standards evolve over time. Canadian producers of genetically modified foods or foods that contain genetically modified ingredients should not only review regulations regarding GM labelling in China, but also work closely with Chinese import partners to ensure compliance.

For more information contact the Certification and Accreditation Administration (CNCA) of the Peoples Republic of China: www.cnca.gov.cn.

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