



# FOOD FISHERIES AGRICULTURE

NEWS FROM THE FOOD TEAM IN TRADE COUNCIL CHINA - AUGUST 2015



China: News From the Food Team - Export Figures - News Flash

The Food Team Trade Council China



BEIJING

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## 4 years gone by



Marie Louise Flach  
De Neergaard  
Minister Counsellor  
Beijing

31 August 2015 I will leave my position as minister counsellor - food, agriculture and fisheries at the Royal Danish Embassy in China and 1 September 2015 take up my new position as Head of the Food and Consumer Department in the Ministry for Environment and Food.

Arriving to China 28 August 2011, 4 years have passed. 4 years with increasingly extensive focus on the China - Denmark relations within the food and agriculture area.

The Trade Council China Food team has over the 4 years grown from 4 to 12 members in order to satisfy the increasing demand for assistance. Furthermore, today the team is working out of the Royal Danish Embassy in Beijing, the General Consulates in Shanghai, Guangzhou and Chongqing, the Trade Mission in Taipei and the Innovation Center and the Invest in Denmark in Shanghai. Importantly, the team has also been extended with the posting of a Growth Counsellor on food and agriculture.

Focus has been on Food and Food Safety, Agriculture Production - technology, management and know how, Market access for food products from Denmark, Greenland and the Faroe Islands, export of live breeding animals and Panda Cooperation.

On Food and Food Safety we have facilitated cooperation agreements - MoUs - on the cooperation of exchange of knowledge within food, food safety and nutrition between Danish and Chinese authorities and used these as a basis for a number of activities including seminars, conferences, round tables and study visits on dairy production, pork production, food safety control systems, nutrition policies, etc.

Danish Food is now being exhibited yearly at the

Open Day at the Royal Danish Embassy in Beijing - when held last time in May this year receiving 10.000 guests, and at similar food events in Shanghai, Guangzhou and Congqing. Chef John Kofoed has been flown in on several occasions and introduced the new nordic kitchen and recently we have started on creating the basis for Danish food to be sold on an Danish E-commerce platform.

The theme of modernisation of agriculture production has become a focal point of the Chinese-Danish cooperation and trade. The 65 year anniversary of the China - Denmark Diplomatic Relations was celebrated by a conference in The Great Hall of the People in Beijing on the topic sustainable agriculture, many MoU's with central and province authorities have been signed, yearly pig round tables held, visits to Denmark to study Danish strongholds have been held, and lately the Danish efforts to contribute to pig production in China as well as milk production has been acknowledged as high value opportunities and thereby awarded financial support.

Market access on pork, dairy and fisheries have been maintained and in a period of introduction of new requirements. Market access for heat treated pork is - I hope - just around the corner, after years of hard work to achieve this issue. We opened negotiations on poultry and will also most likely see an opening of this in a not too far away future.

Beef has been embarked on with the opening of the BSE discussions and then we have seen the revitalisation of a number of protocols regarding the export of animals: breeding pigs, horses, breeding mink, breeding fox, day old chicken and carrier pigeons.

Working on Organic cooperation and easier access to the Chinese market has been a priority as more and more Danish organic products are exported to China. Simultaneously the Chinese interest in the

Danish State Control System has created the basis for an extensive cooperation.

In 2012 former President Hu visited Denmark and in April 2014 Her Majesty the Queen visited China. These State visits have been important milestones also for the food and agriculture area. The China-Denmark Milk Technology and Cooperation Center was formally agreed during the first state visit and during the second HRH Prince Henrik officially opened the Center in its new buildings. Danish and Chinese companies used the two occasions to sign agreements and Danish agriculture and food companies have used the visits to exhibit their products and competences: fur, dairy products, cookies, beer, pork, food ingredients, pig production and dairy production.

The visit of HM the Queen was also determining for the opening of the talks on the Panda cooperation. Officially raising the question to Presidency Xi Jinping the Queen thereby started the Panda Cooperation which in time will entail Pandas coming to Copenhagen Zoo as well as an increased cooperation on panda preservation etc.



The past four years will create the basis for the next four years. We will see some of the initiatives which have been started be accomplished and we will see new ones.

China is changing quickly: The food production systems, consumer preferences, authority focus. The China-Denmark food and agriculture cooperation will change with it and grow in quantity and depth.

A heartfelt thank you for the cooperation and a very deep wish of good luck to the future China-Denmark Food and Agriculture Cooperation.



## PRESENTING THE INCOMING MINIS- TER COUNSELLOR POUL JACOB ERIK- STRUP



Poul Jacob Erikstrup  
Minister Counsellor  
Beijing

Minister Counsellor Poul Jacob Erikstrup succeeds Marie Louise Flach de Neergaard as Minister Counsellor for Food, Agriculture and Fisheries from 1 September 2015.

I have a background as Manager in crop and pig farming and is educated Agronomist with focus on economy and organization.

I have been 8 years in the Cooperative owned DLF-TRIFOLIUM (Danish seed company) working with Business Development, including China and 10 years in Ministry of Food, Agriculture and Fisheries, working with sector of feed and fertilizers, innovation projects in food and agriculture, and the subsidy schemes for Danish farmers. For the last 9 years I have been the Minister Counsellor for Food, Agriculture and Fisheries in The Ministry of Foreign Affairs, with postings in Russia, Poland and Nigeria.

The challenges facing companies exporting foods, feeds, technology for food and agriculture into a third country is well known to me, since I have worked with similar challenges before. Marie Louise has effectively organized a week's introduction to the key authorities in China within these areas. The knowledge of existing cases and introduction to the Chinese network has been established from the beginning.

Starting this summer the team is also joined by our new Growth Counsellor, Tilde Hellsten, who also adds resources to the team regarding exploring new possibilities for cooperation's within the Food and Agricultural sector in China. The increasing demand for foods is expected to give a number of possibilities for future involvement from Danish companies.

I am also familiar with the challenges of getting Chi-

nese customers/consumers to adapt Danish products in a way that makes them good customers for the long run. One of the priorities is to work with Danish companies in order to achieve the mutual understanding of the Chinese market as well as work with companies already in the market for expanding further into the Chinese regions.

A solid team of advisors in the Trade Council within the Food and Agricultural sector will add competences, resources, network and geographical diversity to optimize our services to the Danish business environment. I am looking very much forward to join the team as the Team Leader.



## TRANSITION MEETINGS IN BEIJING 24-28 AUGUST 2015



Marie Louise Flach  
De Neergaard  
Minister Counsellor  
Beijing

In the last week in office of Minister Counsellor Marie Louise Flach de Neergaard a number of transition meetings were arranged in Beijing for the outgoing and incoming minister counsellor.

The two minister counsellors accompanied by food department staff senior trade officer Grace He, trade officer Alma Feng and Trade officer Amanda Xiang met with AQSIQ Food Safety Bureau, AQSIQ Animal and Plant Quarantine, Ministry of Agriculture, China Food and Drug Administration and State Forestry Administration.

The purpose of the meetings was to thank for the past cooperation and introduce the new minister counsellor. Furthermore the opportunity was also used to discuss status and progress on the outstanding cases and prepare for the upcoming minister's visit.

### China Food and Drug Administration

From the China Food and Drug Administration the meeting was conducted by Deputy Director General Mr. Qin Xiaoling, Deputy Director General and Ms He Li, Division Director, both from the Department for International Cooperation.

Both sides expressed appreciation of the great communication, understanding and work. Since the signing of the MoU in November 2013 the activities have been numerous including state visit conferences, prime minister meeting, minister meetings, round tables, study visits etc. CFDA expressed appreciation of the cooperation since they have a lot of people working within the areas Denmark has special experience in. They have the target of fulfilling the demand of food safety, while also thinking about

the consumers, producers and distributors.

The CFDA confirmed that the study visit on the Danish Food Safety Control System Model to Denmark will take place 26 to 30 October. Furthermore the possibilities of a meeting during the Danish minister's visit to China was discussed.

### Ministry of Agriculture

On Monday, 24 August 2015 the MoA had arranged a dinner meeting. Mr Tang Shenyao, Deputy director general of International Cooperation hosted the dinner emphasizing the old friendship between the MoA and the Royal Danish Embassy.

During the dinner meeting the status and the progress of the establishment of a China - Denmark Pig Model Farm was elaborated on. In mid September the Danish experts will visit China and together with the Chinese experts visit pig production farms in China. After the experts' visit to both farms, the discussion will be deepened.

Furthermore the arrangements of the minister's visit to China as well as the meeting of the third Deputy Director General's working group was discussed. From Chinese side they envisaged that the DDG Working Group meeting should take place in Denmark later this year.

### Animal and Plant Department of AQSIQ

Tuesday 25 August the embassy had dual AQSIQ meetings. First an one hour meeting with the Animal and Plant Department of AQSIQ, headed by Mr. Chen Maosheng, Deputy Director General of the department and joined by colleagues from the Biological Safety Division, Plant Division and Animal Division.



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Both sides appreciated the historically close cooperation, hard work, mutual support and results.

First issue to be discussed was the work on BSE. The AQSIQ confirmed that they are planning to visit Denmark this year in order to inspect the control system, the feed supervision and the regulatory framework.

The next issue to be discussed was the inspection on feed which was carried out in June. The Chinese side informed that the inspection report is currently being finalized and that they expect that any outstanding issues can be addressed through written procedures.

Third issue was the negotiations on the protocol on horses. Protocols and comments have been sent between the parties and it now seems as if the process can soon be finalised.

Finally the issue of a revision on malting barley protocol was discussed where the Danish side recently has requested changes of the annex of the protocol. The Chinese side clarified the procedure for change and put forward a number of questions for the Danish side to answer.

### **Food Safety Bureau of AQSIQ**

Following the meeting with the Animal and Plant



Quarantine department the minister counsellors met with the Food Safety Bureau of AQSIQ.

The meeting was led by deputy director general Mr. Bi Kexin who was accompanied by division director Ms Yu Wenjun, deputy division director Mr. Wang Ning and deputy division director Ms. Zheng Xi.

The AQSIQ emphasized the good cooperation through the years and that Denmark was the first exporter of pork in China. They see success within meat and dairy export and stated that the recent years' cooperation has been a milestone in their cooperation with Denmark. They still see issues to be solved and hope to maintain the good cooperation.

Many issues are currently being discussed and both sides feel the pressure of making progress. The issue of heat treated pork was discussed putting emphasis on the coming procedure including the dealing of the outcomes. From Danish side it was emphasised that the issue hopefully could be finalised soon and the Chinese side expressed hope to make as much progress as possible.

### **CNCA**

On 26 August the embassy had a fruitful meeting with CNCA where various issues were discussed. The meeting was led by DG Gu Shaoping and further



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Div dir Wang Maohua and Dep div dir Chen Enlai participated.

Regarding the forthcoming poultry Inspection the CNCA confirmed their plans to conduct the inspection this year. It was the intention of the CNCA to combine this inspection with a formal inspection of the Danish Organic Control System.

Elaborating on the China - Denmark organic cooperation project the CNCA proposed a new system. Realising that the Danish organic control is a state control the CNCA envisaged a system by which the CNCA entrusts the Danish competent authorities to do the inspection on behalf of the Chinese inspection provided that it complies with Chinese organic laws and regulations, standards and requirements. By doing this the China - Denmark government cooperation on organic issues will be strengthened and the frequencies of Chinese certification bodies visiting Denmark for inspection purpose will be reduced. The modalities of how to move forward was discussed leaving no doubt that finding a solution has high priority by both parties.

On the so-called "Full food registration" the CNCA expressed the wish to engage Denmark as a pilot country as they are in the process of developing a new registration system. Furthermore it was expected that a decree on full food registration will be approved and issued by AQSIQ soon. Also the already existing pork establishment registrations were discussed in terms of how these registrations should be renewed.

### **State Forestry Administration**

On the final day of the week the minister counsellors met with the State Forestry Administration in order to address the issue of the China - Denmark Panda Cooperation. From Chinese side the meeting was led

by Deputy DG Zhang Hongyan, Dept. of International Cooperation.

Both sides reviewed the sound cooperation in the past one and half year and discussed the possibility of signing the MoU between SFA and Danish Ministry for Environment and Food during the minister's next visit to China as well as the technical agreement between Copenhagen Zoo and the Chinese Association of Zoology Gardens.

Furthermore the SFA was curious about the new Danish ministry and asked for the detailed information of Ministry of Environment and Food.



# All China Food Team meets physically in Beijing



Marie Louise Flach de Neergaard  
Minister Counsellor  
Beijing

On Thursday 27th and Friday 28th August the entire food team with only a few exceptions, met in Beijing.

## The Team

The team consists of:

1. Team leader, Minister Counsellor Marie Louise Flach de Neergaard/ Poul Jacob Erikstrup
2. Growth Counsellor Tilde Hellsten
3. Senior Trade Officer Grace He, Beijing
4. Senior Commercial Officer Lydia Jiang, Shanghai
5. Senior Commercial Officer Jane Cen, Guangzhou
6. Trade Officer Mette Sivebaek Knudsen, Beijing
7. Trade Officer Alma Feng, Beijing
8. Trade Officer Amanda Xiang, Beijing
9. Commercial Officer Daniela Zheng, Chongqing
10. Commercial Officer Su-Ping Hsu, Taipei
11. Senior Innovation Officer Lulu Li, Innovation Center Shanghai
12. Invest in Denmark - Shelby Zhang, Invest in Denmark Shanghai
13. Ellen Slot Svensson, Intern in Beijing

In addition the team is supported by a number of colleagues from other departments:

14. CSR - Qingxia Shen
15. Trade Finance - Morten Kruse
16. Eco. Pol. department - Selina Wang
17. Press department - Ming Ou Lu

With a lot of the work carried out outside Beijing at the other locations of the embassy the work and support of the Heads of Missions is equally important. Therefore the Team Meeting was also joined by General Consul from Guangzhou Anja Villefrance.

## The Agenda

The meeting was started with an overview of status for the performance of the team.

From the start of the year the business plan for 2015 has included the following summary goals:

- 2015 marks the 65-year anniversary of Chinese-Danish diplomatic relations. This anniversary will be used as the occasion to achieve increased and continued growth within the area of food, agriculture and fisheries. In effect this includes the exports of Danish food and agricultural products to China through activities in all parts of China, consolidating the presence in the areas where the Trade Council is present (Beijing, Shanghai, Chongqing, Guangzhou and Taipei). It also includes the further expansion of exports of Danish technology and know-how within agriculture and fisheries with emphasis on sustainable and efficient production as well as food safety and the establishment of Denmark as the main exporter of organic food to China.

- Create growth in rural areas of Denmark by increasing agriculture and food exports to China.



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- Team-wise 2015 will mark the integration of a new growth advisor and the consolidation of team resources and earnings after having been increased dynamically the previous 4 years.

Each team member presented last year's best cases and the plans for the next year. Having increased experience all team members have one or several specialities and thereby working across all China. Exchange of knowledge and experience was therefore widespread.

Projects conducted across missions were discussed and advice and ideas on future projects was exchanged.

The Team Meeting was finalized by a common lunch where final exchanges of information was made.



# RECEPTION AT THE ROYAL DANISH EMBASSY



Ellen Slot Svensson  
Commercial Intern  
Beijing

On August 27 the current Minister Counsellor of Food, Agriculture & Fisheries, Marie Louise Flach de Neergaard had an informal reception at the Royal Danish Embassy in Beijing in order to bid farewell and welcome the new minister counsellor Poul Jacob Erikstrup.

Nearly 100 participants from Danish companies as well as European Embassies in Beijing were gathered in the courtyard at the Royal Danish Embassy for a pleasant afternoon.

The lanterns was up and the poelsevogn (hotdog wagon) was out. Besides from socializing and enjoying the Danish specialties, the participants could enjoy a glass of champagne during gift giving and various speeches. On the occasion Scandinavian Farms and Danbred and Brdr. Ewers presented Marie Louise with a special gift: a pig to be raised in Denmark for Christmas.

In her farewell speech Marie Louise reflected over the challenges the Food team has overcome, the results and the results yet to be seen - thereby giving the job over to her successor.

In his speech Head of the Trade Department Nikolaj Fredsted thanked Marie Louise for the extensive engagement and wished her the best of luck in her new position in Denmark at the Ministry for Environment and Food.

Turning to Poul Jacob, he received a warm welcome and we're all looking forward to working with him.

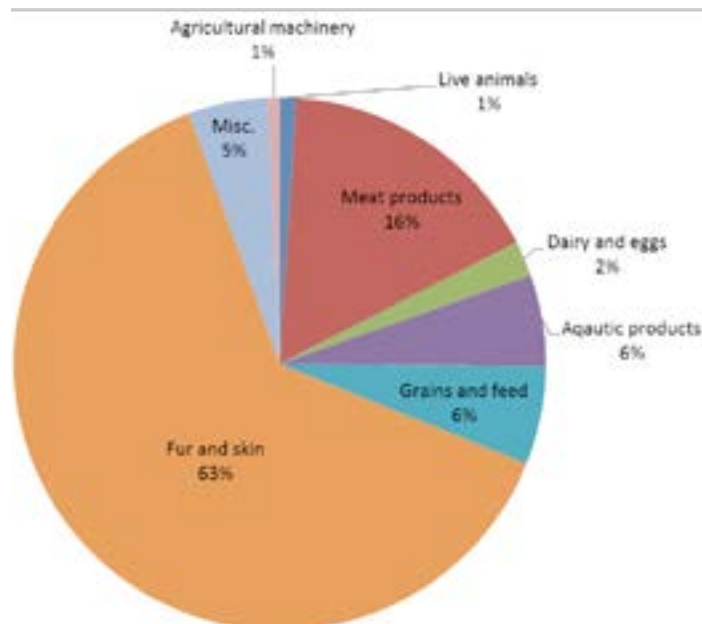


# DANISH AGRICULTURE AND FOOD EXPORT TO CHINA

The Danish export of food and agricultural products to China reached almost 12.14 billion DKK in the 12 month period July 2014 - August 2015, which is a decrease of 7 % compared to the previous 12 month period. In the 12 month period July 2013 - August 2014 the export of food and agricultural products to China was more than 13.02 billion DKK.

The total Danish export of goods in the 12 month period July 2014 - August 2015 amounted to 25.98 billion DKK. This is a decrease of 9.77 % compared to the previous 12 month period. The food and agricultural export accounted for 46.71 % of the total export of goods from Denmark to China.

Food and agriculture export to China  
(percentage of total 12.14 billion DKK):



## A closer look at the numbers

Following the decline in 2014, the value of fur and skin exports has been increasing in 2015. Mink represents almost the entire share of the fur and skin items. The industry has seen lower prices due to 'the burst of the fur bubble' but also higher export volumes.

Other changes worth mentioning are the significant changes in aquatic products as well as grains and feed. The decreases in aquatic products are within the largest holdings; fish oils, flours and meals of fish, frozen flat fish and smoked fish.

The increase in the grains and feed items are justified by rising incomes and thereby changed consumption patterns which have led to an increase in the demand for meat and thus greater consumption of animal feed.

## Export figures

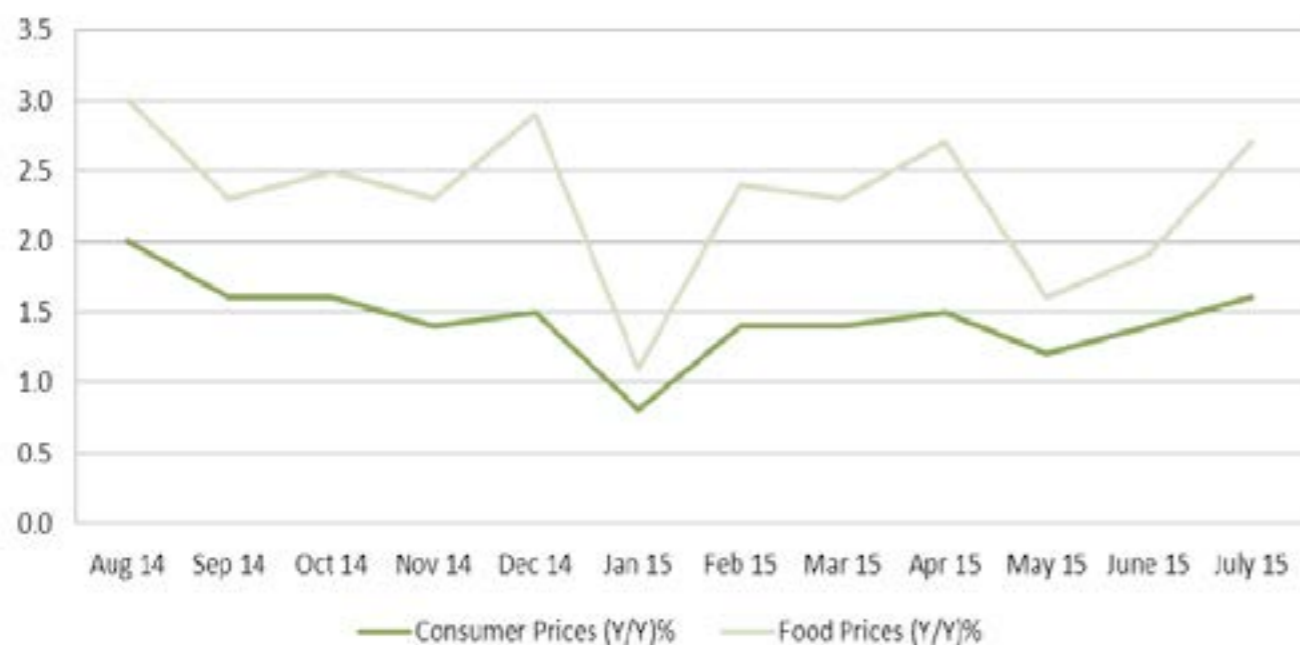
All numbers in 1000 DKK. Total export to China (Source: Statistics Denmark).

Goods	Jul. 2014 - Aug. 2015	Jul. 2013 - Aug. 2014	Change
Fur and skin	7,691,419	8,080,923	-5%
Meat products	2,003,745	2,116,681	-5%
Aquatic products	668,799	902,827	-26%
Grains and feed	727,808	550,578	32%
Dairy and eggs	261,312	325,213	-20%
Live animals	117,247	159,422	-26%
Agricultural machinery	73,875	108,671	-32%
Misc.	590,153	775,204	-24%
<b>Total</b>	<b>12,134,358</b>	<b>13,019,519</b>	<b>-7%</b>

# CHINESE FOOD INFLATION

Food inflation saw a increase from 1.9 % in June 2015 to 12.7 % in July 2015. The consumer price increased slightly from 1.4 % in June to 1.6 % in July.

**Consumer Price Index (CPI) & Food Price Index development**  
June 2014 - May 2015 (Souce: China National Bureau of Statistics)



# AGRICULTURE

## HOW POTATO COULD SOLVE CHINA'S FUTURE FOOD NEEDS

Source: Aljazeera, 30-07-2015

**Rice is at centre of China's cuisine but nation of over one billion people is exploring to develop potato as new staple.**

In China, rice is often at the centre of its national cuisine and its dinner tables. Yet the Chinese government has recently set its eyes on a new staple: the potato.

A starchy building block for many European meals, the potato crop could offer a solution to food security issues in China, where one-fifth of the world's population lives.

Beijing was recently the host of a World Potato Congress, which gathered experts to discuss the future of potato farming and sales in China.

Government officials say that the quality of the potato crop in China is high, yielding many healthy varieties. The potato is also a low-maintenance crop, requiring less land and water than rice.

Yet local consumers might not be willing to accept a new presence on their plates. For many Chinese, the potato is only a culinary accessory, not the main star.

"We will have it like an extra vegetable. But it's not the basis for a whole meal," one woman told Al Jazeera.

Yet the potato congress aims to demonstrate how potatoes can become a main component of the Chinese diet, with their consumption on the rise in many fast food restaurants in the country.

"In Inner Mongolia we've been eating potatoes for a very long time," Yang Zhendong, a potato farmer, added. "People should learn there are lots of ways of using them, like potato noodles."





## AGRICULTURE

### CHINA LOOKS AT MORE CREATIVE WAYS TO BOOST FARM PRODUCTION

Source: Food Navigator Asia, 11-08-2015

**China's State Council has unveiled guidelines to increase agricultural production to promote more secure food supplies as the country modernises its agriculture system.**

"Better production should be the primary objective for the development of modern agriculture," Han Changfu, the agriculture minister, said.

Having recognised the importance of increasing yield, Han said the government would now focus on finding more efficient and environmentally friendly agriculture methods through the use of technology and better trained farmers.

He added it would be taking a more creative approach to the supply chain through farm subsidies, loans and better training for farmers.

China's summer grain output reached a record high of 141m tonnes this year the twelfth consecutive year of growth. Han predicted that China would consume 50bn kg more food in 2020 than it did in 2010.

Given this growing appetite, food safety will continue to be a priority for policymakers, the Ministry of Agriculture said.

## FOOD SAFETY

### CHINA NAMES SUPPLIERS OF DRUG-TAINTED MEAT

Source: Global Meat News, 03-08-2015

**WalMart and Tesco are among retailers named by China's food safety watchdog as inadvertent suppliers of drug-tainted meat in a spot check of products for detected animal medication residues beyond permitted limits.**

In a statement posted on its website the China Food and Drug Administration explains "a sampling of 420 batches of pork, chicken and poultry offal samples showed up 11 batches of substandard samples". Tests were carried out during the first half of this year.

The samples appear to have been collected at supermarkets and wet markets around China: WalMart and Tesco outlets are listed in spreadsheets from the CFDA containing details of the various samples which exceeded allowable veterinary residues. There is no suggestion of wrongdoing by either retailer.

The CFDA tested 192 batches of pork and 147 batches of poultry meat and 48 batches of offal - most of it poultry. A list of over 20 veterinary drugs cited includes enrofloxacin, clenbuterol, salbutamol, ractopamine.

Six batches of poultry that failed the tests had excessive residues of the drugs furazolidone metabolite, furaltadone metabolites, sulfonamides and chloramphenicol, according to the CFDA.

#### Failed samples

Among the meat processors and retailers with failed samples are Harbin Dajiang Food Co whose pork loin was tested.

Beijing Sen Shun Heng Fa Trading Co saw detection

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of veterinary drug salbutamol in samples tested at a WalMart outlet in the northerly city of Harbin.

The list also includes two major pork players in the central province of Henan, a hub for pork processors: Xu Changxin along to increase traceability. Meat Processing Co and, in Zhengzhou, Chuying Animal Husbandry Trade Co.

In southwestern China pork processed by Chengdu Wu Tian Food Co., Ltd was found to have excessive enrofloxacin.

On the southeast coast, a meat shop in the Nan Hu Agricultural Products Market in Fuzhou city was found to be selling chicken with excessive residues of furazolidone metabolite.

#### Residues

Similar residues were found at the Guan Du wet market in the huge city of Zhengzhou, central China. In Henan, a Tesco convenience store in Dongcheng district of Xuchang city was found to be selling poultry meat with excessive furaltadone metabolites residues. No supplier is listed for the poultry.

The tests were done according to the People's Republic of China Food Safety Law in five populous regions across China: Beijing, Heilongjiang, Fujian, Henan, Sichuan.

Firms have been ordered by the CFDA to "take products off the shelf in a timely manner and to issue recalls. Rectification needs to be complete by August 20 by which date the firms have to report how they've checked all production batches and put measures in place to prevent any recurrence".

The CFDA also lists five large-scale meat firms whose products passed the tests, among them Qingdao Wanfu Group Co., Ltd and Beijing Dafa Chia Tai Co (part of the CP conglomerate).

The China Food and Drug Administration (CFDA) was founded in 2013 to replace the former State Food and Drug Administration (SFDA) and elevated to a ministerial-level agency under the State Council, China's cabinet.

The CFDA was intended to replace a set of overlapping regulators with an entity similar to the US Food and Drug Administration. The boss of the SFDA was jailed in 2007 for bribery on food licensing issues. Authorities have since then attempted to restore consumers confidence in Chinese food products.



## FOOD SAFETY

### ORGANIC MEAT DEMAND SOARS IN CHINA

Source: Global Meat News, 13-08-2015

**Demand for organic-certified meat is reaching fever pitch in China, with local firms battling for sales to consumers still worried about food safety, and a high-profile spat between two meat firms engaged in the trade.**

A firm with China's official organic certification, the Shan Ban Nuo brand is also marketed under its English name, St Buono, in company-owned stores and in sales on some of China's largest online retailers. St Buono is a brand of the Hu Lun Bei Er Lu Xiang Islamic Qing Zhen Meat Products Co, which is also a shareholder in the Beijing Shan Ban Nuo Organic Food Co. The latter distributes the St Buono and Lu Xiang branded products in China's capital.

A very public spat came to light recently when state-owned news agency Xinhua reported that the Jiangsu Foodstuffs Corp - a giant conglomerate based in the east coast province of the same name - was selling meat past its sell-by date which carried the labels of the Beijing Shan Ban Nuo Organic Food Co-distributed organic products. An investigation into how the larger firm was selling outdated Shan Ban Nuo product - which sells at a premium to non-organic meat products - is ongoing.

The Hu Lun Bei Er Lu Xiang Islamic Qing Zhen Meat Products Co claims to have one million sheep and 20,000 cattle on its grasslands in Inner Mongolia. In Beijing it sells packaged lamb, cut for hot pot strips (2.5kg/RMB259) and in rib pieces (900g/RMB85), while whole carcasses are sold for RMB1,990 (10-12 kg in weight), with the price including delivery.

Shan Ban Nuo/St Buono has also secured China's Geographical Indicator (GI) certification - increas-

ingly a preoccupation for Chinese meat processors. It also has a halal certification - but from the Hu Lun Bei Er Islamic Association rather than any international body. GI is a labelling that identifies a product as originating in a specific territory, with good characteristics associated with its place of origin.

Other firms, meanwhile, are lining up to enter the organic competition. An ambitious meat firm in western China is promising to become an organic meat leader in a decade. Xin Sheng Agri Trading Co in far-westerly Xinjiang province "wants to give the ordinary folk safe meat", explained Feng Yutai, chairman of the firm. "We want to help shepherds become rich and become a national organic base for China".

Founded only in 2004 by the Hejing Co-operative Association and a furniture firm with roots in Hebei province near Beijing - the Xinjiang Datang Gang Mu Jia Yu Co - in 2012 the firm established the Hejing Industrialised Modern Livestock Breeding & Processing Park.

Feng said his firm would make use of wild hillside grazing grounds and has almost 1,000 mu (around 67 hectares) of fully-organic silage grounds, and a feedlot system which taps methane gas for electricity production. Feng is targeting sales in first-tier cities through online portals and company-operated bricks-and-mortar stores. Like many local meat firms, the company is seeking to assure consumers by putting camera feeds from its feed lots and abattoirs online 24 hours a day.

Also seeking to ride the green-themed meat market in Beijing is Wu Hua Tou, a processor of mountain

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goats which it is selling in company-owned stores and home-delivered gift boxes. An extensive marketing campaign shows the goats grazing flowers and herbs in the Shen Shan hills, with cutlets selling for 350g/RMB50. Neither Xin Sheng Agri Trading Co nor Wu Hua Tou has secured China's organic certification, which is currently harder to achieve after being overhauled in recent years.



## FOOD SAFETY

### CHINA MUST GET MORE TRACK AND TRACE MOBILE APPS TO RESTORE CONSUMER CONFIDENCE

Source: Food Navigator Asia, 18-08-2015

An Australian app developer has said he believes that Chinese consumers are demanding mobile traceability systems in the face of a collapse in consumer confidence.

Gennady Volchek, founder and chief executive of a Melbourne-based track-and-trace solution, said apps like his own Authenticateit would be well received by China's 527m mobile users.

"The future of the global food industry is the seamless integration of all links of the food supply chain from manufacturing right through to consumers, utilising existing mobile infrastructure, new developments in cloud based IT technologies and consumer friendly mobile apps," Volchek said.

He said Authenticateit has been revolutionising this idea, with a back-end platform that allows Australian businesses to manage their brand protection, regulatory compliance and supply chain integrity, while the front-end, a free smartphone app, allows consumers to check product authenticity, safety, recall status, warranty information and access further information.

"With huge profits at stake, increasingly sophisticated food criminals are exploiting both Chinese consumer demand and authority's supervisory capacity issues in China to great effect," Volchek said.

"Although imported products are in high demand, the key concern of an Asian consumer is, is the product they wish to buy safe and genuine?"

And while multinational companies have the financial capacity to develop systems to ward off this distrust, smaller SMEs have been at the mercy of food



continued...

## DAIRY

### CHINESE SCIENTISTS USE GOLD TO DETECT MELAMINE IN MILK, INFANT FORMULA

Source: China Topix, 30-07-2015

criminals and counterfeiters until platforms come along to increase traceability.

"Both Chinese consumers and authorities look extremely favourably on products that can be verified through traceability systems as 100% genuine," he added.

"In China, the rapid expansion of e-commerce, the implementation of a new recall system and AQSIQ blacklist and new legal provisions for traceability in China's pending new food laws, are just several of the compelling reasons to implement a traceability system sooner rather than later".

Chinese scientists have created a means of detecting melamine in milk and in this procedure, gold particles are used. The melamine-detecting method is designed for use in milk and infant formula.

Farmers Journal has learned that Chinese Academy of Sciences and the Engineering Research Centre of Food Safety researchers have developed a new test for the detection of melamine, an organic base and a trimer of cyanamide, in milk.

The test uses gold nanoparticles and a UV-Vis spectrophotometer. The researchers said that the gold nanoparticles (AuNPS) are used because they can bind with melamine.

The test is colorimetric because a change of color is expected to happen once the gold nanoparticles bind with melamine. The solution is expected to turn to purple from its yellow state.

To measure the change quantitatively, the color change is read by the UV-Vis spectrophotometer. The amount of melamine present in the milk formula is then calculated.

In terms of efficiency, the procedure can be done within 50 minutes and it can detect melamine levels as low as two parts per million. Because of this, the new technique is deemed very suitable for on-site and field screening of milk, infant formula and other milk products.

"Therefore, this method is of low cost and is fast, which can satisfy the requirement for on-site rapid monitoring of trace melamine in raw milk products," researchers noted in their study.

In 2008, over 1,250 babies were sickened after con-



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## DAIRY

### FONTERRA BOOSTS CHINESE KIDS' MILK PRESENCE WITH 'ULTRA-PREMIUM' ANCHOR LAUNCH

Source: Food Navigator Asia, 27-08-2015

**Fonterra has moved to strengthen its position in China's kids' milk market with the launch of a vitamin-enriched "ultra-premium" product.**

Earlier this month, the New Zealand dairy giant announced the launch of Anchor Kids' Golden Milk in China.

Produced and processed in New Zealand, Anchor Kids' Golden Milk naturally contains around 3.6g of protein per 100ml. This, Fonterra claims, is 20% higher than the average protein content in existing Chinese kids' milk products.

Anchor Kids' Golden Milk, which is filled into 125ml and 190ml cartons, also boasts a high calcium content and no added sweeteners or additives other than vitamins.

In a statement, Manoj Namboodiri, business development director at Fonterra China Brands, said the company developed Kids' Golden Milk in response to growing demand from Chinese parents for "ultra-premium quality, nutritious and unsweetened kids' milk."

According to Namboodiri, 42% of sales in China's RMB 39bn (US\$6.1bn) milk market "are generated by parents buying premium white milk for their children".

"Anchor Kids' Golden Milk targets this group who prefer milk from a high-quality milk source and with no sweeteners or additives," he said.

"We've already reached a number three position in kids' milks market share in Eastern China hyper

suming melamine-containing milk from a Chinese manufacturer, Science Media Centre reported.

In total, 300,000 fell ill and six infants were documented to have died due to melamine ingestion.

The controversy put milk manufacturers under the spotlight because ingestion of melamine can lead to kidney damage in children.

This is seen as a big help since China manufacturers have been accused of adding melamine into the milk products they produce.

The new method was described by researchers in a study published in the Journal of Food Quality.

According to Dairy Reporter, melamine is typically used in the manufacture of adhesives, plastics, whiteboards and dishware, and though it isn't toxic in adults, it is not supposed to be present in milk and milk products.



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markets," Namboodiri said. "This new launch should help strengthen our position."

#### E-commerce and TV shopping

Anchor Kids' Golden Milk is available on Chinese e-commerce platforms, where consumers can pick up a multipack of 12 x 190ml cartons for around RMB 109 (US\$17).

It will also be available through TV shopping channels and existing Anchor distribution channels in East and North China.

Fonterra launched Anchor as a consumer brand in China in 2013, and now boasts a portfolio that includes UHT milk in varying formats and organic, whole and skimmed milk powder.

Fonterra furthered its presence in the Chinese dairy market earlier this year when it acquired an 18.8% stake in its Chinese infant formula partner Beingmate for around US\$550m.



## PORK

### CHINA TIPPED TO MASSIVELY INCREASE PORK IMPORTS AS PRICE OF THE MEAT SOARS

Source: SCMP, 06-08-2015

People in China eat more than half the pork consumed in the world, but domestic supplies come mainly from small farms that cut their herds whenever costs rise, causing boom-and-bust cycles that have led to record-high pig prices this year.

Wary of the social impact of such gyrations in the cost of a staple food, the government is trying to develop a more reliable food chain, but supplies are likely to remain tight until the first quarter of next year at least and imports will jump.

Rabobank is forecasting a 54 per cent increase in pork imports this year to 2 million tonnes, mainly benefiting European Union countries.

When prices surged in 2011, the government responded with subsidies to encourage pig breeding. But that led to a huge surplus and lower prices, forcing farmers to slaughter breeding sows until their numbers plunged.

Inevitably, prices turned north again, with hogs quoted at 20 yuan (HK\$25) per kg now in Fujian province, up from 13.6 yuan at the beginning of the year. Fujian is home to some of the largest pig farms in the country.

"Driven by high margins, many farmers have started to replenish their farms", said Pan Chenjun, a livestock analyst at Rabobank in Hong Kong. "They are stopping the slaughter of sows to increase production and many large pig farms are also boosting supplies.

While small farms still account for about 80 per cent of China's pork, the share of production from farms

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with more than 3,000 pigs is expanding rapidly as Beijing attempts to develop more stable food chains.

Pork supplies from larger farms have doubled in the past five years.

China's largest meat producer, the privately held Shuanghui Group, acquired US pork producer Smithfield Group two years ago in a US\$4.7 billion deal that was seen as a statement of intent by the country to develop a first-rate meat sector. In the short term, however, pork supplies are likely to remain tight.

The number of breeding sows at the end of June stood at a record low of 39 million, down from an historical high of 50.1 million in 2013, according to Rabobank. The government says stocks are at the lowest since 2008 after falling for 22 months. Rabobank says pig supplies have dropped to 384 million from an all-time high of 468 million at the end of 2013.

"Increasing the breeding sows today does not mean you'll have small pigs tomorrow", said Feng Yong-



hui, chief analyst at Soozhu.com, an industry website. "You'll have to wait for one year for the small pigs to be ready for sale after you increase the supply of breeding sows".

The Ministry of Agriculture is playing down the inflationary implications, saying this week that the increase in the price of pork, which it admitted was far from over, would not be as dramatic as in 2011 when it caused broad inflation to surge.

Nonetheless, the ministry called on other ministries to cut state corn prices to help reduce costs and maintain reasonable margins for pig breeders. Even so, ANZ Bank estimates the 7 per cent year-on-year rise in average pork prices contributed to a 0.2 percentage point increase in the consumer price index for June.

Adding to the near-term supply woes is a new environmental law that is prompting provincial governments to relocate some pig farms away from urban centres.

It came into force on January 1 and authorities in places such as Fujian, Guangdong and Jiangsu provinces have already ordered farms that do not come up to scratch to close or move. In the process, even some medium-sized-to-large farms are shutting down, unable to meet the higher standards.

Annual world consumption of pork stands at around 110 million tonnes. China's consumption is forecast to rise to 57.4 million tonnes this year, up 27 per cent from 45.1 million a decade ago, according to the US Department of Agriculture.

With local farms unable to supply that much, pork



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## HALAL

### WHY CHINA WANTS A BITE OF THE BOOMING HALAL FOOD MARKET

Source: CNBC, 24-08-2015

imports are expected to rise, with some analysts forecasting 2 million tonnes this year, up from 1.3 million in 2014.

China is looking to import pork from Mexico, Thailand and Brazil, industry sources said, but Germany is already one of the big winners.

Its exports to China doubled in the first half of 2015 from a year before to 83,400 tonnes, VDF, the German meat industry association, said.

"We are hopeful this level will be maintained", said VDF's chief executive Heike Harstick.

A new Euromonitor report forecasts that Muslim consumers will make up more than a quarter of the world's population by 2030, and China wants to play an active role in feeding them.

Chinese companies are increasingly flexing their muscles in the burgeoning market for halal food - one a report last year commissioned by the Dubai Chamber of Commerce said would be worth \$1.6 trillion by 2018 - while the government is also eyeing halal-focused pacts with regional partners to broaden country's export portfolio.

Under Islamic law, halal food must be strictly free of alcohol, pork, tobacco or lipids from animals. Animals destined to be sold as halal meat must also slaughtered in accordance with religious guidelines.

China is not an obvious candidate as a halal food powerhouse. The 26 million-strong Muslim population make up just 2 per cent of China total population, with the vast majority living in Xinjiang and Ningxia provinces in Northwest China, the most underdeveloped part of the country.

China, however, is forging ahead. Under its "One Belt One Road" initiative that aims to recreate the Silk Road land and maritime trade routes, China has sought opportunities for halal trade with Muslim and Arab countries through bilateral trade agreements.

In Linxia city, in China's Gansu province, several companies have struck trade agreements with Turkey and Kazakhstan to export manufactured food products, reported Want China Times.

China has also set up networking conferences and seminars, including the Sino-Malaysian Halal Food and Muslim Supplies Certification and Industry Co-

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operation Seminar that took place in July this year.

And it has created infrastructure to support the halal trade, including the construction of halal food and Muslim supplies manufacturing hubs such as the Wuzhong Halal industrial park, in the Muslim stronghold of Ningxia, which has attracted 218 companies.

It is not just external demand that is driving China's interest in halal. Joy Huang, China research manager at Euromonitor International, told CNBC that demand was also underpinned by non-Muslim mainland residents.

"Halal food is considered to be healthy and hygienic, given the high standards for manufacturers," Huang said. "Non-Muslims think that halal food is safer, given the number of food safety scandals in China," she added.

Major local food players are jumping on the bandwagon to meet the growing domestic appetite for halal products. Shineway Group, one of China's largest processed meat companies, was an early starter, investing \$310 million in a halal meat production base in 2009.



But even halal providers in China have suffered from food safety scares.

The country got its first large halal foods certification center, the Ningxia Halal Foods International Trading Certification Center, only in 2014. It is permitted to certify halal foods in several provinces.

And while certification rules are improving, most halal centers are only operated at the regional level, and lack national standardization and legislative support. According to Euromonitor, this is because Muslims are a minority in China and the government is more focused on general food safety than the religious requirements of a relatively small group of consumers.

There are also concerns that China's slew of food safety scandals could hinder the growth of Chinese halal food exporters. This is unlikely, however, to be a long lasting roadblock.

The biggest halal food company in China is Inner Mongolia Yili Industrial Group. Also known as Yili Group, the company, which reported total revenue of \$8.4 billion in 2014, focuses on dairy products including formula milk, pasteurized milk and ice cream.

Seven years ago Yili was implicated in a milk scandal after tests found melamine in its infant formula. The firm had to conduct a widespread recall of tainted milk powers and issue public apologies. Then in 2012 the company was embroiled in another scandal when unusual levels of mercury were found in its infant formula by the China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ).



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## BEVERAGE

### COFFEE MAKING INROADS ON CHINA'S TEA HEGEMONY

Source: Food Navigator Asia, 18-08-2015

Despite these high-profile food safety issues, Yili Group continued to develop new product lines such as organic halal milk to attract consumers - a move that has clearly worked. Euromonitor found that retail sales of Yili's organic halal milk brand Satine Organic increased from \$14.54 million in 2010 to over \$422.25 million in 2014.

Huang remains positive about the growth prospect of halal food manufacturers.

"Fake certification is very common in China but I don't think the halal food manufacturers will take the risk of faking halal foods to attract more consumers," said Huang.

Fazil Hami, principal consultant and chief executive of Singapore-based halal consultancy HCS Consultants, told CNBC in a phone interview that he was equally convinced of China's ability to capitalize on growing global demand for halal products.

"The halal market is growing, and sooner or later, no one will deny the need for Chinese-manufactured halal food products," he said.

**Tea has a long history in China and is still the country's most popular drink, but coffee is catching up slowly but surely, a new report from Canadean has revealed.**

In 2014, the Chinese consumed 1.28bn kg of hot drinks, with hot tea accounting for 82% of the total volume.

While hot coffee holds a comparatively small share of the Chinese hot drinks market, at 5.7%, it is expected to register the highest growth in volume terms between 2014 and 2019 at 15.4%.

At the same time, tea will only see 5.6% growth over the same period as coffee's market share rises from 5.7% in 2014 to 8.4% in 2019.

According to Canadean, coffee is not only the fastest growing in volume, but also in value terms. The Chinese market, worth US\$2.1bn last year, will reach US\$4.5bn by 2019 following an annual rate of growth of 16.5%.

Canadean's Kirsty Nolan said that reasons for hot drink consumption have been changing in the country: Although tea is the traditional drink of choice in China, Western coffee culture is taking hold.

More Chinese consumers are socialising in sophisticated coffee shops and are trying out the varying tastes and premium nature of coffee.

Instant coffee accounts for 84% of the coffee market in China, making it the coffee of choice for the average Chinese consumer, whereas roast and ground coffee, together with coffee beans, only account for

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16% of the market.

Overall, the Chinese coffee market is highly consolidated, with the top two brands Nescafe and Maxwell House holding a market share of over 80%.

"Despite consolidation in the Chinese coffee market, consumers are still looking for quality and variety. This means that in due course, the market will open up to smaller brands, offering consumers the quality and exclusivity they are seeking from coffee", added Nolan.



## REGULATIONS

### CHINA TACKLES OVER-CAPACITY ISSUES

Source: Global Meat News, 18-08-2015

**One of China's leading meat-producing regions has come up with a radical solution to fix the over-capacity problem in the local processing sector.**

The provincial bureau of China's Ministry of Commerce in Shandong has published a proposal calling for duty-free imports of live cattle to five beef slaughtering zones in the port cities of Qingdao, Weifang and Dongying - as well as two other as yet unnamed cities.

The bureau's document, entitled Policy Measures to Stimulate Stable Growth and Reform in Foreign Trade, claimed that 70% of local meat processing capacity is idle - in large part because major processors are unable to find sufficient numbers of cattle. Currently before the central government in Beijing, the Shandong proposal also noted that local cold chain operators were often not ready to cope with large volumes of imported frozen meat. It is better to be able to kill and chill the meat here in China, where it can be distributed.

The document also suggested that such a move would eliminate the problem of "zombie meat" and would ensure that China gets a more stable, reliable supply of fresher meat. By "zombie meat" the document refers to shipments of outdated frozen meat - some of it decades old - which was discovered by authorities after being smuggled from Vietnam. The discovery caused a scandal this summer in China, where demand has seen beef prices soar.

The proposal from Shandong's commerce ministry isn't too far-fetched: tax-free status has long been enjoyed by firms processing seafood for export in the region and around China. Various non-food



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## E-COMMERCE

### CHINA TO STAY TOP GROCERY MARKET, THOUGH RISE ECLIPSED BY OTHERS

Source: Food Navigator Asia, 24-08-2015

processing zones are also able to import materials tax-free - as long as they are re-exported. Having been central to China's opening up in the 1980s, free trade zones (FTZs) are back in vogue as a way to trial economic reforms promised by current president Xi Jinping.

It is not clear, however, what tax - if any - would be applied to beef if it entered the domestic Chinese market. Indeed the document seems to suggest that the jobs and services created by the slaughtering-processing zones would be a sufficient reason to allow meat produced in the zones to be sold tax-free to Chinese buyers.

What also remains unclear is whether factories would have to be built from scratch within a certain zone or if firms operating in the zone could apply the tax-free status to their slaughterhouses elsewhere in Shandong. A key supplier of live cattle is Australia, which sells Angus cattle to China for beef purposes. China has also been edging towards a deal to import cattle from its northern neighbour Mongolia.

**Chinese grocery sales will grow from US\$1,119bn in 2015 to US\$1,491bn in 2020, an increase of around one-third.**

The forecast, by the UK-based Institute of Grocery Distribution, suggests that China will comfortably retain its position as the world's biggest grocery market even though other countries will grow faster, with Nigeria's rise being the fastest.

Indonesia's grocery market will be worth almost as much as the UK's by 2020 to take eighth position in the world, at US\$351bn.

"The vast majority of global grocery growth will come from Asia, Africa and the Middle East supported by increasing affluence, urbanisation, and rising population", said Joanne Denney-Finch, IGD's chief executive.

"With many European products and brands highly regarded in these regions, this will be a boom time for companies with export skills".

China will maintain its position as the world's biggest grocery market for the foreseeable future in spite of its slowing growth rate, said Denney-Finch, adding that the lion's share of the country's grocery growth would take place in tiers three and four cities' regional medium-income cities undergoing rapid development.

This means many more opportunities for retailers and Western brands, she added.

For example, online grocery will enjoy explosive growth in China, though from a modest base, tripling in size between now and 2020. This will be



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## E-COMMERCE

### IN CHINA, FAST-FOOD FIGHT TURNS TO DELIVERY

Source: WSJ, 09-08-2015

powered by more Chinese having access to the internet through smartphones and other devices.

Meanwhile, in India, which is expected to see growth of 79% by 2020, traditional stores will continue to take the biggest share of the country's grocery market, though per capita consumer spending will grow faster in the subcontinent than in any of the top grocery markets.

Combined with an expanding working-age population this will support the growth of modern convenience and supermarket retailing.

"Retailers are also rapidly setting up online grocery services hoping to tap into the potential of India's half a billion smartphone users. Despite restrictions on foreign direct investment, international retailers continue to see the potential of investing in India", said Denney-Finch.

**App-based startups backed by Alibaba, Tencent are pushing aside KFC and McDonald's.**

China's rapidly diversifying Internet giants are taking on Western food chains at their own game 'door-to-door delivery' and finding a huge appetite among urban consumers.

Wooing customers with discounted dishes and the choice of thousands of restaurants, startups backed by the likes of Alibaba Group Holding Ltd. and Tencent Holdings Ltd. are enjoying brisk business as more diners opt to order in.

The growing fleet of motorbike couriers on Chinese roads is the latest challenge to long-established but struggling Western companies such as McDonald's Corp. and Yum Brands Inc., which owns KFC and Pizza Hut outlets. For years, the fast-food chains got a leg up over rivals by speeding hamburgers and fried chicken to buyers' homes and offices, building their own armies of bike-driving couriers who dash out orders that were phoned in or placed online.

The Western chains became popular in China for two main reasons: "Because they were foreign and they delivered", said Nathan Snyder, a research analyst at brokerage CLSA. "That's no longer an advantage", he said, referring to the delivery.

Startup companies Ele.me and Meituan Waimai, which operate via mobile applications and are backed respectively by Tencent and Alibaba, are getting economy of scale by teaming up with tens of thousands of food outlets across China. China's rapidly diversifying Internet giants are taking on Western food chains at their own game door-to-door delivery and finding a huge appetite among urban



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