

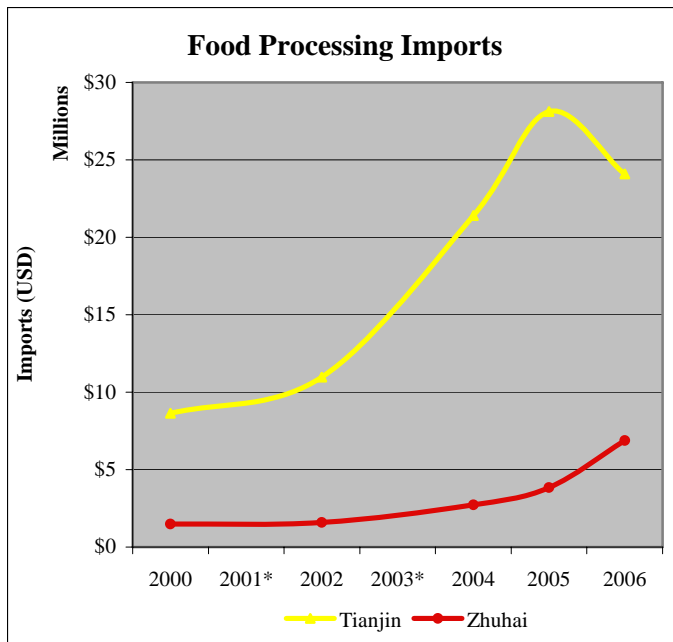
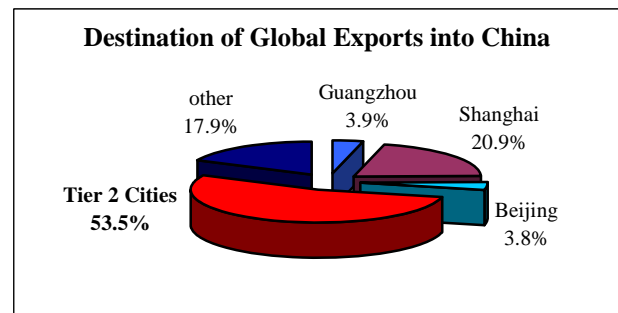
China's Emerging Markets: Opportunities in the Food Processing Industry

Thirteen of China's second-tier cities account for 8% of China's population but 53% of its total imports – which is why the untapped markets of China's emerging cities provide some of the most exciting and lucrative opportunities for U.S. exporters.

China's Real Economic Engine....

China's unprecedented growth and the opportunities it presents are no longer a secret to anyone in the business world. While megacities such as Beijing and Shanghai have long captured much of the spotlight, it is behind the scenes in second-tier cities where one can witness the *real* source of China's economic growth. Unlike what one might expect, the majority of China's imports are *not* ending up in Shanghai, Beijing, or Guangzhou. Rather, a select group of thirteen second-tier cities¹ account for an astonishing 53% of China's total imports, almost double the amount of the three megacities combined.

Local entrepreneurs in these emerging cities are not the only ones reaping the benefits. These cities have become importing havens and present lucrative opportunities, especially for US companies. Perhaps the critical question for American firms is not *whether* there is a second-tier city market, but *which* region is best for a particular industry or product.



Opportunities in Food Processing

With over 1.3 billion people, China's annual food consumption is staggering. The country accounts for over half of the world's production of pork, one third of its production of rice and nearly one fifth of its production of ice cream. Though just 30 percent of food consumed is now processed, compared to 80 percent in Western nations, the market for processed foods is growing, especially in urban areas. Busy urban consumers want convenience, healthier choices, variety and quality — creating new demands for the food processing market. As China's middle class expands, experts predict that the demand for processed foods will continue to grow. In order to meet the rising demand, China purchased over USD \$428 million worth of foreign food processing

¹ Harbin, Dalian, Qingdao, Tianjin, Xian, Wuhan, Hangzhou, Ningbo, Nanjing, Chongqing, Kunming, Zhuhai, Shenzhen, and Xiamen

² <http://www.fas.usda.gov/info/fasworldwide/2005/09-2005/Chinafoodprocessing.pdf>

products last year. The United States accounted for 7.8% of these imports. Two emerging cities in particular offer excellent prospects for US exporters: Tianjin and Zhuhai.

Promising Markets in Emerging Cities

Tianjin— China’s next coastal megacity

Located just 75 miles southeast of Beijing, Tianjin is China’s third largest city and one of the fastest growing economies in the country. One of only four municipalities that are directly administered by the central government, Tianjin is being groomed by national planners to become one of the key industrial and distribution hubs of North-Central China. Tianjin lies at the crossroads of six national highways as well as seven expressways and is home to the sixth largest port in China.

Tianjin is the United States’ fifth largest trading partner in China, and ranked by the World Bank as having one of the one of the top-twenty best investment climates for foreign firms in China.³ The city’s rapid growth has been accompanied by a dramatic increase in its demand for foreign goods—Tianjin’s imports from numerous key industries have increased by double-digit figures in recent years.⁴ The United States is Tianjin’s third largest trading partner— 10% the city’s imports originate in the U.S.

Tianjin Economic Indicators

City Population: **10.24 Million**
Provincial GDP: **USD 36 Billion**
Annual Avg. Per Capita GDP: **USD 3,812**
Import Value: **USD 44.95 Billion**
Imports from US: **USD 4.37 Billion**

Food Processing

While Tianjin’s imports for food processing equipment leveled off in 2006, the city’s demand has considerably increased in recent years. Last year Tianjin purchased over USD \$24 million worth of food processing products, over two and a half times the volume that it imported six years prior.

Zhuhai— Pearl of Southern China

Located adjacent to Macau at the southern end of Guangdong province, Zhuhai was one of the first cities designated by the Chinese central government as a Special Economic Zone (SEZ). Since that time, Zhuhai has become an important manufacturing base and deep-water port.

Logistics is one of Zhuhai’s service industry priorities due to close trading ties with Hong Kong and Macao. The city is the only deep harbor in the west end of the Pearl River Delta, making it a crucial transportation hub. After completion of the Hong Kong-Zhuhai-Macao Bridge, industry experts predict that ground, sea and air transport will increase significantly because the bridge will connect these ports with ground cargo arriving from the Beijing-Zhuhai Highway.

Zhuhai Economic Indicators

City Population: **1.4 Million**
Provincial GDP: **USD 42 Billion**
Annual Avg. Per Capita GDP: **USD 8,532**
Import Value: **USD 17.97 Billion**
Imports from US: **USD 670.91 Million**

Zhuhai’s major trading partners include the U.S., Hong Kong, Japan, Germany and Macau. The United States has become Zhuhai’s sixth-highest import source.

Food Processing

Zhuhai purchased over USD \$6.8 million worth of food processing products last year, a 79% increase over the previous year’s imports. Zhuhai’s demand for food processing equipment is expected to continue to exhibit steady growth in the foreseeable future.

³ See: World Bank Report— “Governance, Investment Climate and Harmonious Society: Competitiveness Enhancements for 120 Cities in China”; released October 8th 2006.

⁴ This list includes: Construction equipment, electrical components, integrated circuits, machine tools, medical devices, oil & gas, packaging materials, security products and telecom goods.

Why choose the Foreign Commercial Service?

FCS offers you the access you need to grow your business in China at an affordable rate. By partnering with FCS, the U.S. Embassy's contacts and expertise are put to work for your business. Knowledgeable Commercial Service specialists and International Partner Network (IPN) representatives can help you contact and set up appointments with Chinese organizations across China. With access to a broad cross-section of contacts including potential agents and distributors, major end-users and key government officials, you will be sure to meet the right people at the right levels to expand your business.

For further information:

Please visit <http://www.buyusa.gov/china/en/> or contact Export.China@mail.doc.gov