

Market Profile For Food and Beverage Retail In the China Market

1.0 MARKET STRUCTURE¹

1.1 Size

According to Datamonitor the Chinese food retail industry grew by 9.8% in 2005 to reach a value of RMB 2,747 billion (NZ\$ 518 billion). China accounted for 33.4% of the value of the industry across the Asia-Pacific region and ranked as the second most lucrative food retail market behind Japan. It is anticipated that by 2010 the value will increase in total by 49.2% to RMB 4,097 billion (NZ\$ 773 billion).

Supermarkets account for the largest share of the Chinese food retailing industry, accounting for 35% of revenue, equivalent to RMB 960 billion (NZ\$ 181 billion).

China Food Retail Industry Segmentation: % share, by value, 2005

Category	% Share
Supermarket	35.00%
Food Specialists	16.20%
Discounters	4.70%
Hypermarkets	3.60%
Other	40.50%

Source: Datamonitor

1.2 Regional Markets

1.2.1 Shanghai

Shanghai has a well developed retail sector and is home to a large number of supermarkets, hypermarkets and an extremely strong convenience store sector. It is one of the highest income cities in China, with a population of 20 million, and a large expatriate community (approx. 350,000) which is a significant consumer group for premium foods.

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Shanghai is favourably located in the Yangtze River Delta region, China's most vibrant economic region, which accounts for nearly one third of the country's GDP, and has the most modern logistics infrastructure in the country.

1.2.2 Beijing

Beijing offers the greatest room for future expansion amongst first tier cities, a by-product of its relatively slow development. Unlike Shanghai and Guangzhou, it is not at the centre of a wider economic development region, however the broader region has some of the most dynamic coastal cities in China, e.g. Dalian and Qingdao. Its status as the national capital means there is a large expatriate community and therefore, significant consumption of imported foods.

1.2.3 Guangzhou

Located in the fast developing Pearl River Delta and close to Hong Kong, Guangdong province benefits from the Closer Economic Partnership Arrangement (CEPA), which means goods can enter Guangdong more easily. Hong Kong transshipments of products still play an important role in the local food trade.

The 280 million residents of Guangdong and other provinces in South China enjoy above average incomes, and infrastructure and cold chain logistics are developing in the region.

1.3 Growth Rate²

China's food retail industry grew at a compound annual growth rate of 11.3% for the 2001-2005 period, nearly double the growth rate of 4.7% for the wider Asia-Pacific region.

The Chinese food retail industry is the fastest growing in Asia-Pacific, and is forecast to grow to a value of RMB 4,097 billion (NZ\$ 773 billion) by 2010. It is forecast that China will overtake Japan to be the most lucrative market in the region by 2010.

1.4 Known Factors Influencing Growth Rate

The Chinese food retail industry has grown rapidly in recent years and will continue to expand in the coming years. The following key factors are influencing this growth rate.

1.4.1 Consumption

The rapid growth of the Chinese economy has generated an increase in disposable incomes and consumption levels in the domestic market. Over the next ten years the Chinese middle class is expected to grow from 120 million to 250 million consumers. GDP is expected to grow at 8% per annum over the same period.

² Figures in this section are sourced from Datamonitor

The demand for high quality food and western food is increasing, largely driven by growing health concerns and the desire by parents to provide the best possible food for their children. Recent food safety scares have led to growing concerns among Chinese consumers about food quality and safety. Meanwhile organic produce is becoming more popular which creates a potential niche market for premium imported organic products.

The shopping behaviour of Chinese consumers has changed in the past five years from a focus mainly on price to greater focus on quality, convenience, choice and the shopping environment. Changing purchasing patterns have been a key driver in modern retail development and innovation in store formats.

1.4.2 Urbanization

Urban residents are the main shoppers in modern retail formats and are the main consumers for quality products. For example, Shanghai and Beijing account for 50% of the total retail market. With increasing urbanisation more than 100 million people now live in major cities.

Further increases can be expected as urbanisation continues and food processing technology, packaging and logistics improve. This trend is helping to boost consumption of high quality food. Moreover, the government's support to the development of Western China will create major retail markets in this region of China as well.

1.4.3 Improvement in technology and supply chain management

The entrance of overseas logistics companies has improved logistics and distribution in China. In addition, Chinese central and local governments have made significant efforts to develop national infrastructure, and there is still a significant amount of investment going into the development of the transportation infrastructure.

This has made it easier for consumers, particularly in remote areas, to obtain quality products. However, the national infrastructure still requires significant improvement to match the standards in most western countries.

1.4.4 Regulatory environment

China's accession to the WTO will reduce barriers to the sale of imported agricultural products, and the overall average duty for agricultural products will fall from 22% to 17.5%.

China's accession to WTO enables direct distribution to the Chinese market which should result in a decrease in product being traded through the traditional "grey" channels. It is expected that direct sales to distributors and buyers in China will become more efficient than sales through agents in Hong Kong.

Since 2004, China has adhered to the principle of the WTO by allowing foreign-branded stores to open Wholly Foreign Owned Enterprises in China. This has enabled foreign companies to expand more rapidly in China.

2.0 COMPETITIVE ENVIRONMENT

2.1 Major Players in the Market

2.1.1 Supermarkets

Although supermarkets are losing market share to hypermarkets and convenience stores, they still remain the most common retail channel in urban China. State-owned domestic retailers dominate this channel. The giants are Shanghai-based companies Lianhua and Hualian.

A key weakness of China's supermarkets lies in the poor selection and quality of produce. Supermarkets have the poorest penetration of imported products of all the modern retail channels, which is a result of the extremely price sensitive consumer base and poor distribution system.

2.1.2 Hypermarkets

Hypermarkets are the fastest growing channel in the retail sector, and foreign retailers are far stronger in this channel than any other. Carrefour is the dominant player with a total of 95 stores in the country as at March 2007, including 11 stores in Shanghai. Wal-Mart, Tesco, Metro Cash & Carry and Lotus are the other major players.

Management within hypermarkets tends to be good, although distribution has not kept pace. Hypermarkets represent a high-volume option for imported food, especially the foreign-owned hypermarkets. However, retailers usually demand extremely competitive prices and terms from suppliers.

2.1.3 Convenience Stores

This channel is the least developed, but has considerable potential. Domestic state-owned retailers still dominate the channel, and the leading players are Quik, Kedi and Alldays which are all owned by local groups. International convenience retailers such as 7-Eleven, Family Mart (Japan Ito Yokado), Sincere (Hong Kong), C-Store (Taiwan), and Lawson's (Sino-Japan JV) are expanding aggressively.

Import penetration tends to be relatively low. Managers are less familiar with imported products than their counterparts in the hypermarkets.

2.1.4 Boutique stores

This is the best selling channel for imported foods as it targets expatriates and high-income Chinese who have an awareness of quality and brands, and are less price oriented. Producers of high-end and specialty products usually choose this channel as a market entry point before moving onto hypermarkets or supermarkets.

The advantages of boutique stores include: good management, a pleasant shopping environment and an ability to assist with import issues e.g. registration and labelling. This channel also includes some specialty food stores which specialise in products such as wine, cheese and organic products.

Some of the main players include: City Super, Fresh Mart (Sogo), Cheese and Fizz, California's O-Store in Shanghai and Jenny Lou in Beijing.

2.1.5 Traditional markets

While no longer the dominant format, traditional markets still exist even in the large first tier cities, generally in three categories:

- Wet markets, which specialise in fresh produce, live poultry and other products for daily consumption.
- 'Mom & Pop' shops, which are similar to convenience stores but sell lower quality foods.
- Fruit stands, where counterfeit products are wide spread.

2.2 Marketing Strategies

To meet the challenge from multinational companies, there has been a trend towards large domestic retailers merging to strengthen their competitive capability. Merger, acquisition, franchising and joint venture are generally the main expansion approaches adopted by retailers when entering or expanding in the China retail market.

Major international retailers generally enter the market or expand by purchasing existing retailers. For example, Tesco purchased 50% of Hy-Mall which gave it immediate access to 32 stores in China. Wal-Mart acquired a 35% share from BCL, the management organization of Trust-Mart, which has 101 shops in China. Following the acquisition, Trust-Mart still operates under its own name. Both Wal-Mart and Trust-Mart will continue to expand.

Following the liberalisation of China's foreign ownership laws, most international retailers are separating from their Chinese partners by either increasing their stake or buying out their partners altogether. For example, Carrefour separated from its partners in Changsha and Kunming and Metro has increased its stake from 60% to 90%.

Opening new stores in second tier or smaller cities has been a strategy adopted by some leading retailers. Hypermarkets such as Carrefour, Wal-Mart and Metro have taken this approach and expanded rapidly in China.

On the other hand, some retailers focus on a certain region and build up greater volume and stronger distribution chains within the region. This approach has been adopted in particular by convenience store chains and high-end boutique shops, such as Ito Yokado in Beijing, City Super in Shanghai and Suguo in Jiangsu province.

2.3 Distribution Channels

Although some retailers have their own “import rights” and channels, most still tend to deal with distributors. Food distributors are generally small and privately-owned. The number of distributors with the necessary experience, customer networks, industry expertise, import focus, and market recognition is limited. In addition, competition in this market is fierce.

As distributors are mostly small and privately-owned, they usually do not have an import/export licence to handle imports themselves. Therefore, they assign this responsibility to specialised trading or import/export companies. Even those distributors which have import/export licences will utilise import agents when the minimum volume requirements cannot justify the costs for self importation.

Distributors have played a key role in the development of imports into China’s retail sector. Retail stores transfer market risk onto the distributors by negotiating highly favourable terms that include free return of unsold products, listing fees and extended credit terms. Some retailers even demand an annual profit return determined as a fixed proportion of revenue.

Some retailers such as Metro Cash & Carry have centralised distribution for imported products, while large distributors with the capability to meet the requirements of retail chain stores now receive more favourable terms with retail chains at the national level.

Distributors are often unwilling to take on new imported products because of the high risks they are expected to absorb when dealing with retailers. As a result, most retailers stock less than 1% of imported product lines except retailers in first tier cities where there is a large number of expatriates and high income Chinese.

Retail distribution channels have not grown to match the fast expansion of retail outlets. The first tier cities, Shanghai, Guangzhou and Beijing, have the best infrastructure and the largest number of experienced distributors in China. Services range from temperature controlled bonded warehouse to online inventory tracking, to duty-free industrial zones, which means duty is paid only after products leave the zone.

The logistics infrastructure is improving in second tier cities along the eastern coast. However the three big cities continue to be the main entry ports for imported foods destined for second tier cities.

The infrastructure in inland cities is comparatively poor. The penetration of imports is extremely low especially for high value or temperature sensitive products which require a high standard of logistics support.

Cold chain logistics are quickly developing to comply with the increasing volume of temperature sensitive products. However, it is still a major area of concern for the retail sector in China.

2.4 Product Competition

2.4.1 Local and Joint Venture products

The quality of domestic product has been increasing rapidly, especially fresh fruit and vegetables. The best Chinese fruits are regarded as being similar in quality to imported fruits and are being exported in large volumes. The inefficient logistic system makes the final prices of domestic produces similar to imported product.

The improving quality of local product is pushing some imports out of the price driven mass market into niche markets where quality and novelty are more important than price.

Foreign brands manufactured in China enjoy the benefits of brand awareness and low labour costs while avoiding import regulations. Products are often adapted to Chinese tastes.

2.4.2 Imported products

Commodity-type products and major suppliers.

Products	Major import sources
Frozen meat	Australia, U.S.
Poultry	U.S., Brazil
Seafood	Japan, Norway, Canada and U.S.
Apples	U.S., Chile, New Zealand
Cherries	U.S.
Kiwifruit	New Zealand, Chile, Italy
Frozen vegetables	U.S., Canada, New Zealand
Other fresh fruits	Southeast Asia, South Africa, Chile, U.S.

Prepared foods & ingredients and major suppliers

Products	Major import sources
Olive oil	Spain, Italy
Wine	Australia, France, Chile
Cheese and Butter	New Zealand, France, Australia
Other dairy (i.e. Yoghurt, UHT milk, Cream)	New Zealand, France, Australia
Breakfast Cereal	U.S., U.K,
Ice Cream	Italy, Denmark, New Zealand
Chocolate	Belgium, Switzerland, France
Prepared sauce	U.S., Italy, U.K., Japan, Germany
Health supplements	U.S., Australia, Canada
Bottled water	France, Italy

3.0 REGULATORY OVERVIEW

3.1 Duties/Taxes

Import customs duties (ICD) have fallen along with China's commitments under WTO accession. A further 17% or 13% value added tax (VAT) is added on the duty-paid value. In addition, a consumption tax (CT) is levied on a range of luxury goods, which includes 5-25 percent of CT for alcoholic beverages in food sector.

$$\text{Total Import Tax rate} = \frac{\text{ICD} + \text{VAT} + \text{CT} + \text{ICD} \times \text{VAT}}{1 - \text{CT}}$$

Note: import tax is levied on CIF value.

Please check with your business partner for the current duty rate for individual products.

3.2 Regulatory and Licensing Restrictions or Difficulties

In recent years, the Chinese government has enforced regulations supervising standards and labelling for foods. It is critical for New Zealand exporters to understand the relevant rules if they are looking at a long term position in China.

There are numerous laws and regulations relating to imported food and beverage products in China and these are updated or revised continuously. Information provided here is for reference only. When negotiating supply contracts and before beginning to actually export, companies are advised to consult closely with their importer or distributor.

It is also advised that the regulatory, labelling and licensing process should be undertaken through an in-market agent / distributor who are familiar with the application procedure and documents required, as these processes may be difficult to undertake from New Zealand.

3.3 Chinese labels

In April 2006 responsibility for the inspection of imported food product labels was transferred from China's General Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) to provincial level China Inspection and Quality (CIQ) offices at the port of entry.

Prior to a packaged product being imported or distributed into China, labelling verification must be sought from CIQ, a process that takes 1-2 weeks. This process is normally handled in conjunction with the importer or distributor, due to language issues and the need for on-the-ground liaison with CIQ. When going through this procedure, exporters should consider carefully the value of specifying in the contract they have with the importer or distributor that they will retain "ownership" of the label after approval. This will make it easier to work with other distributors in the future should the need arise.

3.3.1 Label Application

A summary of the main items required for verification of labelling follows:

- Completion of the application Form of Import Food Labelling Verification
- A brief explanation of the original English label in Chinese. According to the National Standard of the Labelling of Foods (GB7718-1994), the label should include the details stated below.
- Certificate of Origin
- Registration information and qualification of distributors or dealers
- Samples of Chinese label (see content below)
- Sample of product for inspection

3.3.2 Information contained on label

The mandatory items for the Chinese label are:

- 1) Name and trademark of the product
- 2) Ingredients
- 3) Net weight and solid content
- 4) Name, address and telephone number of the manufacturer
- 5) Production Date (dd/mm/yyyy) and storage instructions
- 6) Packer / Distributor (Name & Address)
- 7) Batch number
- 8) Country of Origin
- 9) Quality Guarantee and/or Storage Period (dd/mm/yyyy)
- 10) Usage instructions

While the law bans the use of temporary adhesive labels, it is not uncommon for imported products to be seen with small and simple labels (translated into Chinese) on the outside of the package. These are applied either prior to delivery to China or by the Chinese importer under the supervision of the CIQ in the nominated bonded warehouse. The labels will still meet the minimum information requirements. This option is risky over the medium- to long-term and, as such, New Zealand Trade and Enterprise (NZTE) recommends that exporters comply with the formal labelling regulations.

3.4 Import licences

There are not many food products limited by quota except for grains and sugar. However an import license is required for the import of a range of products such as meat and edible offal, horticultural products, fish and other aquatic products. The following provides more details about license application process for importers:

- Approval Organisation
The applicant should lodge the application to CIQ, through which it will be delivered to AQSIQ for assessment. The result of application will be notified through CIQ.
- Main documents & information required for application of import license:

- Qualification of legal representative of applicant (copy)
 - Production / processing / storage agreement with the companies certified by AQSIQ for imported products, i.e. meat, gut, casein, aquatic products, etc
 - Country of Origin
(There is no limit on C/O as long as the supply plant has passed through the inspection from Chinese government authority.)
 - Total quantity & value to be imported
(There is no limit on the import quantity and value, however the applicant should seek to fully utilise the quantity approved. Otherwise, subsequent applications may be difficult.)
 - For the second application by the same applicant, the previous import license (including Verification Sheet) can be cancelled after verification.
- Validity. 6 months for one single consignment.
 - Cost. No cost on application of import license.
 - Time frame. A standard procedure takes 30 working days to complete the application.

3.5 Health supplements

As a special food sector, strict and complicated laws and regulations have been established to govern health supplement imports into China, and the information here is for reference only. NZTE strongly recommends that New Zealand exporters study this area very carefully and consult with experienced business partners before deciding to enter into the market.

3.5.1 Rules and Regulation

The Administrative Policy of Health Food Registration (Trial Implementation Order No.19) made in 2005 by the SFDA commissioner provides specific regulations on health food registration covering areas such as the application and examination process, approval, raw material, supplementary material, labeling and instruction, testing and inspection, re-registration, re-examination in legal liability.

3.5.2 Approval Organization

The State Food and Drug Administration (SFDA) is responsible for handling the registration, assessment and approval of health food for the whole country.

3.5.3 Lead Time for Application and Examination

Officially, 130 working days are required from the time of lodging the application through until final approval and issuing of the relevant certificate for new products. Anecdotal feedback suggests, however, that the time frame can stretch to around one year.

3.5.4 Labelling

Labels for health food products should include:

- product name
- major raw (supplementary) materials
- active ingredients/ indicating ingredients and their content
- healthcare functions
- applicable population / inapplicable population
- dosage and directions for use
- specification
- shelf life for guaranteed quality
- storage and precautions
- the health food approval code and logo should be marked on the health food label after its approval for production and marketing.

3.5.5 Health food vs. general food

There has been some confusion on the definition of health foods among overseas suppliers, and there have been cases of products that were imported as general foods, which should have been imported as health foods.

There is also a significant difference in cost. For example, it takes RMB700 to register Deep Sea Fish Oil with CIQ as a general food vs. RMB300,000 and 12 months to register it through AQSIQ in Beijing as a health food.

It is CIQ who decides whether or not products can be registered as a general food. It is recommended that New Zealand exporters check carefully through agents which category their products fall into before product is exported.

A summary of differences between these two categories follows:

Health Food

- To adjust body need with specific health care functions (as specified on label)
- To be consumed by a specific population
- Daily dosage specified

General Food

- No emphasis on any specific functions
- To be consumed by general public
- No stipulation on the amount of consumption

3.6 Sanitary inspection and certificate issuance

On arrival, individual shipments are inspected and if they pass, are issued with a hygiene certificate. Products that fail inspection cannot be imported. Details of the procedure follow:

- After customs clearance, samples (at least 2 pieces for each SKU) are sent to CIQ for sanitary inspection. Alternatively, CIQ staff may go to the distributor's warehouse to randomly select samples for inspection.
- Documentation:
 - 1) Import license (where requested)
 - 2) Inspection & Quarantine Certificate issued by Country of Origin Authority (Original Copy)
 - 3) Certificate of Origin
 - 4) Certificate of non-wood packaging
 - 5) Trade contract
 - 6) L/C where it is necessary
 - 7) Bill of lading / Airway bill, invoice, etc
- It takes CIQ about 10 days to issue a hygiene certificate for air freight shipments and about one month for sea freight shipments.

3.7 Retail sales certificate

In order to sell imported products at retail, distributors are required to provide the following documentation as evidence that their products comply with Chinese food regulations:

- Import license (where requested)
- Copy of registered Chinese label (where requested)
- Certificate of Origin
- Health Certificate
- Copy of Sanitary certificate with official chop of distributor
- For the first sale, a letter of authorisation between the overseas supplier and the nominated distributor
- Complete set of product information

4.0 RECOMMENDED STRATEGIES

4.1 Possible Points of Differentiation for NZ Companies

As mentioned, increasing urbanisation and rapid growth in disposable incomes means Chinese consumers are more willing to purchase quality products. It is important for New Zealand exporters to position their products appropriately in the market.

4.1.1 Country image

Chinese consumers perceive New Zealand as a “clean and green” country. This image should be leveraged when it comes to marketing and promoting New Zealand foods, particularly targeting the top-end of the market.

4.1.2 Food Safety

As mentioned, recent food scares have increased consumer awareness of food safety issues. The strict food safety supervision and traceability systems in New Zealand provide a high level of confidence for Chinese consumers.

It will take some time for domestic producers to improve the quality of their products to meet international standards. In the meantime, the demand for 'safe' foods will largely be met by imported products.

4.1.3 Premium products

Significant disparities exist between different regions as well as between urban and rural areas in terms of population, income, spending power and retail sales. As a result of these disparities the importance of prioritising markets and focusing distribution becomes critical.

New Zealand food and beverage products have built up an image of high quality and high price, but limited supply in the market. For instance, New Zealand wine has the highest average price amongst the top 12 wine import countries to China, but the export volume to China is relatively small. This makes it difficult to compete on volume in the mass market which is price sensitive. Consequently it is important for New Zealand exporters to target niche markets and select the most appropriate retail outlets for premium food and beverage products.

4.1.4 Dealing with leading retailers directly

Some foreign retailers have started to import directly rather than working through an importer or distributor. For example, Carrefour has been contacting U.S. fruit export associations and other organizations, while the import department of Metro is playing a stronger role in direct purchasing. Moreover, City Shop has contracted consolidators in U.S., Europe and Australia to import directly. The variety and quality perception of New Zealand's dairy, meat, seafood, beverage and other produce make New Zealand attractive to retailers for direct imports.

4.2 Tactical Recommendations on Market Entry

China is not a single market. Geography, demographics, tradition and incomes vary from region to region. However there are some basic recommendations for market entry.

4.2.1 Work with capable and reliable distributors.

Distributors play a key role in the penetration of imports into the retail sector. A capable distributor can assist with regulatory issues and network relationships while providing logistic services. To effectively target the retail sector in China, New Zealand exporters will need to have a good distributor who has established supply relationships with top-end retailers.

New Zealand exporters are strongly encouraged to undertake due diligence on potential partners. Areas to investigate include, but are not limited to, registration with the Bureau of Industry and Commerce, company cash flow, facilities, credibility and expertise in the food and beverage industry.

4.2.2 China Retail Channel Development Project (CRCDP)

For smaller companies or those who want to test China market but are not ready to pay high market entry costs and bare high risks, the CRCDP, which was initiated by NZTE, may be a good choice as an entry point. NZTE has appointed a logistics distribution provider and has established a New Zealand branded “shop within a shop” promotion at selected retail stores in Shanghai. Within this framework, New Zealand companies can trial their products in a retail environment and develop a niche positioning. For details please contact NZTE.

4.2.3 Visit to the market

Regular market visits are highly recommended for the purpose of testing the market, evaluating potential partners, visiting facilities, listening to end users and developing good relationships in the industry.

4.2.4 Focus on niche markets

The characteristics of the New Zealand food and beverage industry mean that New Zealand exporters should target the niche and top-end segment of the retail market rather than the price-oriented mass market. Companies should therefore target retailers which service top-end consumers.

4.2.5 Invest in market promotion

As well as fierce competition from local and overseas suppliers, your selected distributor also carries your competitors' products in some cases, especially specialty food distributors. Apart from regular market visits, support for promotion is also a key aspect of demonstrating your commitment to the market. Attending trade shows, organising themed events, funding on-premise promotions and advertising are the most common and practical methods for increasing brand awareness.

4.2.6 Consult with New Zealand government agencies in market

NZTE has three offices in mainland China; Beijing, Shanghai and Guangzhou. NZTE aims to help New Zealand companies to develop their capability and facilitate participation in the market by conducting market research, identifying potential distributors, arranging appointments, organising and supporting national pavilions at exhibitions, consulting Chinese government authorities and updating companies on regulations. New Zealand companies can also consult with the New Zealand Food Safety Authority and Ministry of Foreign Affairs and Trade who also have established offices and representatives in China.

4.3 Recommendations on Long Term Strategic Issues for Exporters to Consider

4.3.1 Keeping up-to-date on new regulations

Following China's accession to WTO, the Chinese government has enforced a host of regulations governing standards and labelling for foods. New Zealand exporters should be reasonably familiar with the actual regulations, and any proposed changes to these regulations, to avoid problems that may arise through non-compliance with the rules.

4.3.2 Intellectual Property Rights (IPR) protection and brand building

Although the Chinese government has strengthened intellectual property rights (IPR) laws and regulations to comply with the WTO agreements, IPR infringements of imported food products, such as counterfeit products and fake labelling, is still a serious problem.

Companies who are looking for long term development in the China market should consider registering and protecting their trademarks in both English and Chinese prior to entering the market.

Exporters should seek professional advice on the protection of intellectual property, such as brand names (both English and Chinese) and trademark prior to engaging with a distributor in the market. It is not uncommon for companies, regardless of industry, to find that their brand or trademark has been registered by a third party without notification.

Care should be taken by companies in product and label registration, particularly with regard to health foods, which are time consuming and costly to register. As noted above, when going through this procedure, exporters should consider specifying in their contract with the importer or distributor that they will retain "ownership" of the label after approval. This will make it easier to work with other distributors in the future should the need arise.

Companies should also give consideration to website registration in English and Chinese, even if their current website does not include Chinese.

4.3.3 Long term commitment to the market

As the fourth largest economy in the world, China is one of the most dynamic countries in Asia. Companies wanting to operate in the market over the long term need to invest time, efforts and money to develop it. Understanding the regulations, working closely with partners and distributors, developing networks Guan Xi (relationship), becoming familiar with Chinese tradition and tastes in different regions and investing in market promotion are key recommendations for exporters to consider.

5.0 MARKET RESOURCES AND CONTACTS

5.1 China official website

- China's Administration for Quality Standards, Inspection and Quarantine (AQSIQ) at www.aqsiq.gov.cn (for national laws and regulations, issue, notifications, etc)
- Application Form of Import Food Labelling Verification (<http://www.cichk.com/pdf/spsqs.pdf>)
- CIQ Shanghai (for Animal & Plant Inspection & Quarantine License verification on internet)
<http://www.shciq.gov.cn>
- Relevant information for Import License application, eg. registered meat plants
<http://www.shciq.gov.cn/templates/common.jsp?channel=CCPWS1119342009111>
- Sample of import licenses application format
http://www.aqsiq.gov.cn/cms/templates/channel_all.html?cid=1597

5.2 Trade fairs

- Food Hotel China
The largest and most influential Food & Beverage show in mainland China. It is held every year in Shanghai and rotates every two years between Beijing and Guangzhou.
www.fhcchina.com
- SIAL
SIAL attracts the largest number of overseas suppliers among food exhibitions in China. It focuses on the retail sector and covers some food service business. It is held every year in Shanghai.
www.sialchina.com
- China Fisheries & Seafood Expo
This show is considered as the most professional aquatic products show in China. It runs once a year between three cities: Qingdao, Dalian and Guangzhou. A number of country pavilions participate in the expo.
www.seafair.com

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