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## China - Peoples Republic of

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### Guangxi export opportunities for U.S. agricultural exports

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**Report Highlights:**

**Summary:** Guangxi is one of the growing emerging markets for food processing and retail distribution in South China. In 2011, Guangxi's GDP was \$189.3 billion, up 12 percent from the previous year and up 147 percent from 2006. Per capita gross domestic product (GDP) also increased to \$4,026. Total retail sales of consumer goods accounted 2.1 percent of national value. In 2011, per capita annual disposable income of urban households was \$2,998, a 22-percent increment from 2009. In order to fully understand Guangxi's prospects for U.S. agricultural products, in early August 2012 ATO Guangzhou coordinated with trade partners local government organizations to explore retail and cold chain development in the three major cities of Beihai, Nanning, and Liuzhou.

## **General Information:**

**Overview:** With a total population of over 52 million, food industry in Guangxi has been one of the ten priority industries. Food accounted for 43 percent of urban households' total annual consumption expenditures. Guangxi is known for its agricultural by-products (sugar-manufacturing, refined sugar accounts for over 60 percent of China's total output), feed ingredients, aquatic products accounted 5 percent of China's total (such as prawns, tilapia, pearls and oysters) and sub-tropical fruits (lichee, longan, pineapple, mango, banana and pomelo). In recent years, the cooperation with the Association of Southeast Asian Nations (ASEAN) countries and closer ties to the Pearl River Delta helped facilitate the trade flows and investment in cold chain logistics and retail distribution development in Guangxi Province.

## **Major cities at a glance:**

- Beihai is located in the Southwest of Guangxi, a gateway to Vietnam, close to Zhanjiang (Guangdong); Haikou (Hainan), and Hong Kong.
- Nanning is the capital city and has close cooperation with ASEANs.
- Liuzhou is the province's industrial powerhouse

City	Beihai	Nanning	Liuzhou
<b>Population</b>	1.63 million	6.92million	3.58million
<b>GDP</b>	\$7.9billion	\$35.1billion	\$25.1billion
<b>Per Capita disposable income</b>	\$2,966	\$3,180	\$3,118
<b>Per Capita Food Expenditure</b>	\$973.8	\$884.6	\$850.6

(Source: ATO GZ office, Statistic book 2012)

**A- Fastest growing retail sector in South China:** In August 2012, ATO Guangzhou Director and staff visited several retail chain stores in Beihai, Nanning and Liuzhou. With national retailers expanding quickly in urban China, many imported food items are now available in Guangxi although sales are not as strong as expected.

**Beihai:** RT-Mart entered Beihai only three years ago and currently has three outlets. Each of the outlets has an imported food section, although these sections are widely populated with snack food items manufactured in Taiwan and Southeast Asia. U.S. fresh fruit, dried fruit, nuts, wine, whiskeys, breakfast meals, and condiments were on the shelves, but not necessarily in the imported foods section. In addition to RT-Mart, Trust-Mart (a subsidiary of Wal-Mart), Spar, and Parknshop also have presence in Beihai. Worth noting is that local players such as HeAn, Xinxin Li, Guo Fa Hualian, and other smaller supermarket chains are also considering carrying imported food items in the near future and see this as an evolution of the market in a highly competitive environment. Beihai is an underdeveloped domestic tourism city that will blossom in the coming years.

**Nanning:** Nanning has recently attracted significant foreign and domestic investment for its role as the center for the signing of China's free trade agreement with the ASEANs. Geographically it is in the center of South and West China and serves as an important trade, logistics and distribution center. The retail sector has developed rapidly with 15 Likerrong, 10 Nancheng Department Stores, five Hualian, four Renrenle, two Wal-Marts, two Dream Island Department stores, one CR-Vanguard supermarket, plus a newly opened Mix-City Olé high-end outlet. All of these supermarket chains carry varying amounts of imported food items. In addition, Post noted with interest that a local supermarket chain "Fengrunjia" has opened a special imported section with a 300-square meter sales floor and over 300 SKUs from the States displayed on their store shelves.

**Liuzhou:** Liuzhou is headquarters to dominant state-owned supermarket chain: Lianhua. The Guangxi Lianhua Supermarket Ltd. has the largest market share in local retail sector with little room for competition. Though Auchan, Carrefour, RT-Mart, and Renrenle have some outlets in Liuzhou, Lianhua still dominates the market based on the sheer number of outlets. Currently Lianhua owns over 200 outlets (88 direct operation outlets and 123 franchise outlets) mainly in Liuzhou and in neighboring cities in Hunan, Guizhou, and Yunan provinces. In 2011, annual sales reached \$275 million, up 20 percent from the previous year.

**B- Improved logistics will help distribution:** For years, the distribution of food items to Guangxi has been largely dependent on Guangdong's distributors and their trade networks. Fresh fruit, for example is transshipped from Guangzhou's Jiangnan Wholesale Market to Guangxi. Until recently, cold storage chain development and capacity had lagged behind that of its neighbor to the east, Guangdong Province. However it is rumored that Guangxi will establish a fresh fruit trading base at a similar scale as the Jiangnan Wholesale Market. Though it remains to be seen how successful this project will be in the short-term, as Guangxi's local consumption rate falls short of Guangdong's. About 50 percent of Jiangnan's fresh fruit inventory stays in Guangdong province. Guangxi's average incomes and purchasing power are not yet as high as Guangdong's.

**Beihai** is a port city and has a rich history of being involved in trade for centuries. In Beihai, Post met with Xinzhongsheng Logistic Company who built a new logistic facility with a total investment of \$350 million. The project received local government support with an aim at modernizing the fresh produce and daily food supply chain to Beihai and neighboring cities. In addition to the farming area and logistic team, Xinzhongsheng owns a chain of five fruit and vegetable supermarkets in smaller communities surrounding Beihai. The manager mentioned that their intent is to provide one-stop services for local retail chains. Although these cold chain facilities are still under construction, upon completion, a larger volume of imported produce transactions will be handled, especially for orders from other provinces--many in inland or south western China.

**Nanning:** ATO Guangzhou also visited Nanning's Bonded Logistics Center which was approved in 2009 by General Administration of Customs, the State Administration of Taxation and the State Administration of Foreign Exchange. The project has two phases. The first one was put into operation in July 2010, featuring four service functions at a time: custom clearance, quarantine and inspection, administration, and bonded cold and logistic services. Nanning is the largest 'waterless port' in the Southwest region, and by the end of 2010, 77 pieces of custom clearance requests (valued at \$24 million) were processed in these facilities. The second phase mainly includes road infrastructure, cold storage, and an exhibition center. The main structure of the ASEAN Import/Export Exhibition Center

was completed in April 2010. Four cold storage warehouses with a total capacity of 80,000 tons each were completed in 2011. Two additional cold storage warehouses with a capacity of 50,000 tons each are under construction presently and nearing completion. Nanning's Bonded Logistics Center's first and major cold chain project was entitled "Banana Sea-Land Freight Cold Chain" launched in early 2012 which monitored the advantages of cold transportation in an effort to protect the value, quality and integrity of locally produced bananas for export.

**Liuzhou:** In the industrial city of Liuzhou, railway transportation logistic options are available. ATO Guangzhou met with senior managers of the Guangxi Railway Logistic Co., Ltd. and learned that in addition to having temperature controlled containerized transportation shipment capabilities, Liuzhou's logistic center also has access to empty cargo space that could be used transport non-perishable food items. For example, UHT milk and frozen meat for example are transported to this logistic center from Guangdong and other provinces before they are delivered to their final destinations in Guangxi Province.

**C- Prospects for future cooperation with Guangxi:** Post met with a team of government officials during the trip including Vice Mayor, Director of Foreign Affair Office and Tourism in Beihai, Guangxi's Investment Director and Liuzhou North District Governor as well as other government officials. After discussions, Post learned that Guangxi government aims at drawing foreign investment into the local food and beverage retail and food processing sectors. Guangxi is also developing its food processing industry base and focusing on processing options for refined sugar since sugar cane is the province's leading row crop. In addition to having a booming retail sector and many more logistics options, Guangxi is making noticeable improvements to its cold storage transportation capability. Guangxi is expecting to have further cooperation with ATO Guangzhou in the future, particularly on: textiles, candies, sugar processing as well as cold storage technology and management.