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Report Highlights:

This report provides a news synopsis of trade policy and agriculture/commodities in China. The news includes: 1) China Dairy Association Confirms Milk Powder Overstock of 300,000 Tons; 2) McDonald's Prices Match Ten Years Ago; 3) Food Service Nutrition Technical Guidelines; 4) "Top 100" Chain Store List for 2008; 5) Snack Food Market Increasing in China; and 6) Yum! Brands Acquires Hotpot Share.

General Information:

Author Defined:

China Dairy Association Confirms Milk Powder Overstock of 300,000 Tons: The 2008 melamine scandal resulted in a sharp contraction in China's domestic infant milk powder and liquid milk consumption, significantly affecting the domestic dairy sector. The China Dairy Association confirmed that currently there is an overstock of 300,000 tons of milk powder in China and dairy enterprises face great financial losses if it is left to spoil. Slow sales of dairy products have also affected dairy farmers. Farmers in Jinhua, Zhejiang province have dumped milk and in Gansu and Ningxia dairy farmers have slaughtered dairy cows. The China Dairy Association has asked the Chinese government to buy, collect, and store 100,000 tons of milk powder. (Source: ATO/Beijing and Sina.com, 04/09/09)

McDonald's Prices Match Ten Years Ago: In April, McDonald's China initiated a second round of promotion that includes two major products: a chicken burger and a three-piece chicken wing set each priced at U.S. \$1.25 (RMB 9). Faced with an economic downturn and weaker domestic demand, McDonald's continued a marketing promotion that started in February when it lowered its meal price to U.S. \$2.42 (RMB 16.50) and kept its pork sandwich price at U.S. \$0.90 (RMB 6). (Source: ATO/Beijing and Xinhuanet, 04/09/09)

Food Service Nutrition Technical Guidelines: The China Cuisine Association (CCA) recently released China's first guidance on food service nutrition. The guidelines provide direction for food service operators on: food products matching, oil usage, meat, poultry and fishery product matching with vegetables, salt usage, and cooking methods. The guidelines are targeted at restaurants and catering services with a capacity greater than 300. Any catering company that provides over 10,000 meals daily was also advised to establish a food safety monitoring division. (Source: ATO/Beijing and CCA, 04/09/09)

"Top 100" Chain Store List for 2008: The China Chain-Store and Franchise Association (CCFA) recently announced the list of "Top 100" chain stores in China. Total sales revenue for their 100 retailers passed U.S. \$175.7 billion, up 18.4 percent over last year, accounting for 11 percent of total retail consumer goods sales. Food retailers dominated the list with multinational retailers such as Carrefour, Wal-Mart, and RT Mart as the market leaders. Reflecting continued high growth outside the traditional first tier markets, sales growth in second and third-tier cities was much higher than the first-tier cities. (Source: ATO/Beijing and CCFA, 04/09/09)

Snack Food Market Increasing in China: Based on recent market surveys, the snack food category is the top performing category in supermarkets in China by value. After strong growth in recent years, it now accounts for over 10 percent total sales, just behind frozen and health food products. The survey also showed that chewing gum, dried fruit, and other snacks are increasingly welcomed by families with children and white-collar workers. (Source: ATO/Beijing and China Food Newspaper, 04/09/09)

Yum! Brands Acquires Hotpot Share: In a bid to boost revenue, Yum! Brands Inc., the parent of KFC and Pizza Hut, agreed to purchase a 20-percent share in China's leading hotpot restaurant chain Little Sheep, for U.S. \$63 million.

Yum! Brands Inc. is the largest foreign restaurant chain in China with 2,300 KFC and 400 Pizza Hut outlets. Yum! Brands Inc. stated that the interest in part ownership of Little Sheep was due to promising growth in the hotpot restaurant market sector. According to industry sources, this move will facilitate Little Sheep, which operates 375 restaurants in China, Hong Kong, the United States, and Japan, to continue international expansion. (Source: Shanghai/Guangzhou and local press, 04/09/09)