



MARKET ACCESS SECRETARIAT
Global Analysis Report

Packaged Food Sales in China

January 2014



EXECUTIVE SUMMARY

China has become one of the largest packaged food markets in the world. Retail value sales have grown for the past five years (2009-2013) at a compound annual growth rate (CAGR) of 12.3%, to reach US\$202 billion. The market is expected to grow at nearly the same pace between 2014 and 2018, with a CAGR of 11.5% to reach US\$347 billion.

Companies wishing to enter the Chinese market or augment their packaged food sales should focus on healthy products that emphasize safe manufacturing methods, due to high consumer demand for such attributes. Moreover, these characteristics should be highlighted on the package itself.

In 2013, dairy is projected to top the packaged food category with estimated retail sales of US\$40.6 billion, and is expected to remain number one until 2018. However, meal replacement is expected to take over from snack bars as the fastest-growing category, with a CAGR of 18.3% for the forecast period of 2014 to 2018. Domestic brands continue to dominate most of the Chinese packaged food market.

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Source: Planet Retail

China has now surpassed the United States to become the world's largest food and grocery retail market in terms of value sales.

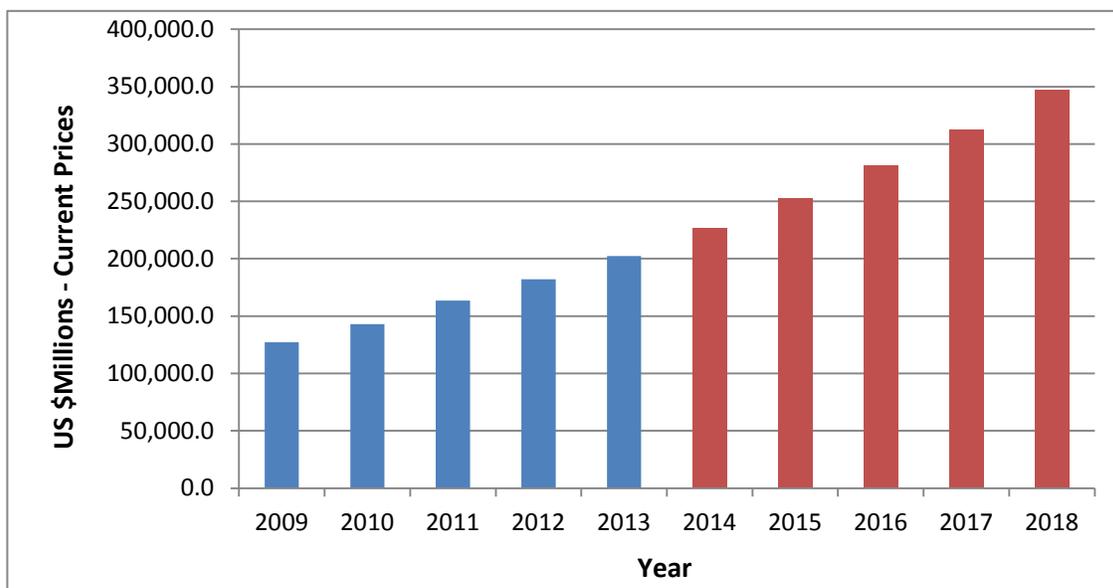
Source: Mintel, 2012



PACKAGED FOOD MARKET CHARACTERISTICS

In 2013, the Chinese packaged food market is estimated to be valued at US\$202 billion, and is expected to reach US\$347 billion by 2018. As the population grows, so does the number of people who are well educated, which has a direct impact on higher disposable incomes and improving living standards among Chinese consumers. These changes will fuel demand for healthy and high-quality products. The increasing number of women in the workforce is also boosting the overall demand for packaged food, in terms of creating a greater number of consumers with both significant spending power and a busy lifestyle.

**Retail Sales of Packaged Food in China,
Historic/Forecast Retail Value in US\$ Millions
Current Prices – Fixed 2013 Exchange Rates**



Source: Planet Retail



Dairy, bakery and dried processed food are expected to be the three categories with the most sales in 2013, and are expected to remain so to 2018.

For the 2014-2018 forecast period, it is projected that meal replacement will continue to have strong growth, despite low sales compared to other categories.

In terms of CAGR, baby food was in second position for the forecast period, driven by the interest in high- quality products, the interest in organic products and food safety, and the growing presence of international companies. Nevertheless, growth in this category could be slowed by others factors, such as young and educated mothers recognizing the importance of breastfeeding.

Retail Sales of Packaged Food in China, by Segment
Historic/Forecast Retail Value in US\$ Millions and Period Growth (%)
Current Prices – Fixed 2013 Exchange Rates

Categories	2013*	2018	2009-2013 CAGR %	2014-2018 CAGR %
Total packaged food	202,405.7	347,459.6	12.3	11.3
Baby Food	15,987.9	35,832.9	21.5	17.1
Bakery	28,459.7	44,345.5	13.4	8.9
Canned/Preserved Food	6,839.8	10,444.7	9.0	8.8
Chilled Processed Food	15,070.0	26,595.3	8.6	12.2
Confectionery	13,929.0	20,999.8	9.8	8.5
Dairy	40,602.6	67,584.0	12.5	10.6
Dried Processed Food	26,681.6	47,660.1	14.6	12.3
Frozen Processed Food	7,439.4	12,150.1	8.0	10.6
Ice Cream	5,375.1	6,975.5	5.9	5.4
Meal Replacement	229.1	554.6	24.4	18.3
Noodles	17,091.2	25,739.1	12.8	8.2
Oils and Fats	16,200.4	33,656.3	15.2	15.6
Pasta	8.5	15.7	12.2	12.7
Ready Meals	1,167.9	1,850.9	10.3	9.6
Sauces, Dressings and Condiments	11,022.8	16,612.7	9.6	8.4
Snack Bars	41.8	67.5	45.1	9.6
Soup	99.6	168.1	13.7	10.6
Spreads	946.5	1,284.2	8.8	6.1
Sweet and Savoury Snacks	13,374.8	22,389.2	10.4	10.7

Source: Euromonitor, 2013

Note*: 2013 figures are estimates based on partial-year data

Note: CAGR is the Compounded Annual Growth Rate.



KEY MARKET SEGMENTS, 2012-2013

Dairy*

This sector's value sales are estimated to increase from US\$36.6 billion to US\$40.6 billion, while retail volume is anticipated to increase from 22.9 million to 24.4 million tonnes.

Main sectors*

- ▶ Sales of drinking milk products are projected to increase from US\$28.8 billion to US\$31.5 billion.
- ▶ Baby milk formula sales are expected to increase from US\$12.0 billion to US\$14.6 billion.
- ▶ Sales of yogurts and sour milk products are anticipated to increase from US\$7.2 billion to US\$8.4 billion.

Main producers and their Chinese brands

- ▶ Inner Mongolia Mengniu Dairy Industry (Group) Co. Ltd. remained the leading player in 2012 for the drinking milk category, with a 23.6% value share. Its leading brand is Mengui.

Forecasts for 2014-2018**

- ▶ Retail sales of dairy products are forecast to grow by 10.6%. Drinking milk product sales are expected to grow by 9.4%, baby milk formula sales are forecast to increase by 17.2%, and yogurt and sour milk product sales will likely grow 15.4% over the period.

Dried Processed Food*

This sector's sales are expected to increase from US\$23.7 billion to US\$26.7 billion, while retail volume is predicted to increase from 12.4 million to 13.6 million tonnes.

Main sectors*

- ▶ instant noodles are estimated to grow from US\$14.4 billion to US\$15.8 billion.
- ▶ Sales of rice are expected to increase from US\$8.0 billion to US\$9.4 billion.
- ▶ Plain noodles are anticipated to grow from US\$937.2 million to US\$1.1 billion.

Main producers and their Chinese brands

Information regarding the main producers and brands for each sector is not available for this segment.

- ▶ Ting Hsin International Group led the fragmented category of dried processed food with a value share of 22.3% in 2012. The company's leading brand is Master Kong.

Forecasts for 2014-2018**

- ▶ The dried processed food category is expected to grow by 12.3%. Sales of instant noodles are likely to increase by 7.9%, rice is expected to grow by 18.3%, and plain noodles are forecast to increase by 12.6% over the period.



Bakery*

This sector's value sales are projected to increase from US\$25.4 billion to US\$28.5 billion, while retail volumes are expected to grow from 9.9 million to 10.6 million tonnes.

Main sectors*

- ▶ Sales of baked goods are estimated to increase from US\$17.5 billion to US\$19.7 billion.
- ▶ Biscuit sales are projected to increase from US\$7.3 billion to US\$8.1 billion.
- ▶ Sales of breakfast cereals are expected to grow from US\$600.2 million to US\$675.5 million.

Main producers and their Chinese brands

- ▶ Orion (China) Co. Ltd. continues to lead the baked goods sector with a 2% value share in 2012. Its leading brand is Orion.
- ▶ Kraft Foods China Inc. continues to lead biscuit sales with a 17% value share in 2012. The company's leading brand is the popular Oreo.
- ▶ Nestlé (China) Ltd. led breakfast cereals, with a 28% value share in 2012. Its leading brands are Cheerios, Trix, Nestlé Stars and Koko Krunch.

Forecasts for 2014-2018**

- ▶ Retail sales of bakery products are forecast to grow by 8.9% between 2014 and 2018. Baked goods are expected to grow by 9.2%, biscuit sales are forecast to increase by 8.0%, and breakfast cereals will likely grow 9.3% over the period.

Noodles*

This sector's sales are anticipated to increase from US\$15.5 billion to US\$17.1 billion, while retail volumes are projected to grow from 4.5 million to 4.8 million tonnes.

Main sectors*

- ▶ Instant noodle sales are expected to increase from US\$14.4 billion to US\$15.8 billion.
- ▶ Sales of plain noodles are estimated to increase from US\$937.2 million to US\$1.1 billion.
- ▶ Snack noodle sales are predicted to increase from US\$185.9 million to US\$205.2 million.

Main producers and their Chinese Brand

Information regarding the main producers and brands for each sector is not available for this segment.

- ▶ Ting Hsin maintained its position as the largest player in the Chinese noodles category in 2012, and continued to hold a value share of 34%.

Forecasts for 2014-2018**

- ▶ Retail sales of noodle products are forecast to grow by 8.2% between 2014 and 2018. Instant noodles are expected to grow by 7.9%, plain noodles are forecast to increase by 12.6%, and snack noodles are predicted to grow 8.1% over the period.



Oils and Fats*

This sector's sales are estimated to increase from US\$14.7 to US\$16.2 billion, while retail volume is anticipated to increase from 5.8 million to 6.5 million of tonnes.

Main sectors*

- ▶ Sales of vegetable and seed oil are projected to increase from US\$14.4 billion to US\$15.9 billion.
- ▶ Olive oil sales are expected to increase from US\$147.6 million to US\$186.2 million.
- ▶ Sales of butter are estimated to increase from US\$83.9 million to US\$92.9 million.

Main producers and their Chinese brands

Information regarding the main producers and brands for each sector is not available for this segment.

- ▶ Yihai Kerry Oils & Grains (China) Co Ltd. led the oils and fats category with a 44% value share in 2012. The company's leading brand is Jinlongyu.

Forecasts for 2014-2018**

- ▶ Sales of oils and fats are expected to increase by 15.6%. Olive oil is expected to demonstrate the highest sales growth of 20.7%, followed by sales of vegetable and seed oil (15.6%) and butter (8.7%).

Baby Food*

This sector's sales are anticipated to increase from US\$13.2 billion to US\$15.9 billion, while retail volumes are expected to increase from 0.6 million to 0.7 million tonnes.

Main sectors*

- ▶ Sales of milk formula are estimated to increase from US\$12.1 billion to US\$14.6 billion.
- ▶ Dried baby food sales are anticipated to increase from US\$1.0 billion to US\$1.2 billion.
- ▶ Sales of prepared baby food are expected to increase from US\$143.9 million to US\$173.8 million.

Main producers and their Chinese brands

Information regarding the main producers and brands for each sector is not available for this segment.

- ▶ Mead Johnson (Guangzhou) Ltd. is expected to lead the overall baby food category in 2012 with a retail value share of 13%. The company's leading brand is Beingmate.
- ▶ Nestlé SA acquired Pfizer's baby food division in 2012 and looks to gain ground on Mead Johnson with an expected retail value share of 10% or higher.

Forecasts for 2014-2018**

- ▶ Retail sales of baby food are forecast to grow by 17.1% over the period. Prepared baby food is expected to demonstrate the highest growth at 18.1%, followed by milk formula with 17.3%, and dried baby food with 13.4%.

Source: Euromonitor, 2013

Note* 2013 figures are estimates based on partial-year data

Note** Compounded Annual Growth Rate (CAGR) is being referenced in the forecast sections



NEW PRODUCT CLAIMS AND CATEGORIES

Of the new packaged food product launches tracked by Mintel, there were 7,759 products introduced to the Chinese market between September 2012 and September 2013.

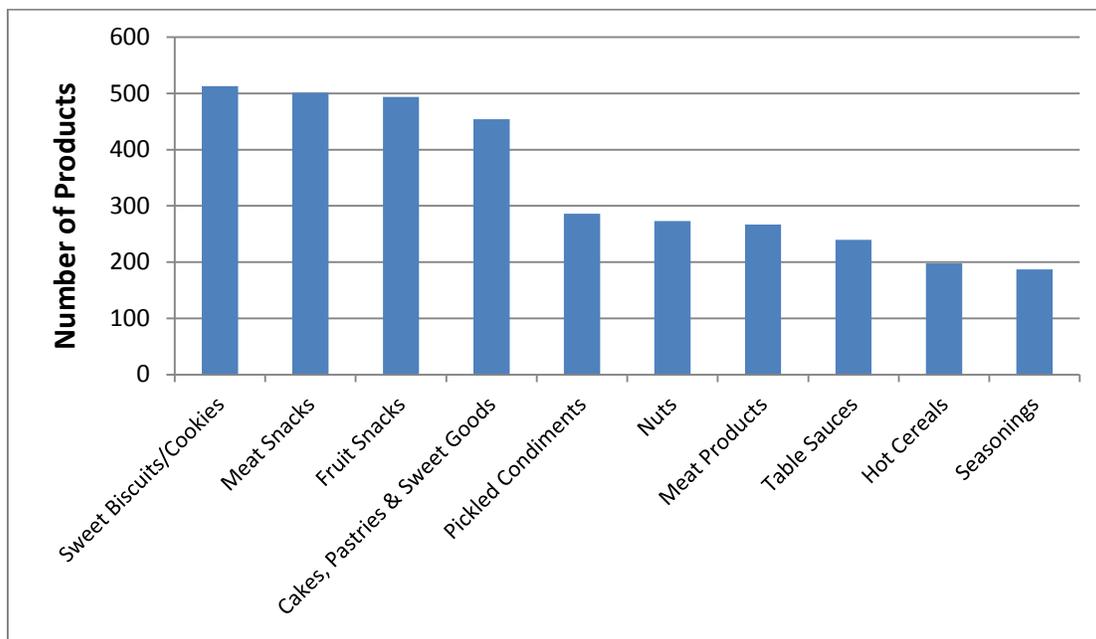
The top five claims were: no additives/preservatives; halal; ease of use; time/speed; and other (functional). No additives/preservatives is the leading claim, largely due to safety concerns.

Sweet biscuits/cookies was the category that saw the most new products from September 2012 to September 2013, representing 6.6% of all launches, followed very closely by meat snacks (6.5%). Fruit snacks were in third position, accounting for 6.4% of the launches.

Top Ten Claims for New Packaged Food Products Launched in China from September 2012 to September 2013

Claims	Number of Products
1. No Additives/Preservatives	892
2. Halal	407
3. Ease of Use	397
4. Time/Speed	330
5. Other (Functional)	270
6. Low/No/Reduced Sugar	263
7. Microwaveable	254
8. Babies & Toddlers (0-4)	208
9. Children (5-12)	198
10. Digestive (Functional)	175

Top Ten Sub-Categories for New Packaged Food Product Launches by Sub-Category in China from September 2012 to September 2013



Source for all: Mintel. 2013



NEW PRODUCT EXAMPLES

Below are some examples of the new packaged food products introduced to the Chinese market between September 2012 and September 2013, reflecting the top five claims and top five sub-categories.

Hand-Made Seafood Three-Delicacy Dumplings

Yue Ji Piao Xiang Shou Gong Hai San Xian (Hand-Made Seafood Three-Delicacy Dumplings) are said to have thin pastry and generous filling. The dumplings are said to be chewy, refreshing, delicious and convenient. This product retails in a 350g pack containing 16 units.

Company: Jia Jia Yue Processed Seafood
Brand: Yue Ji Piao Xiang
Category: Meals & Meal Centers
Sub-Category: Prepared Meals
Price: US\$2.32
Claims: Ease of use



Yogurt Drink with Organic Oat + Yellow Peach

Yili Chang Qing You Ji Yan Mai + Huang Tao Feng Wei Fa Jiao Ru (Yogurt Drink with Organic Oat + Yellow Peach) contains 30 billion unique A+BB probiotics per 100g serving. This halal certified product retails in an easy to open 250g environmentally friendly pack.



Company: Inner Mongolia Yili Industrial Group
Brand: Yili Chang Qing
Category: Dairy
Sub-Category: Drinking Yogurt & Liquid Cultured Milk
Price: US\$1.16
Claims: Organic, Halal, Ethical - Environmentally Friendly Package, Convenient Packaging

Assorted Biscuits

Julie's Melodies Shi Jin Bing Gan (Assorted Biscuits) are halal certified. This product retails in a 650g pack.

Company: Perfect Food
Brand: Julie's Melodies
Category: Bakery
Sub-Category: Sweet Biscuits/Cookies
Price: US\$6.75
Claims: Halal





RESOURCES

Euromonitor International (October 2013)

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Euromonitor International. (October 2013). "Dried Processed Food in China." *Passport*. p. 4

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