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## China - Peoples Republic of

**Post:** Guangzhou

### ATO Guangzhou Supply Chain Workshop – Retail Cold Storage and Food Safety Seminar

**Report Categories:**

Market Development Reports

Fresh Fruit

Retail Foods

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**Report Highlights:**

**Summary:** Throughout September 2012, ATO Guangzhou jointly coordinated a series of workshops and seminars targeting food retailers and in particular large national supermarket grocery chains. The seminars were entitled “Supply Chain Management – Retail Perishable Food Cold Storage and Food Safety Seminars” in South China, which received support from the U.S. Poultry and Egg Export Council (USAPEEC) and a locally hired representative of the U.S. logistics consultant company Food Tech. Six supermarkets chains in total were involved in this campaign. Pre-workshop visits and on-site best practices assessments were shared with the participating supermarket chain managers to help them understand existing weaknesses in their respective retail chain management in South China. Two half-day sit-down training seminars were held in Guangzhou (with 103 retail attendees in participation) and two in Shenzhen (with the participation of 96 retail managers). A follow-up on-site survey indicated

that 97 percent of the participants widely agreed that the program helped them improve quality controls and cold chain management practices.

## **General Information:**

### **Purpose for organizing a series of Retail Cold Storage and Food Safety Seminars:**

- 1) To enhance awareness of cold management practices in retail supply chains and quantify these in terms of dollars lost as a result of inefficient logistics and cold storage practices
- 2) To identify the existing problems in most retail chains and provide immediate and practical solutions
- 3) To provide technical consultation on U.S. food transportation handling and know-how assistance targeted specifically at the retail of perishable food items

**Fund application:** The cost incurred by ATO Guangzhou to contract a professional consultant and trainer for the Seminars totaled \$5,569.00, which came out of the Emerging Market Program's (EMP) – Distribution Development Program. With a consultation and training period of 11 days, this cost was a bargain when compared to other similar programs funded by USDA Cooperators.

Expenses included:

- 1- Professional services fees: \$390 per day, totaling: \$4,290
- 2- Administrative fee: \$510
- 3- Taxes: \$336
- 4- ATO Staff travel: \$563

## **Main activities:**

### **I. Preparation: Pre-workshop visits and research**

In order to better understand the current situation of retail chains and promote the idea of improved cold management practices for the transportation and handling of perishable food items, ATO Guangzhou Director and staff paid individual visits to several key retailers in South China, which included Wal-Mart, Park'n'Shop, Jusco, CR-Vanguard a month prior to launching our program. These Shenzhen-based retailers represent multinational, national and local players which comprise China's leading supermarket retail chains. After learning about the purpose of the program from ATO Guangzhou, all of the chains expressed a great interest in participating. The meetings with the senior managers of each retailer chain largely helped facilitate the trainings and seminars and categorize weaknesses on a case-by-case basis and subsequently tailor the trainings to meet these specific obstacles. Though other retailers knew that their competitors were receiving similar trainings, the consultant kept details of each assessment confidential and was asked not to share these results or even make direct or blatant comparisons during the training seminars.

Overall, all of the guidance imparted by the ATO Guangzhou consultant were adhered to immediately by the supermarket chains. ATO Guangzhou staff also assisted our consultant in linking him with other South China chains includes RT-Mart, Lotus and Trust-Mart. The hired Food Tech consultant, Mr. Liu spent a total of four days visiting six supermarkets in Shenzhen and Guangzhou. These included Trust-Mart, Jusco, Wal-Mart, CRC Vanguard, and Park' n Shop. The tour helped Mr. Liu better understand the actual logistics, transportation, storage and operation system models employed by each the chains and use this information to develop a tailored training manual that would also include a list of steps and priorities to follow upon completion of the training.

### **II. Training seminars in Shenzhen and Guangzhou**

The first general training seminar was held in the Shenzhen Westin Hotel on September 17<sup>th</sup>. In attendance, 96 managers/supervisors/buyers from four different supermarket chains attended the training with enthusiasm. These representatives were from various divisions including: logistics, transportation, procurement, quality and inspection and operations management. The consultant used 100 photographs taken during inspections to illustrate visible quality problems as well as best and the worst practices on daily operations.

Topics on cold chain arrangements, sanitary and food safety issues were discussed during the seminars. Major problems that prevailed in most retail chains included:

- 1) Perishable food items were left outside of the cooling environment and these were exposed to dirt, disease, vermin and other potential risks
- 2) Open air receiving docks for perishables and truck congestion worsened conditions
- 3) Sanitary-designated areas were in poor condition. Storage backroom floors, walls and ceilings joints could hardly be cleaned thoroughly.
- 4) Retailers needed to be made accountable to food safety enforcement
- 5) Raw materials and semi-cooked products were stored in the same areas, which could easily generate bacteria and viruses or other cross contamination.
- 6) Refrigeration: Walk-in coolers and freezers were in poor condition and most were not energy efficient models.
- 7) There were not temperature stable environments clearly labeled in the packing and storage rooms. Employees were not fully aware that different temperature controls were needed for different perishables
- 8) Overly packed storage rooms prevented proper air circulation and reduced the efficiency of refrigeration management

The training seminars were held in Crown Plaza City Center on September 19<sup>th</sup>. The supermarket managers that participated in the training events were engaging and asking questions openly even though their competitors were also in the room. There was a cooperative spirit and every participant knew that they would all benefit from an open and humble approach. Special emphasis was placed on the proper handling of U.S. poultry products, U.S. fresh fruits and other frozen items.

### III. Suggestions and prospect

Concerning the existing problems, the lecturer provided several solutions for retailers to consider.

<b>Ret aile r</b>	<b>Existing problem</b>	<b>Advice (summarized)</b>
Van gua	Perishables passage-way was in poor condition and	Create a separate waste and receiving area. Renovation projects included a floor, wall and

rd	too close to the waste station.	ceiling to isolate the passage-way from potential contaminants.
Tru st- Ma rt	Cold storage back rooms where in poor condition	Readjust and renovate the storage room by temperature categories
Jusc o	No cold chain in the receiving dock and sanitation control	Minor renovation proposed to increase sanitation management
Wal - Ma rt	Fresh meat area lacked sanitation control and created a cross contamination hazard	Seal the fresh meat show area, allow promoters to pick product for the customers in large supermarket outlet formats
Par k n' Sho p	Overloaded refrigerators and storage areas	Reduce the volume of product in refrigerated areas and maintain proper temperatures depending on the perishables

From the retailers' feedback to ATO Guangzhou, it is also expected that:

- 1) Further trainings on temperature control should be considered and that these should be handled internally with the participating retailers
- 2) Renovations to receiver docks for perishable products
- 3) Closer attention will be paid to sanitary practices.
- 4) Energy efficient computer controlled refrigeration systems will be introduced
- 5) Efficient tracking and mobile equipment will be purchased for back room storage areas
- 6) Optimum shopping flow design will be recommended
- 7) Proper cooler maintenance and refrigeration system will be applied.
- 8) "Central kitchen" concept will be accepted and mandated by law in Guangzhou and many other cities in China in the near future.

**Conclusion:** Post learned from our contacts that this supply chain management program was both practical and effective. This type of capacity building training buys U.S. agriculture goodwill and will allow ATO Guangzhou to engage the participating supermarket chains with greater ease. There will likely be a frank and closer exchange between the supermarket chains in the coming months as China prepares for the Chinese Lunar New Year which incidentally coincides with Mainland China's seasonal peak increase in sales. Many supermarket chain managers also expressed that they would like to attend similar trainings and discussions in the near future. Since supply chain management has become a critical issue for retail managers and for a branding and consumer confidence building purposes, it is

also a top concern from the headquarters' management. Cold storage and food safety are as important as proper merchandise management.

Table 1: Shenzhen Supply Chain Seminar participation (Sep 17<sup>th</sup>)

Retailer	Wal-Mart	CRC-Vanguard	Jusco	Park n' Shop
Attendee number	30	32	20	14

Table 2: Guangzhou Supply Chain Seminar participation (Sep 19<sup>th</sup>)

Retailer	Trust-Mart	CRC-Vanguard	Wal-Mart	Jusco	Lotus	Park n' Shop
Attendee number	14	21	3	17	28	20

Post will continue conducting similar practical seminars in the coming years. For further information on our 'Supply Chain Management – Cold Storage and Food Safety' Seminar, please don't hesitate to contact us at [ATOGuangzhou@state.gov](mailto:ATOGuangzhou@state.gov).