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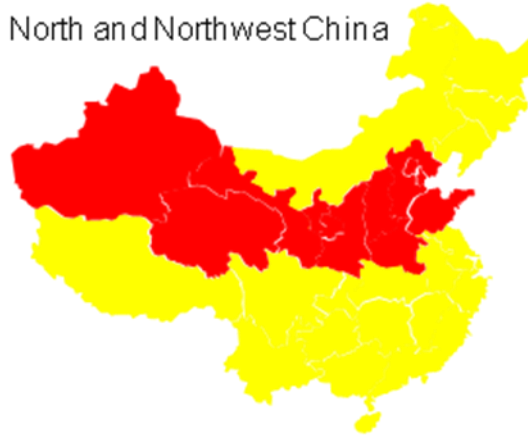
Report Highlights:

North China is a booming market with a combined GDP comparable to that of Brazil. Its diverse markets hold a wealth of opportunities for enterprising exporters.

General Information:

North China is a large, diverse and dynamic market, with a long history and a rapidly growing middle class. The region has a population larger than the United States and Germany combined, and a GDP the size of Brazil. It is home to some of China's largest and wealthiest cities, but is a major agricultural producer in its own right, and boasts a host of rapidly growing second and third tier cities that promise to become the centers of future growth.

North and Northwest China



At a combined GDP of \$1.982 trillion in 2010, North China is similar in size to Brazil.

Although the largest market within North China centers around the cities of Beijing and Tianjin, North China is home to multiple centers of growth. Each presents a distinct market with its own challenges and opportunities. Long the center of political power, North China is increasingly a center of commercial activity as well, ranging from the manufacturing and port city of Tianjin to the increasingly knowledge-based economy of Beijing, and on out to the energy-based boomtowns of Inner Mongolia and Shaanxi (ATOs in Shenyang and Beijing share coverage of Inner Mongolia) and tourism and trade-driven Qingdao. All constitute excellent potential markets for U.S. food and agriculture products. This report profiles some of the key markets in the region.

Expenditures on entertainment are high, and entertainment and gift-giving are key market niches for imported products. The traditional North Chinese frugality does not apply to gifts, entertainment or other purchases made to 'gain face.' Health is another area in which consumers are willing to spend. Here, when indicative of high quality, a high price can actually be an asset. However, North China's consumers have somewhat less experience with imports than Shanghai or Guangzhou. On the upside, this means imports have a high novelty value, and consumers are eager to learn more. On the downside, new-to-market products may require consumer education.

Agriculture

North China is a major center of wheat-based agriculture and livestock production, and traditional diets lean more toward wheat, beef and mutton than elsewhere in China, although rice,

The Provinces of North and Northwest China



Note: For FAS, coverage of Inner Mongolia is shared between ATOs in Beijing and Shenyang

pork and poultry are also key. It is a major center for dairy and pork production, and North China imports large quantities of feed, feed ingredients and livestock genetics to support its own production bases. It is also, especially in the provinces of Henan and Shandong, a key center for China's processed food industry, particularly frozen and processed foods and pork and poultry. Shandong province has also developed an expertise in the production and export of fresh and processed fruit and vegetables.

The City of Beijing

While Beijing is the place to influence national policy and gain access to national-level media, it is also a major consumer market. One of the 'big three' urban markets (along with Shanghai and Guangzhou), it is a city of nearly 20 million people with a per capita GDP of \$11,334 in 2010, far above the national average. Prices have risen quickly, and imported products are now often competitive on price as well as quality. This has led to a boom in imports of items, such as fresh cherries, wine, and live seafood, which were once considered high-end luxury goods. Beijing is a relatively young city, attracting a constant inflow of upwardly mobile Chinese consumers who are interested in expanding their horizons. Products can be marketed into a variety of market niches.

Beijing is also home to a large and dynamic community of distributors specializing in importing and marketing food products from overseas. Levels of service vary widely from simple freight-forwarding and customs clearance to full-service distributors who take on all aspects of market development. Logistics are well developed, and cargoes air freighted directly to the city typically move smoothly. Ocean cargoes generally transit the nearby port of Tianjin, and may be subject to some delays.

Competition in Beijing is tough, as most international competitors have established a presence in this market. However, there are a wide range of niche markets with excellent potential, and exporters interested in building a market here are strongly recommended to take the time to visit the city and meet with potential distributors and end users.

Beijing At a Glance		
	2010	Growth (%)
Total Population	19.6 million	10.5
GDP	\$211 billion	12.3
Per Capita GDP	\$11,335	4.2
National Average GDP	\$3,817	8.5
Retail Sales of Consumer Products	\$93 billion	12.2
Source: Beijing Statistical Yearbook		

Consumers in China are extremely sensitive to food quality and safety issues. The constant drumbeat of food safety scandals in the press has sharpened this concern, and even middle-class consumers are willing to pay extra for guarantees of quality and safety. Many see imports, which are inspected both in their home countries and on arrival in China, as generally higher in quality and more reliable. Others look to certification programs, such as organics and 'green' food standards. Although use of such labels

in Chinese language is regulated, consumers are very savvy. Sensitivity to these issues is particularly strong where children and young women are concerned. As a general rule throughout China, people are willing to spend much more on items for others than they are on themselves, making the gift giving market a separate niche with its own rules.

Beijing Out On the Town

The hotel and restaurant industry is big business in Beijing. Conferences, business meetings, and corporate and diplomatic events set the stage for billions of RMB in spending. Nearly 184 million tourists visited Beijing in 2010, a 9.2 percent increase that generated over \$41 billion in revenue. The Hong Kong-based Shangri-La Hotel Group is a major player in Beijing with six hotels in town including four five-star hotels and two four-star hotels. Another market leader, Marriott Hotel group, currently owns or operates 37 hotels/residential apartments in China, with ten located in Beijing. The Inter Continental Hotel Group has 18 hotels in Beijing alone, including the Inter Continental, Crowne Plaza, Holiday Inn, and Holiday Inn Express. Leading five-star hotels in Beijing have stated that imported food, beverage and wine products account for more than 50 percent of overall food-purchasing budgets, making them an excellent market.

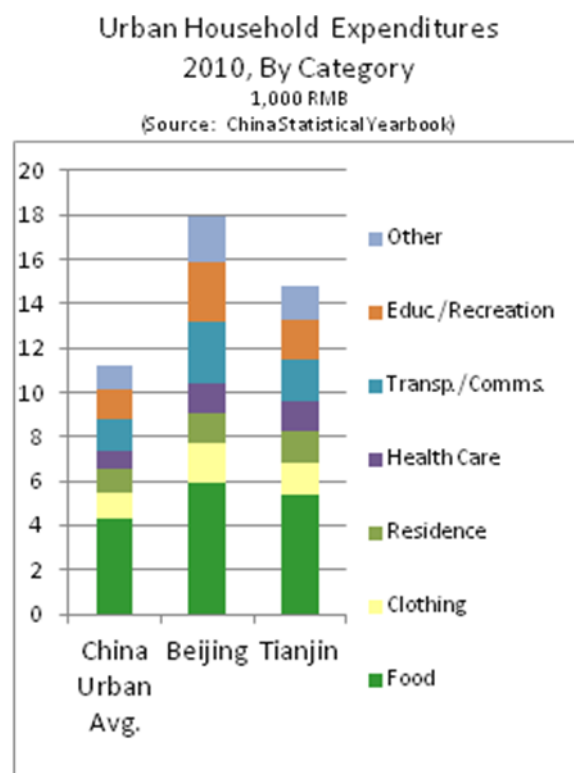
Affluent Beijingers, along with expatriates and tourists, are the driving force behind Beijing's increasingly diverse dining options. Beijing diners are becoming more health conscious when it comes to choosing dining outlets and menu items. Price is becoming secondary to lifestyle issues, as customers have turned their attention to service, ambiance, and creative restaurant themes. Wine tastings and themed dinners are common and continue to attract the city's affluent. The Central Business District (CBD), stretching across central and eastern Beijing, hosts a number of dining centers with Beijing's best restaurants. The Place, Shing Kong Place, Block 8, and Solana, are all home to multiple restaurants serving a wide range of international cuisine. Beijing's nightlife is dominated by increasingly sophisticated bars and clubs in the Sanlitun, Workers Stadium, and Houhai areas, which cater to affluent young professionals and have international, imported cuisine, snacks, and beverages on the menu.

As property values rise across Beijing's Central Business District (CBD), 30-story office buildings have replaced local mom-and-pop eateries, leaving professionals who don't want to pack a lunch with few options. Most large office buildings have outsourced cafeterias, but quality tends to be marginal, even at the best international office complexes. Cafeteria lunches range around 10-20 RMB (US \$1.3-2.6), and include Chinese-style main and side dishes, rice, bread and soup. The low price point for cafeteria food service in Beijing does not lend itself to the use of imported food and beverage products. Domestic catering service Lihua Fast Food is one of the largest food delivery companies in China, and is still widely accepted and popular in Beijing. It delivers lunchboxes to offices or home for a fee ranging from RMB10-30. Global brands such as Aramark are taking the lead in at the high-end of institutional food service. Between these high-end services and cafeteria services, however, is a large, underserved market, which is frequently met by purchases of ready-to-eat food at 7-11 convenience stores or small grocery stores.

Beijing Retail

The best retail market for imported food is in Beijing's well-developed high-end grocery sector. High-end retailers in Beijing fall into three general categories: expatriate boutiques; high-end grocers focused on China's wealthy; and the food retail sections of high-end department stores. Although there is a lot of overlap, the customer base for each is slightly different, leading to noteworthy differences in product selection and marketing strategy. Expatriate boutiques, once the principal outposts for imported foods (especially packaged foods) have evolved into chain stores serving a larger but less exclusive expatriate community than in the past. As a result, they are: more aware of foreign tastes; tend to carry items with a small but devoted following among expatriates; and are more sensitive to price than some of the other high-end venues (their customers being painfully aware of what the product costs at home).

The high-end grocers are a relatively new development for Beijing, with the pioneers being Beijing Hualian Group (BHG) High-End Markets, Vanguard's Ole chain. These stores stock mainly imported (and very high-end Chinese) products primarily for wealthy Chinese consumers. The focus is on famous brand names and products with some familiarity among knowledgeable Chinese, on producing a clean, bright and modern shopping environment. Prices are less of an issue, and markups tend to be higher than in the expat-focused stores. Sometimes affiliated with major Chinese retailers, these venues tend to be less familiar with the full range of imported products, are willing to experiment if they see good potential sales. They are very interested in consumer education, and will usually facilitate consumer education campaigns, where mainstream retailers to charge fees for hosting such promotions.



The third pillar of Beijing's high-end food markets are the in-house supermarkets of high-end department stores, such as Parkson's Plaza. Once a rarity, these have become increasingly common in Beijing and elsewhere, and are moving sufficient volumes of product to develop economies of scale. Because these department stores are focused on high-end name brands such as Coach, and because the management teams often include expatriates, they tend to be more familiar with the range of products available from overseas. And because they are focused on a broad range of products, they tend to favor buzz-generating PR events and conventional promotions over consumer education types of activities. Like the high-end groceries, however, they are very welcoming to promotions, seeing them as a way to

raise their public profile, and frequently have space available for promotional activities.

In the mid-market range are major Chinese and international retail chains such as Carrefour, Wal-Mart, Wu-Mart, Lianhua, Jinkelong and others. Of the foreign-invested retailers, Carrefour and Wal-Mart are the leaders in Beijing. Once a significant venue for imported food, head-to-head competition with rising domestic retailers has emphasized price and volume, and retailers in this market range stock relatively few imports. They tend to be extremely price sensitive, and discourage promotions and new products by charging a bewildering range of fees for new product placements and promotional activities. While fees are usually levied on distributors, they ensure that only items guaranteed to generate large volume sales will be considered. The exceptions to this rule are Wal-Mart's Sam's Club stores, which do a brisk business in high-end imports, and Metro, which targets the restaurant industry.

Chain convenience stores have developed more slowly in Beijing than in Shanghai, but 7-11 has established itself with 94 stores, mostly targeting white-collar business districts with limited food options. Beijing's own traditional 'xiaomaibu,' a small mom-and-pop corner store, seems to be evolving into the neighborhood convenience store niche. In some ways, the xiaomaibu format is better suited to the geography of Beijing, as the tiny size and seemingly random product assortment is uniquely appropriate for shops dedicated to a single apartment building or complex. Independent ownership allows a nearly infinite capacity for stores to customize their product selection to the small but faithful community of customers they serve.

The City of Tianjin

A half-hour ride on the bullet train from Beijing, Tianjin is the third largest port in China and fifth largest in the world by throughput (450 million MT in 2011). Tianjin is an autonomous municipality, like Beijing, and the primary access point for ocean freight headed to Beijing. The past ten years have seen Tianjin blossom from a gray industrial city into a vibrant and important market. Per capita GDP of nearly \$10,000 puts Tianjin among the top cities in China. Apart from trade, Tianjin's economy is based on heavy industry and manufacturing – much of the industry that used to be based in Beijing has migrated to Tianjin as real estate costs in Beijing skyrocketed. Future growth is likely to come from the New Coastal District (NCD) of Tianjin, an industrial development zone that includes Tianjin Port, the Tianjin Port Free Trade Zone, and three development zones.

Tianjin At a Glance		
	2010	Growth (%)
Total Population*	9.85 million	0.5
GDP	\$137.7 billion	15.9
Per Capita GDP	\$10,894	11.6
Retail Sales of Consumer Products	\$43.3 billion	13.6
Source: Tianjin Statistical Yearbook. Note: total population figure revised from last year to		

official population estimates. Last year's figure, 12.28 million, included an estimate for unofficial immigrant population.

Despite its wealth and proximity to Beijing, and despite the quantity of imported food that passes through Tianjin on its way to Beijing, this city remains relatively underdeveloped for imported foods, both at the consumer level and in terms of distribution. Only a handful of distributors actually have offices in Tianjin, with the majority servicing the Tianjin market from Beijing. Tianjin's importance as both a market and as a port of entry to North China has made it a top priority for ATO. Promotions in Tianjin have had strong buy-in from retail and restaurant partners, and gained an enthusiastic response from consumers. Competition from other imported products is still weak as compared to Beijing, and exporters willing to put in the time and effort can find success in this market. Products that have done well in ATO activities have included fresh fruit, beer, wine, confectionery and premium fruit juices. Tianjin is also a major market for dried fruit and nuts.

Retail markets are less developed than in Beijing or Shanghai, but strong growth (13.6% in total retail sales in 2010) indicate that Tianjin is moving quickly to close the gap. Most imported products are sold in high-end outlets such as E-Mart or CRC, or high-end department stores such as Hisense Plaza.

Products that have done well in recent ATO-supported promotions have included fresh fruit, nuts, dried fruit and microbrew beer. Retail sales take a bigger jump than in most other cities during major holidays, as the tradition-minded customers of Tianjin take holiday gift-giving very seriously.

The prestige gift market is especially important as part of traditional relationship building, and this particular niche market is nearly as strong as in much wealthier Beijing.

Although not as cosmopolitan as Beijing, Tianjin has a vibrant restaurant sector, and the average consumer in the city spends a larger proportion of their income on dining out than in other cities. The hotel sector in particular developed rapidly in the runup to the Beijing Olympics, and Tianjin is now host to most of the major international hotel chains. Spending on wedding banquets has also seen rapid growth, partly as a function of prestige spending and partly as couples from Beijing are holding their banquets in Tianjin, where costs are roughly 20 percent lower. Similar patterns hold for the restaurant sector as for retail: prestige spending (i.e. gifts) is very important, and increased sales during the holiday season are even more marked than in other major cities. The Tianjin HRI sector has few dedicated



distributors for imported food, with most hotels and other users of imports sourcing through Beijing-based distributors.

Shandong

Shandong is a thriving coastal province that is home to a number of China's fastest growing cities, and has generally benefited from leadership that recognizes the value of trade and business. The GDP of this one province is comparable to that of Switzerland. Shandong has some of the best agricultural trade infrastructure, including cold chain, in China. It is also a major center for food manufacturing and meat production, and exports apples, pears, garlic and cooked meat. Despite its role as an agricultural powerhouse, Shandong is proving to be a good market for U.S. agricultural products, both consumer-oriented products and animal feed and genetics. In some cases, as with fresh cherries, development of markets for local products has been complementary to those for imports. The province is also a major tourist destination, famous for its balmy climate, sandy beaches and scenic sites like the mountain of Lao Shan. Shandong province is a hotbed for voluntary retail chains, with a large number of stores now affiliated with the SPAR chain.



Qingdao

The jewel in the crown of Shandong is the city of Qingdao, world famous as to China's largest beer manufacturer, and a major vacation destination with sandy beaches and European architecture. As a city, Qingdao is comparable to Tianjin, both in income and in importance as a port. Although Tianjin is somewhat wealthier, Qingdao benefits from its long



home

history as a port and as a tourist destination. Unlike Tianjin, Qingdao does not have the large demand pull of Beijing close by. This has made it more difficult to establish import volumes large enough to warrant direct shipment, but also means that locally established distributors have little competition regionally. Volumes into Qingdao and the surrounding area are only just getting large enough to make direct shipment practical, and a significant quantity of product is still shipped from Beijing, although this is likely to change as regional demand supports its development as a regional distribution hub.

Qingdao is a major processing center for seafood, and substantial quantities of U.S. seafood are processed for re-export there. Development of markets and distribution in Qingdao proper is a critical first step toward reaching out to the multitude of growing cities throughout the province.

Retail is well developed in Qingdao, and ATO has been successful in introducing U.S. products such as Silk soymilk and Brooklyn Beer. The leading hypermarket operator is Jusco, with three stores in Qingdao and one each in Yantai and Weihai. The selection of imported products is good, but leans heavily toward Japanese and Korean products, reflecting the strong influence of those nearby countries (there is also a large Korean community in Qingdao). Competition is intense among high-end retailers, leading to efforts by individual chains to distinguish themselves by carrying a broader array of new and unusual imports. The high-end retail scene includes Mykel and Hisense Plaza. As with Tianjin, mid-range retailers are a weak market for all but the cheapest and most familiar imports. ATO is scheduled to reach out to Qingdao yet again in June, 2012 to promote U.S. products in retail.

Qingdao At a Glance		
	2010	Growth (%)
Total Population*	2.75 million	0
GDP	\$84.57 billion	14.3
Per Capita GDP	\$9,825	13
Retail Sales of Consumer Products	\$29.2 billion	12
Source: Qingdao Statistical Yearbook. Note: Qingdao is both a city and a regional entity, hence statistics can be somewhat confusing. For example, Qingdao's official urban population is 2.75 million, but the region of Qingdao is 7.64 million. Precisely how many of the 'rural'		

residents of Qingdao actually work in the city is unclear. Worldatlas places Qingdao's population at 4.38 million. Income figures are equally murky.

Qingdao's proximity and strong trade ties to South Korea and Japan have affected the hotel and restaurant sector, particularly with respect to imports. The 2008 Beijing Olympics further boosted Qingdao's hotel sector as the sailing events were held in Qingdao. Since then, Shangri-la hotels have been joined by InterContinental, Le Meridien, Crowne Plaza, Double Tree by Hilton, Four Points by Sheraton, and others. Food supplies for hotels are mainly sourced through local suppliers with the majority of products being locally produced, with the exceptions of cheese, wine and breakfast items such as cereal, nuts and dried fruits. Promotional opportunities exist for high-value and niche market food and wine products. High end seafood can compete with lower priced local production, and a local processor of U.S. seafood is now poised to take distribution nationwide.

Qingdao is also an important center for food processing and manufacturing. Traditionally focused on export markets, these industries are now turning their attention to domestic consumers. Particularly prominent in the city of Qingdao are beer manufacturers, seafood processors, and traders who service the large manufacturers of pea vermicelli noodles in inland Shandong. The latter rely heavily on imported peas, mostly from Canada. More detail on these can be found in ATO/Beijing's GAIN report Food Manufacturing In North China.

The Emerging Cities

The North Coast – On the other side of the peninsula from Qingdao is a trio of port cities, Yantai, Weihai and Longkou. Taken collectively, these cities rival Qingdao as a port, and are growing quickly in income and as potential markets. As these markets mature, they are likely to contribute substantially to the importance of Qingdao as a shipping center for imported food. These cities are also an important center for the food manufacturing industry, and have been targeted by ATO for outreach efforts to identify key players in this sector. Of particular importance are the manufacturers of pea vermicelli (noted above) and cold processed meat products. The region is also a major producer of domestic grape wines, an industry that has expressed interest in both grape vine stock and oak for use in barrels and chips for aging wines.

The Interior – The capital of Shandong province is Jinan, a city comparable to Qingdao in size although it lags its coastal cousin in income. Growth rates are higher, however, and as Jinan's elite grows in size, they are showing every sign of appreciating high-end products. This is likely to become a good market for premium fresh fruit, wine, meat, seafood and a variety



of other high-end products. Nearby to Jinan is the city of Zibo, also a major interior population center. Distribution of imports destined for Jinan and Zibo is likely to be routed through Qingdao, so continued rapid growth in these cities is likely to contribute to Qingdao's growth as a distribution hub. Also of note is Dongying, north and east of Zibo, near the coast. High incomes from oil production have made this a wealthy boomtown.

The Inland Provinces

Inland of Shandong are the provinces of Henan, Hebei, Shaanxi, Shanxi and Inner Mongolia. Although each is distinct, certain patterns tend to hold true across the board. First, demand for imported foods tends to be more narrowly focused on a thin band of wealthy consumers. Second, spending on imports tends to be more aspirational: consumers are seeking both an experience and prestige as much as they are the food itself. Concerns such as health benefits are still significant, but less so than in cities like Beijing. Lastly, tastes in inland markets tend to favor stronger, heavier flavors. Considerable consumer education may be required to market products that are entirely unfamiliar. In all of these cities, distribution is a challenge. Most source imports via Beijing, reflecting the large population of well-established importer/distributors in that city. Key to marketing product in these cities is the identification of a local distributor to partner with the original importer. Although this may seem redundant, volumes in most of these cities are still too small to justify shipping direct to individual customers, so the presence of a local distributor is critical to success.

Basic Information on Major Inland Cities					
	Zhengzhou (Henan)	Jinan (Shandong)	Shijiazhuang (Hebei)	Xi'an (Shaanxi)	Hohhot (Inner Mongolia)
Population urban/rural (million)	5.5 urban 3.2 rural	4.31 non- agricultural 1.73 agricultural	10.1	7.827	2.8736
GDP (million RMB)	404,089	391,053	340,100	324,169	186,571
GDP/Capita (RMB)	47,608	57,947	50,951	38,343	65,518
Note: Urban districts routinely incorporate some areas officially regarded as rural, using different nomenclatures. These are presented as is in this table. Note also that population figures do not include unregistered immigrants from distant rural areas. These inconsistencies in population tracking almost certainly also affect income statistics. Sources: Henan Statistical Yearbook, Shandong Statistical Yearbook, Hebei Statistical Yearbook, Shaanxi Statistical Yearbook, Inner Mongolia Statistical Yearbook					

Henan is the most populous province in China, with over 100 million inhabitants. Like Shandong, it is a major center for food manufacturing, and the capital, Zhengzhou, is home to one of China's major commodity exchanges. Although incomes are somewhat low averaging around RMB 32,455 annually as of 2010 (a little over \$5,000 USD/year in 2010), consumers are willing to spend to get access to

quality products. Henan has not yet reached critical mass for imported foods, however, and there are few if any retailers stocking significant quantities of imports at this point. Zhengzhou's primary appeal to exporters at present is the potential of its food processing industry as a market for U.S. ingredients.

The city's restaurant sector provides another bright spot, with food service seeing 20 percent growth in recent years for total sales of \$14.15 billion in 2009. Other cities of note in Henan include the ancient imperial capital of Kaifeng, and Luohe – a major food processing center.

Hebei province is the crescent shaped province that surrounds Beijing and Tianjin. Although technically not an interior province, the market profile currently matches provinces like Henan better than coastal areas such as Shandong. The traditional urban center is the capital, Shijiazhuang, a typical inland city similar to Zhengzhou in income and spending patterns. Lacking a large tourism industry or an expatriate community, spending on imported food tends to be aspirational and favors shelf stable products such as wine. Given its proximity to Beijing, distribution is less problematic than for other interior cities. Long term, however, Shijiazhuang is likely to be eclipsed by the port city of Qinghuangdao and the manufacturing powerhouse of Tangshan, both of which have passed Shijiazhuang in total GDP, and which benefit from proximity to the Beijing/Tianjin corridor.

Shaanxi province is notable mainly as home to the massive city of Xi'an, itself home to the famed terracotta warriors, and a number of other major tourist sites. As with other inland cities, incomes for Xi'an's 7.8 million residents lag the coast, but are growing more rapidly, with an economy based mainly on heavy industry. One of Xi'an's big surprises is the large population of college students: the city is home to 47 higher education institutions and 365 scientific research institutes, supporting a population of 391,000 research and engineering professionals. Pair this with a strong tourism industry, and Xi'an becomes something more than just a major inland giant. However, distribution this far inland is largely improvised. Imports that do make it to the shelves tend to do well, with most imports going into the HRI sector. A bright light for imports is retailer Metro, which carries a significant assortment of imported foods, sold mainly on to the hotel sector. Xi'an is likely to figure more and more prominently in the future, as many exporters seek to use it as a hub for distribution further inland.

Inner Mongolia is a large, thinly populated province immediately north of Beijing. Tourism is significant but scattered across a wide area. Coverage of Inner Mongolia is shared between ATO offices in Shenyang and Beijing. Markets for imported products are concentrated in three major cities; the capital of Hohhot, and Baotou and Erdos. Although the populations are small by Chinese standards (2.9, 2.7 and 1.9 million, respectively as of 2010), these cities have surprisingly good potential for imports. The main driver for the economy is energy, and the oil boom has boosted urban incomes. Average GDP in the capital of Hohhot now outstrips all other major cities in North China except Beijing and Tianjin, and incomes in Baotou and Erdos are even higher. Erdos is particularly notable, as rapid development has caused the population of newly wealthy consumers to be concentrated in a single part of the city, creating a ready-made market for imports. As with other interior cities, distribution is problematic, and a local distributor is necessary to consolidate demand. Long term, however, Inner Mongolia's proximity

to Beijing should simplify distribution, and this region is likely to be a significant onward market for Beijing-based distributors.

Shanxi province lags the others in income and population, but its proximity to Beijing and the large number of historic and scenic sites is making it a significant tourist destination. Weekend road trips to Shanxi are becoming more popular, and will likely boost the hotel and restaurant sector. Still, with little in the way of an urban core, distribution for Shanxi is likely to be serviced from Beijing for the time being.

The Far West

Rounding out the region are the far Northwest provinces of Gansu, Qinghai, Ningxia and Xinjiang. For the most part, these provinces are less well-developed and too far inland for exporters to access. Nonetheless, as markets they cannot be lightly dismissed. Initial efforts by BHG High-End Markets in Qinghai have found demand for high-end imports even there among a small but wealthy population. As there is also quite a bit of tourism, a significant portion of the demand for imported products is likely to be in the hotels servicing the tourist trade. Spending tends, again, to be aspirational, so high-profile and expensive products are actually likely to do better here than value products. Distribution to these areas is likely to be based regionally out of the city of Xi'an, with the possible exception of Xinjiang. Early entry into these markets is likely to pay dividends later, as product brands become established in consumers' minds relatively early.

The most important of these provinces is Xinjiang province. Xinjiang has an economy based on commodities (mostly cotton) and energy. This has made it relatively wealthy, and has made it an emerging center for business in Central Asia. In addition, the large commodity exports to the rest of China mean that rail freights into Xinjiang are relatively low, although the bulk of traffic is still in trucks. The tourism industry is also significant. Despite the tremendous distances involved (the capital, Oromqi, is closer to Kabul than it is to Beijing), products such as U.S. poultry have found a niche here. Tastes in Northwest China are substantially different from the rest of the country, with a strong preference for bread and sheepmeat, in keeping with the strong ethnic Turkic influence seen throughout the region. The region is a major producer of fresh fruit, dried fruit and nuts, and although the local product is substantially different, competition is intense.

Seeing Is Believing

U.S. exporters interested in building markets in North and Northwest China are encouraged to travel. Apart from meeting potential distributors and customers, there are a number of aspects to the Chinese market and consumer habits that are difficult to fully understand without actually experiencing them. If

you have any questions about markets for agricultural products in North and Northwest China, please feel free to contact us at the email address or phone number below.

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