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“The Chinese agri-food industry is still far from stable.”

What are the major trends in the Chinese agri-food industry today?

The Chinese agri-food industry is fairly complex. It is currently impacted by considerable over-capacity in primary processing, for instance in milling: today, there are more than 4,000 mills with total crushing capacity of more than 260 million tonnes/year, with an operating rate of only 50%; the same thing goes for malt, with malting capacity of around 6m tonnes, while needs, including exports, amount to roughly 3.6 million tonnes/year.

The agri-food industry is therefore undergoing a transformation similar to that seen in other sectors. First, the productive fabric needs to be reformed, by reducing production capacity at medium and small plants that are too energy-intensive and polluting (air, water, soil, biodiversity, etc.), to make room for big companies and their many construction projects. Cofco, Yihai/Wilmar, Wudeli, these large millers all have mill construction projects under way. The industry estimates that within the next two to three years, total wheat flour production for these three major groups will represent more than half the national total, which is around 40 million tonnes/year. At the same time, these major groups all want to become the country's central kitchen: Wilmar's latest official slogan is “We want to be the central kitchen for the Chinese!”, while the other two groups also have more downstream activities in frozen food, fresh products for home cooking, and retail outlets in supermarkets. Two major trends stand out: fewer players for more production, and an increasingly sophisticated offering for the end consumer right up to ready meals.

The agri-food industry in China is still far from stabilised, because with rising living standards and higher income, more than 200 million Chinese are currently considered as middle class. These consumers are typically wary of ‘made in China’ products and are prepared to pay more for imported products that come with the guarantee of health safety. This explains why China spent more than \$120 billion in 2017 in agricultural and agri-food product imports. We can consider that China's continued opening to agri-food products from the export market will be a major trend over the next years.





What are the challenges currently facing European companies that want to set up in China?

For European companies, more particularly French companies, I see challenges as being primarily related to production size and quantities available for export. Let me explain: for a French delicatessen factory that wants to start by earmarking a few tonnes of products or a few containers for export to the Chinese market, finding Chinese food safety officials/inspectors to grant certification will prove quite a challenge, because there is a limited number of these officials and they have too many dossiers to process (that's the Chinese administrative system!). I think several manufacturers need to pool their offering in order to have more weight and export more to China. In parallel, it is also essential to develop a specific marketing strategy/policy for the Chinese market before starting to set up. Distribution channels, consumption patterns, fast-moving trends all respond to a very different rationale from traditional European codes.

What advice would you give to a European agri-food company interested in setting up in China?

The Chinese market is vast and full of potential, but also very competitive; you therefore need to export products that really stand out from what already exists on the market. Having a "stand-out strategy" is essential as generally speaking, the Chinese will go for anything new – we are a very curious people. As for the marketing policy, you need to have on-the-spot presence, or at least mandate field agents to follow the market closely, and above all nurture contacts, spend time with official interlocutors, buyers and importers to show them that you share the same market vision and the same conviction.

I am also convinced that the strongest asset of French origin agri-food products is the broad range of value-added processed products. We can't flood the market with big volumes, like the Americans, but France, and more broadly Europe, have



a strong suit to play with their more sophisticated products, their know-how, traditions, and also of course the assurance of superior, well-controlled quality.

How and on what topics do you work with the Unigrains teams?

I work mainly for the French Grain Export Office in Beijing, which opened 27 years ago, and I represent the interests of French grain producers in China. Given the strong ties between Unigrains and grain farmers, I spend part of my time working on the company's development in China. More specifically, I am responsible for monitoring Chinese and foreign investments in the Chinese agri-food industry. We liaise constantly, regularly reporting to experts and investors at the Paris head office and providing them with real time updates on sector news, and we help them understand the developments in our market, which can sometimes be difficult to understand from a French perspective.

We are currently focusing on the lightning development of e-commerce in China, which is revolutionising the retail sector and also impacting all players across the value chain. For Unigrains, having a local correspondent is invaluable; it enables them to pass on up-to-date information to their partners and support them in their development in China.

