

Breakfast Cereals May Find Market in China

By John D. Rutledge

U.S. manufactured breakfast cereals are only beginning to enter the Chinese marketplace. While the present market is small, there is tremendous demand potential.

Cereals for Visitors

The primary buyers of breakfast cereals in China are hotels that cater to foreign visitors. In nearly every one of these hotels, the dining rooms offer buffet breakfasts that include cereals. In addition, some supermarkets and hypermarkets are beginning to sell to local consumers. Amounts and varieties tend to be limited and, for the most part, locally produced.

Joint Ventures and Exporters

Overseas joint ventures produce most of the domestic cereals. For example,



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Kellogg's has a plant in Guangzhou that makes corn flakes and other cereals. Heinz also has been in Guangzhou for more than 10 years producing cereals for babies.

Most of the imported breakfast cereals available in China are manufactured by Kellogg's factories in Australia, Malaysia and Thailand.

The Chinese Taste

The Chinese appear to prefer either sweet-tasting cereals or ones with no added flavoring so that fruit and spices can be added to suit individual preferences.

The two biggest constraints on retail sales appear to be price and product awareness. The consensus among local importers and distributors is that breakfast cereals are too expensive for most consumers. A 20- to 30-percent reduction in the retail price would increase demand tremendously. Consumer education must also be a major part of any marketing campaign to teach the Chinese how to eat U.S.-style breakfast cereals. Although foreign breakfast cereal joint ventures have made some headway in product promotion, more effort is necessary before sales can expand.

Many Chinese appear to enjoy cereals not only for breakfast, but also as snacks eaten straight from the box, so cereals as snack foods have tremendous market potential in China. The Chinese still prefer

their own cuisine for the traditional meals of breakfast, lunch and dinner, but they are willing to try other products as snacks. Some of the most successful U.S. high-value, consumer-product exports to the Chinese market during the last decade entered as snack foods, including almonds, pistachios and fresh fruits.

China's import tariffs for breakfast cereals range from 25 to 30 percent. Since cereals are processed foods, they are also subject to an additional 17-percent value-added tax. It is important to note, however, that with China's accession to the World Trade Organization, import tariffs are expected to decline over the next several years. ■

The author is an agricultural specialist in the FAS Agricultural Trade Office at the U.S. Consulate in Guangzhou, China. For more information, or assistance in entering the Chinese breakfast cereal market, contact that office at: Tel.: (011-8620) 8667-7553; Fax: (011-8620) 8666-0703; E-mail: ato@gitic.com.cn

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TREMENDOUS SNACK
POTENTIAL IN CHINA.**



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