

Chinese food sector still has room to grow

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The Chinese food market is poised for a new growth spurt, despite some slowdown in runaway rates as the recession took hold, [more](#)

China is often cited as one of the highest potential emerging economies in the world, together with Brazil, Russia and India. Together, these are known as the BRIC countries.

According to Leatherhead's new report *China: A growing global power in food supply*, the global food retail market is worth more than \$6000 billion. In 2008, the Chinese market was estimated at \$750 billion, up almost 58 percent from its 2004 level.

The attractiveness of [China](#) for multinational food firms is demonstrated by the presence of multinational food producers and retailers in the market. For instance, Walmart has been in China since the mid-1990s; it makes a point of stocking mainly Chinese produced products in its stores there.

Although [Leatherhead](#) acknowledges that growth rates have slowed since the economic downturn and that urban centers like Beijing and Shanghai have reached retail saturation, it still sees growth at double digit rates.

This growth is driven by *"rising income levels amongst urban consumers, as well as the expansion across the country of modern grocery outlets such as supermarkets and hypermarkets,"* it says.

The urbanization of the Chinese population is recognized as a major factor in the growth – and the change has been so rapid that many major retailers are looking to smaller cities for new opportunities.

China the supplier

Leatherhead recognizes China's prominent position in the supply of a number of important foods and ingredients. For instance, it is a major supplier of fresh produce, fish and seafood to the US, as well as honey, peanuts, milk powder, citric acid, lactic acid, soy protein isolate and vitamins.

However, the recent melamine crisis has seriously derailed confidence in Chinese exports. For some, food safety and quality have been casualties of rapid expansion.

A new food safety law came into effect in June 2009, but through the year as a whole Leatherhead expects the growth to level off.

Export volumes are estimated between 25m and 30m tonnes, and by value they were around \$31bn by the end of 2008.

China is also the country with the second biggest area of land under organic management (after Australia), some 2.3m hectares or 8 percent of the total. Its exports of organic foods were estimated at \$450m in 2008, and some forecast sales of \$1bn by the middle of the next decade.