



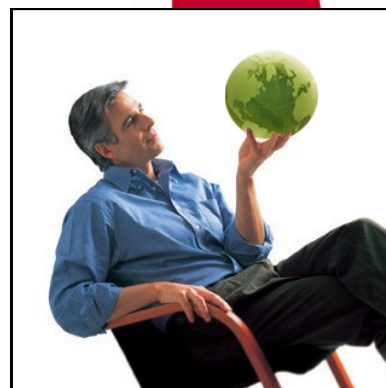
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**International
Markets
Bureau**

MARKET INDICATOR REPORT | FEBRUARY 2012

Packaged Food Sales in China





▶ EXECUTIVE SUMMARY

- ▶ Sales in the Chinese packaged food market were valued at US\$124.3 billion in 2010. The packaged food industry is expected to grow by 51.4% in value from 2011 to 2015.
- ▶ The dairy market was the largest segment in the packaged food market, with sales of US\$25.1 billion in 2010. The second- and third-largest market segments were bakery products (baked goods, cereal, and biscuits) and dried processed food (instant noodles, plain noodles and rice).
- ▶ Artisanal products controlled the largest market share of the packaged food market in value terms, holding 6.6% in 2010. The top five brands in the packaged food market were: Yili, Mengniu, Master Kong, Shineway and Jinlongyu.

▶ INSIDE THIS ISSUE

<i>Executive Summary</i>	2
<i>Consumer Trends</i>	2
<i>Regional Market Trends</i>	3
<i>Top Packaged Food Sub-Categories</i>	4
<i>Key Market Segments: 2009-2010</i>	5
<i>Company Shares</i>	9

▶ CONSUMER TRENDS

- ▶ Due to the expansion of modern retailing in urban areas, consumers are changing their habits to include shopping for many packaged food items once a week, instead of a few fresh items once a day.
- ▶ Health and wellness trends drove packaged food innovation in China. New product introductions included non-fried noodles and dark chocolate products.
- ▶ Premium supermarkets such as Ole's and CRV have entered areas such as Beijing, Shanghai and Guangzhou, targeting high-income consumers, and shoppers that are less price-sensitive.
- ▶ Internet retailing for packaged food products has quadrupled since 2005. Online baby food sales increased mostly due to the melamine scandal, as consumers bought more imported brands.
- ▶ Domestic players dominate the packaged food industry in China. Main domestic players included: Mengnui, Yili, and Shineway.

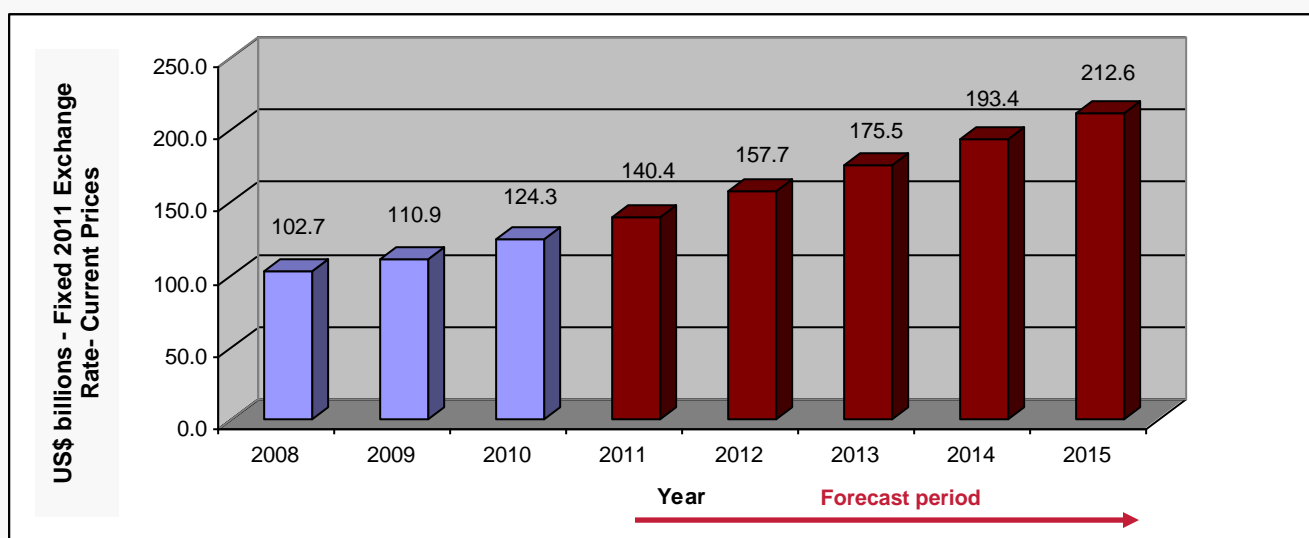




► REGIONAL MARKET TRENDS

- **East China:** Consumers in East China generally have higher disposable incomes. These consumers tend to consider product healthiness or quality over price. New flavours and innovative products are more likely to succeed in this market. The baby food segment showed the highest growth among the packaged food sub-categories in 2010.
- **Mid China:** The fastest growing sub-category is baby formula, with high-quality and premium variations as the favoured purchases due to the melamine scandal. Since late 2009, prices for raw materials have risen, along with inflation.
- **North and Northeast China:** This market is divided between price-sensitive and upper-middle-class consumers. Functional, and health and wellness foods such as sugar-free, salt-reduced, and added probiotics, are becoming more popular. Supermarkets/hypermarkets and convenience stores expanded rapidly, and thus increased sales of frozen processed foods, ready-meals, snacks, and chilled processed foods. The ice cream sector is expected to continue experiencing intense competition.
- **Northwest China:** Independent small grocery retailers are more important in this market, with 40% of dairy sales occurring in these types of outlets. Consumers in this market are generally more price sensitive than other areas of China. However, the health and wellness trend has ventured to this region with the introduction of sugar-free products. The frozen processed food sub-category is expected to grow the fastest.
- **South China:** Consumers in South China are heavily influenced by Hong Kong and, as such, imported and premium brands are accepted. As a relatively new product, functional spoonable yogurt achieved the highest volume growth in 2010. Drinking yogurt is generally more popular than spoonable yogurt. Unspreadable processed cheese is also becoming more popular. The main distribution channel for packaged food is supermarkets/hypermarkets.
- **Southwest China:** The frozen processed food sub-category achieved high growth in this market due to improved cold chain logistics. Chocolate confectionery and the dairy industry also increased steadily in 2009 and 2010. The retail environment in Southwest China is rapidly changing to include more retail giants.

Market Sizes – Historic/Forecast – Packaged Food in China



Source: Euromonitor, 2011.

► **TOP PACKAGED FOOD SUB-CATEGORIES**



Top Packaged Food Sub-Category Sales in China
Market Value Based on Retail Sales Price in US\$ Millions

Sub-Categories	2008	2009	2010	2011	2015
Drinking Milk Products	16,727.2	18,158.7	20,014.1	22,099.6	33,200.0
Baked Goods	10,005.2	10,569.7	11,882.7	13,656.1	20,603.4
Chilled Processed Meat	8,711.5	9,551.0	10,505.0	12,016.5	21,006.0
Instant Noodles	8,403.1	8,747.3	10,071.6	11,447.7	14,353.9
Vegetable and Seed Oil	7,256.0	8,087.3	9,116.3	10,228.7	14,915.9
Milk Formula	4,663.1	5,930.2	7,305.7	8,911.6	17,807.9
Sugar Confectionery	5,213.0	5,426.9	5,847.3	6,331.6	7,934.5
Biscuits	4,047.8	4,394.4	4,886.0	5,479.7	7,645.1
Table Sauces	4,087.0	4,357.9	4,853.0	5,402.7	7,326.0
Yogurt and Sour Milk Drinks	3,613.3	4,179.4	4,772.7	5,551.1	9,187.9
Other Sweet and Savoury Snacks	3,762.6	3,871.5	4,266.3	4,744.2	6,756.7
Impulse Ice Cream	3,311.3	3,256.0	3,471.0	3,748.0	5,240.9
Canned/Preserved Meat and Meat Products	2,732.4	2,850.6	3,332.4	3,733.0	5,461.1
Extruded Snacks	1,943.7	2,034.9	2,412.8	2,812.7	4,333.6
Gum	1,963.5	2,074.3	2,270.6	2,499.5	3,290.0
Cooking Sauces	2,052.7	2,077.0	2,200.0	2,330.6	2,839.0
Rice	1,315.5	1,709.2	2,160.7	2,744.7	5,642.2
Other Frozen Processed Food	1,395.4	1,487.9	1,635.1	1,863.4	3,149.6
Chocolate Confectionery	1,115.0	1,221.7	1,370.7	1,546.3	2,215.8
Frozen Processed Poultry	1,234.3	1,272.1	1,355.3	1,496.7	2,206.7
Nuts	884.8	922.1	999.8	1,091.5	1,446.0
Fruit Snacks	887.8	902.6	968.0	1,043.7	1,362.9
Frozen Desserts	829.8	856.6	935.4	1,061.6	1,747.7
Frozen Processed Fish/Seafood	788.7	833.2	899.0	1,007.0	1,571.1
Canned/Preserved Fruit	651.3	670.1	707.1	766.1	1,008.4
Dried Baby Food	467.6	562.0	654.2	769.1	1,450.4
Plain Noodles	536.9	570.6	631.1	704.2	1,071.0
Canned/Preserved Ready Meals	538.6	578.1	616.1	671.6	899.0
Take-Home Ice Cream	566.6	562.8	602.3	651.1	916.5
Frozen Processed Red Meat	422.5	444.7	484.1	547.4	892.7
Pickled Products	374.3	391.4	423.1	460.4	598.6
Honey	328.7	348.2	380.8	419.6	553.6
Chips/Crisps	289.1	296.1	336.2	378.4	549.7
Other Dairy	188.9	200.7	212.2	230.6	293.7
Dessert Mixes	194.9	198.6	211.5	231.9	309.6
Jams and Preserves	161.8	170.6	185.0	203.0	262.8
Canned/Preserved Fish/Seafood	141.1	151.8	168.9	194.6	317.3
Breakfast Cereals	122.4	134.1	153.0	176.3	256.7
Chilled Ready Meals	117.1	128.2	141.7	163.5	257.4
Total Packaged Food	102,743.1	110,945.5	124,324.2	140,446.0	212,590.7

The total packaged food sector is expected to reach sales of over US\$212 billion by 2015.

Note: Totals as they are listed here are higher than actual totals, as only the top sub-categories are listed in this table.

Source: Euromonitor, 2011.



► KEY MARKET SEGMENTS: 2009-2010

DAIRY PRODUCTS

- In 2010, this sector's sales increased from US\$22.7 billion to US\$25.1 billion. Sales volume increased from 17.3 million tonnes to 19.2 million tonnes.

Main Sectors

- Sales of drinking milk products increased from US\$18.2 billion to US\$20.0 billion.
- Yogurt and sour milk drinks increased from US\$4.2 billion to US\$4.8 billion.
- Other dairy sales increased from US\$200 million to US\$212 million.

Main Producers and their Chinese Brands

- Inner Mongolia Mengniu Dairy Industry Group was the leader in the drinking milk market, holding 21.8% of retail sales in 2009. Its top leading brands were Mengniu and Dulexe.
- Hangzho Wahaha Group held a 13.8% share of the market for yogurt in 2009. The company's main brands were Shuang Wai Wai and Ru Wa Wa.
- Nestlé China Ltd. led the other dairy market in 2009, with a 51.0% share. Its main brands are Nestlé, Eagle and Carnation.

Forecasts for 2011-2015

- Retail sales of dairy products are expected to grow by 53.4% in value. Cheese sales will grow by 112.5%, yogurt and sour milk drinks will grow by 65.5%, drinking milk products will increase by 50.2%, and other dairy products will increase by 27.3% over the forecast period.

BAKERY PRODUCTS

- In 2010, this sector's sales grew from US\$15.1 billion to US\$16.9 billion. Retail volume increased from 8.0 million tonnes to 8.5 million tonnes.

Main Sectors

- Sales of baked goods increased from US\$10.6 billion to US\$11.9 billion.
- Biscuit sales increased from US\$4.4 billion to US\$4.9 billion.
- Breakfast cereal sales grew from US\$134.1 million to US\$153.0 million.

Main Producers and their Chinese Brands

- Artisanal baked goods held 69.4% of the market in 2010. The remaining market share was fragmented between many companies.
- The leading company in the biscuits market was Kraft Foods China Ltd., holding a 13.7% share in 2010. Its leading brands were Oreo, Pacific, TUC, Prince, Uguan, Chips Ahoy!, and Ritz.
- Nestlé China Ltd. held 28.2% of the breakfast cereals market in 2010. Its top brands were Cheerios, Trix, Nestlé Stars, Koko Krunch and Fitness.

Forecasts for 2011-2015

- Retail sales of bakery products are forecast to increase by 47.6%. By the end of 2014, sales of baked goods are expected to increase by 50.9%, while biscuits will grow by 39.5%, and breakfast cereals by 45.6%.



► KEY MARKET SEGMENTS: 2009-2010 (continued)

DRIED PROCESSED FOOD

- In 2010, sales increased in value from US\$11.3 billion to US\$13.1 billion, while sales volume grew from 7.0 million tonnes to 7.9 million tonnes.

Main Sectors

- Instant noodle sales increased from US\$8.7 billion to US\$10.1 billion.
- Rice sales increased from US\$1.7 billion to US\$2.2 billion.
- Plain noodle sales increased slightly from US\$570.6 million to US\$631.1 million (not including pasta).

Main Producers and their Chinese Brands

- Ting Hsin International Group held 27.3% of the dried processed food market in 2010.
- Jinmailang Food Co. Ltd. held 9.2% of the dried processed food market in 2010. Its main brands were Hua Long, and Jinmailang.
- Private label only held 0.6% of the total dried processed food market.
- Ting Hsin International Group was the leader in the noodle market (instant and plain noodles), holding 33.8% of the market in 2010. Its main brand was Master Kong. Generics held 0.8% of the market.

Forecasts for 2011-2015

- This sector is forecast to grow by 41.4% from 2011 to 2015. Instant noodle sales will increase by 25.4%, sales of rice are expected to increase by 105.6%, and plain noodle sales will increase by 52.1%.

CHILLED PROCESSED FOOD

- In 2010, sales in the chilled processed food sector grew from US\$9.7 billion to US\$10.6 billion, while retail volume increased from 1.8 million tonnes to 2 million tonnes.

Main Sectors

- Sales of chilled processed meats increased from US\$9.6 billion to US\$10.5 billion.
- Sales of chilled ready-meals increased from US\$128.2 million to US\$141.7 million.

Main Producers and their Chinese Brands

- Shineway Group held 15.2% of the chilled processed food market in 2010. Its only brand was Shineway.
- China Yurun Food Industry Group Co. Ltd. held 5.5% of the chilled processed food market in 2010. Its only brand was Yurun.
- People's Food Holding Ltd. held 2.3% of the market for chilled processed food in 2010. Its only brand is Jinluo.
- Private label companies held a combined 0.6% of the chilled processed food market in 2010.

Forecasts for 2011-2015

- Chilled processed foods are expected to see an increase of 74.6% in value over the period. Chilled processed meats are forecast to grow by 74.8%, and chilled ready-meals by 57.4%.



▶ KEY MARKET SEGMENTS: 2009-2010 (continued)

CONFECTIONERY

- ▶ In 2010, value sales in this sector grew from US\$8.7 billion to US\$9.5 billion. Sales volume rose slightly from 1.3 million tonnes to 1.4 million tonnes.

Main Sectors

- ▶ Sales of sugar confectionery increased from US\$5.4 billion to US\$5.8 billion.
- ▶ Chocolate confectionery sales increased from US\$1.2 billion to US\$1.4 billion.
- ▶ Sales of gum increased from US\$2.1 billion to US\$2.3 billion.

Main Producers and their Chinese Brands

- ▶ Dongguan Hsu-Fu-Chi Food Co. Ltd. was the market leader in the sugar confectionery market in 2010, holding 6.8%. Its only brand was Hsu-Fu-Chi.
- ▶ Mars China Co. Ltd. held 41.3% of the market for chocolate confectionery in 2010. Its main brands were Dove, M&M's, Snickers, and Maltesers.
- ▶ Wrigley Confectionery China Ltd. held 38.9% of the gum market in 2010. Its main brands were Extra, Doublemint, Juicy Fruit, Ta Ta, Cool Air and Spearmint.

Forecasts for 2011-2015

- ▶ Sales of confectionery are expected to grow by 29.5% over the period. Sales of sugar confectionery will increase by 25.3%, chocolate confectionery by 43.3%, and gum by 31.6%.

OILS AND FATS

- ▶ In 2010, sales in this sector grew from US\$8.2 billion to US\$9.3 billion, while retail volume increased from 4.4 million tonnes to 4.8 million tonnes.

Main Sectors 2009-2010

- ▶ Vegetable and seed oil sales increased from US\$8.1 billion to US\$9.1 billion.
- ▶ Olive oil sales increased from US\$68.5 million to US\$82.5 million.
- ▶ Sales of butter rose from US\$55.7 million to US\$60.8 million.

Main Producers and their Chinese Brands

- ▶ Yihai Kerry Oils & Grains China Co. Ltd. led the oils and fats market with 42.0% of sales in 2010. Its major brands included Jinlongyu, Yuan Bao, Hu Ji Hua and Liyu.
- ▶ China National Cereals, Oils & Foodstuffs Import and Export Corporation held 10.1% of the oils and fats market in 2010. Its main brands were Fortune and Fourseas.
- ▶ Shangdong Luhua Peanut Oil Ltd. held 9.6% of the market in 2010. Its main brand was Luhua.

Forecasts for 2011-2015

- ▶ Sales of oils and fats are forecast to increase by 46.3% by the end of 2015. Vegetable and seed oil sales will increase by 45.8%, olive oil sales by 99.8%, and butter by 39.8%.



▶ KEY MARKET SEGMENTS: 2009-2010 (continued)

SWEET AND SAVOURY SNACKS

- ▶ In 2010, sales of sweet and savoury snacks increased from US\$8.0 billion to US\$9.0 billion. Sales volume increased from 1.4 million tonnes to 1.5 million tonnes.

Main Sectors

- ▶ Sales of other sweet and savoury snacks rose from US\$3.9 billion to US\$4.3 billion.
- ▶ Sales of extruded snacks grew from US\$2.0 billion to US\$2.4 billion.
- ▶ Sales of nuts increased from US\$922.1 million to US\$1.0 billion.

Main Producers and their Chinese Brands

- ▶ Want Want Group led the sweet and savoury snacks market with a share of 10.3% in 2010, with its Want Want brand.
- ▶ Guangdong Strong Group Co. Ltd. held 8.4% of the sector in 2010. Its main brands were Strong, Strong Sweet Hour and Crystal Love.
- ▶ Hefei Huatai Food Co. Ltd. held the third spot in the sweet and savoury snacks market, with a 5.8% share. Its main brand was Qia Qia.
- ▶ Private label represented 0.8% of the total market for sweet and savoury snacks.

Forecasts for 2011-2015

- ▶ Sales of sweet and savoury snacks are expected to see an increase in value of 43.5% over the period. Sales of other sweet and savoury snacks will grow by 42.4%, extruded snacks by 54.1%, and nuts by 32.5%.

BABY FOOD

- ▶ In 2010, this sector's sales increased in value from US\$6.6 billion to US\$8.0 billion, while retail volume increased from 410,200 tonnes to 482,700 tonnes.

Main Sectors 2009-2010

- ▶ Sales of milk formula increased from US\$5.9 billion to US\$7.3 billion.
- ▶ Sales of dried baby food increased from US\$562.0 million to US\$654.2 million.
- ▶ Sales of prepared baby food grew from US\$67.0 million to US\$83.1 million.

Main Producers and their Chinese Brands

- ▶ Mead Johnson (Guangzhou) led the market for baby food with a share of 13.0% in 2010. The company's leading brands are Enfagrow, Enfamil, Enfapro, Enfachild and Enfaschool.
- ▶ International Nutrition held 12.1% of the market in 2010. Its main brand was Dumex.
- ▶ Beingmate Scientific Industrial Trade Share Co. Ltd. held 8.2% of the market for baby food in 2010. Its main brand was Beingmate.

Forecasts for 2011-2015

- ▶ Sales of baby food are forecast to increase by 99.0% by the end of 2015. Sales of milk formula are expected to increase by 99.8%, dried baby food by 88.6%, and prepared baby food by 103.8%.



**China Packaged Food Market
Top Company Shares (by Global Brand Owner)
- Retail Sales Value - % Breakdown**

Companies	2006	2007	2008	2009	2010
China Mengniu Dairy Co Ltd	3.8	4.4	4.5	4.5	4.9
Inner Mongolia Yili Industrial Group Co Ltd	3.8	4.0	3.9	4.1	4.7
Kuok Oils & Grains Pte Ltd (KOG)	2.6	2.8	3.0	3.2	3.5
Ting Hsin International Group	2.4	2.6	2.8	2.8	3.1
Shineway Group	2.0	2.4	2.7	2.8	2.9
Hangzhou Wahaha Group	-	-	-	2.1	2.2
Want Want Group	1.3	1.5	1.8	1.8	2.0
Bright Food (Group) Co Ltd	1.4	1.5	1.6	1.6	1.6
China National Cereals, Oils & Foodstuffs Imp & Exp Corp (COFCO)	0.5	0.8	1.1	1.1	1.4
Mars Inc	0.4	0.4	1.2	1.3	1.3
Nestlé SA	1.2	1.1	1.1	1.1	1.0
Jinmailang Food Co Ltd	-	1.0	1.0	1.0	1.0
People's Food Holding Ltd	0.7	0.6	0.8	0.6	0.8
Baixiang Food Group	0.9	0.9	0.9	0.8	0.8
Shandong Luhua Group Co Ltd	0.6	0.6	0.6	0.7	0.7
Mead Johnson Nutrition Co	-	-	-	0.6	0.7
Kraft Foods Inc	0.3	0.6	0.6	0.6	0.7
Uni-President Enterprises Corp	0.6	0.6	0.5	0.4	0.7
Groupe Danone	1.8	2.1	2.3	0.7	0.6
BVI Hsu-Fu-Chi Holdings Ltd	0.6	0.7	0.7	0.7	0.6
Artisanal	7.6	7.3	7.1	7.0	6.6
Generics	0.3	0.2	0.2	0.2	0.2
Private Label	0.5	0.6	0.6	0.6	0.6

Source: Euromonitor, 2011.



Fruit Flavoured Lactobacillus Drink
Source: Mintel, 2011.



Powdered Green Tea Cookies
Source: Mintel, 2011.

The Government of Canada has prepared this report based on primary and secondary sources of information. Although every effort has been made to ensure that the information is accurate, Agriculture and Agri-Food Canada assumes no liability for any actions taken based on the information contained herein.

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