ACCESS ASIA FOOD AND DRINK NEWSLETTER

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You Should Have Seen the One That Got Away…!

China has disputed the findings of two Canadian scientists that it is among the countries that inflated their marine-fisheries catch when reporting to the United Nations. Yang Jian, director of the Ministry of Agriculture's (MOA) bureau of fishery, told the press that China's statistics on its fisheries catch are "basically correct", and the number reported to the UN was not inflated.

The two Canadian scientists, Reg Watson and Daniel Pauly, published an article in the November 29 issue of *Nature* magazine stating that the marine-fisheries catch announced by the UN Food and Agriculture Organization has been increasing despite shrinking fishing resources globally. They said in the article that some countries, especially China, have inflated the numbers of their fisheries catch when reporting to the

UN since 1980.

Yang called it “reasonable” that China’s fisheries output has been increasing over the past two decades because of price deregulation and large domestic demand. The number of fishing boats increased from 1980’s 49,000 to 280,000 in 2000 nationwide, he said, adding that fishery remains one of the few profitable sectors in agriculture. “Chinese fishery has its own characteristics,” said Yang. “Because of our special culture of foods and socio-economic conditions, aquatic products like crabs and jellyfish that people in most other countries may not eat account for a considerable portion of our fisheries output”.

China’s fisheries catch was down 1.35% in 2000 compared with 1999, and is expected to see further decrease in 2001, according to the Chinese government spokesman, despite there having been virtually no expansion of its fishing fleet, and about 30,000 boats are slated to retire over the next five years. In 2000, China’s fisheries output stood at 42.7 million tons, valued over RMB 170 billion (US$ 20.6 billion).

Grain Output Down in 2001

Due to a decrease in planting areas and severe natural disasters, China’s total grain output this year fell by 2.1%, or 9.55 billion kilograms to 452.6 billion kilograms. According to the Bureau of Statistics, nationwide sampling of 140,000 pieces of land across China shows that the output of summer grain decreased 4.6% compared with 2000, while that of early rice was down 9.5% and output of autumn grain declined 0.3%.

New report: Access Asia’s China Contact series report on the **Grains in China** will be published soon.

The main reason for the decrease this year is the government reduction of planting areas. According to statistics, the total planting area was 106 million hectares, down 2.1% or 2.3 million hectares from 2000. The grain output per hectare this year is essentially the same as last year. Fifty million-hectares of farm land suffered from disasters during 2001, which is 49.5 million hectares more than the average for the past 10 years.

Imported Fruit Prices Reduced

China is reducing import tariffs on imported farm produce from January, and the price of imported fruits will fall by more than 50%. An official for the China region from the Florida Citrus Association recently declared that the prices of grapefruits would be reduced next month, and also announced that some 1.1 million kilograms of US grapefruits will appear in China’s fruit market in January. The association plans to sell close to RMB 100 million (US$ 12.08 million) worth of imported fruits on the Chinese market in the coming five years.

A Shanghai sales representative for the China area from the US-based Sunkist Growers Association has also indicated that the price of Sunkist oranges will be adjusted down from RMB 9 (US$ 1.09) to about RMB 4 (US$ 0.48). In 2002, China will reduce tariffs on imported farm produce by between 15% and 20% from 50% and to about 15% three years later. After this adjustment, imported fruits that sell for over RMB 10 (US$ 1.21) per pound will see a substantial price cut, which will make imported fruits more affordable to Chinese consumers.

Danone Consolidates Control of Robust

France's Groupe Danone has continued to take more of an active role in the direction of the Chinese bottled water and dairy beverage company Guangdong Robust Group. Danone has taken tighter control of the company following the resignation of He Boquan, president of the Guangdong Robust Group Co., and four other founders of the company.

The president of Danone (China), Qin Peng, will take over the reigns of the company. He Boquan said the main reason for his resignation was serious conflict regarding future development strategies between the management of Robust and Groupe Danone, Robust's controlling shareholder. He also said the company's performance had failed to reach this year's target.

Groupe Danone also holds a 41% stake in the Hangzhou Wahaha Group Co. A public relations official of Wahaha confirmed that Danone had expressed its intent to restructure and integrate the operations of Wahaha and Robust a while ago. However, everyone concerned has been hotly denying any possible merger of Robust and Wahaha.

Robust's sales had been hovering around RMB 2 billion (US$ 241.6 million) in recent years, while that of Wahaha is expected to exceed RMB 6 billion (US$ 724.9 million) in 2001.

In the past 10 years, Danone has completed a series of acquisitions in China. In 1987, it established the Guangzhou Danone Yogurt Co. and in 1992, the Shanghai Danone Biscuits Co. In 1996, it acquired 63.2% share in the Haomen Brewery, 54.2% stake in Wuhan Dongxihu Beer and 41% share in Wahaha. In 1998, it purchased 54.2% stake in Shenzhen Yili Food Co. Guangdong Robust and Danone formed a joint venture in March 2000. Ironically, He Boquan had picked Danone as a joint venture partner for Robust over Switzerland's Nestlé because Danone was willing to let the company keep management autonomy and the Robust brand. After acquiring controlling shares in both Wahaha and Robust, Danone became number one in China's bottled water market.

In December 2000, Danone bought 5% of the Shanghai Bright Dairy and Food Co. In the same month, Danone also acquired a 50% stake in Shanghai Aquarius Drinking Water Co. and 10% interest in the Shanghai Aquarius Online Sales Co., an E-commerce website operated by Shanghai Aquarius.

More Big Macs For China

McDonald's plans to open 100 new restaurants in China by 2003. This follows a company announcement in July that the fast-food chain is to close 250 outlets in other emerging markets. McDonald's said that it expected profits to sink in the fourth quarter compared with the same period in 2000. In the first six months of 2001, McDonald's built 96 new restaurants in China, more than in any country outside of the US. Of the company's 29,250 restaurants worldwide, 6,460, or 4.5%, are located in the Asia-Pacific region, 368 of which are in China, as of July.

Commentary

The food industry in China is continuing to burgeon, and this is not because the Chinese are spending their increased salaries on better food, but because they are increasingly eating junk food. Yes, there is a trend for healthier ingredients in foods, but this trend is merely cosmetic, and most consumers in the main cities are still piling on the calories, and soaking up the preservatives.

This might not be very good for the long-term health prospects of China's new rich, but its great news for the food processing industry. While fresh food is out and processed, packaged and branded foods are in, average per capita spending on food will continue to rise.

Branding is becoming a key issue now. Food is no longer a commodity for many Chinese consumers, it's a branded product. Witness the rapid rise of the Chef Kang brand of instant noodles, and its successful shift over to bottled soft drinks and biscuits. Kang Shifu (Chef Kang) has even made it into slang dictionaries in China, and will no doubt upset the cultural purists by entering academic dictionaries anon.

This is a significant cultural milestone. China now has its own food brand culture. This means that the market is sophisticated enough for foreign companies to adapt their branding know-how into developing new Chinese brands. But, will they? Will foreign companies begin to realise that foreign brands can't win, and that to be successful, you have to go local? Some have, such as Coca-Cola and its "Heaven and Earth" brand of flavoured tea drinks. Next year, we will be following such developments very closely.

But, for now, may we thank you for your support through this year, and wish you happy holidays and a successful 2002, from all at Access Asia.

If you have an area of particular interest you would like covered in a future edition of this newsletter, or is not yet covered by our existing reports, please contact us to let us know. It is our aim to provide you with the best quality and broadest scope of information on Asian business to suit all your needs.

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