

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
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All China Success Stories for 2013

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Agricultural Trade Office Activities

Export Accomplishments - Events

Export Accomplishments - Other

Food Service - Hotel Restaurant Institutional

Food Processing Ingredients

Retail Foods

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Report Highlights:

The USDA presence in China includes seven offices, including APHIS, the Office of Agricultural Affairs and ATO offices in Shanghai, Guangzhou, Beijing, Chengdu and Shenyang. All were deeply engaged in activities that contributed to a record \$29 billion in exports of agricultural, fishery and forest products to China in 2013.

Selected Success Stories for U.S. Agricultural Exports to China 2013

This report outlines some of the key trade successes by USDA offices in China over the past year. USDA is in constant communication with U.S. exporters and industry, offering services that include creating market access for new products; monitoring policy changes and warning industry and the U.S. government of those changes that may affect trade; and providing counseling to small and medium sized U.S. producers on market opportunities and strategies for China. Success stories are listed by the major categories in USDA's Country Strategy for China. Within that, they are broken down according to the seven USDA offices in China:

The Office of Agricultural Affairs (OAA) in Beijing focuses mainly on market access and policy issues, representing USDA at the national level in China.

The Animal and Plant Health Inspection Service (APHIS) office in Beijing covers quarantine and disease issues that affect market access. The remaining five offices are Agricultural Trade Offices (ATOs), based in Shanghai, Guangzhou, Beijing, Chengdu and Shenyang, which are tasked with trade promotion and market development for U.S. food, forestry and agricultural products.

ATO Regional Office Coverage



ATO/Shanghai: The Shanghai region is China's manufacturing and financial heart, and the Yangtze River Delta forms one of the most dynamic and lucrative markets in China. Shanghai hosts the largest, best attended international trade shows in mainland China, and has outstanding port and logistics facilities. The city of Shanghai, combined with its many, massive satellite cities, constitutes one of

China's single largest consumer markets.

ATO/Guangzhou: Guangzhou is the historical trading capital of mainland China, benefiting immensely from its proximity to Hong Kong and long history of international trade. The Pearl River Delta hosts a brace of dynamic cities such as Shenzhen and Zhuhai, with massive export manufacturing industries. Like Shanghai, the immense urban agglomeration that has emerged around Guangzhou is one of the largest and most lucrative consumer markets in China.

ATO/Beijing: In addition to being the political and administrative capital of China, Beijing, combined with neighboring Tianjin, is one of the largest and most affluent consumer markets. Tianjin is also one of the largest ports in China, servicing the entire Northern region of the country. The North China region is larger and more spread out than either Shanghai or Guangzhou, and is host to a number of large cities such as Qingdao and Xi'an that constitute major markets in their own right.

ATO/Chengdu: West China is the mainland's fastest growing region. Chengdu, in addition to being an important consumer market in its own right, is widely regarded as the gateway to West China. While logistics and distribution can be a challenge, competition is less intense, and the potential for growth is high relative to the coastal regions.

ATO/Shenyang: Northeast China has a distinctive consumer culture, as well as a strong internal logistics network and a combined GDP on par with Turkey. Economic growth has been strong, based on minerals and energy, and Northeasterners are willing to spend. The Northeast is also a major center for agriculture and fisheries processing.

I. Trade Policy and Market Access

APHIS, OAA and Multiple ATOs

- Due to the efforts of APHIS Beijing, 897 live swine were released from Guangzhou customs. The swine were previously quarantined for testing positive for Actinobacillus Pleuropneumonia (APP) and Pseudorabies Virus (PRV). APHIS called and sent a letter to CIQ officials requesting confirmatory testing of eight positive animals. After retesting positive, the eight were euthanized and 897 animals were released. The estimated value of the shipment was \$905,000.
- OAA/Beijing coordinated with the Johnsonville Sausage company and with representatives of China's Administration for Quality Supervision, Inspection and Quarantine (AQSIQ) to successfully clear a detained shipment of meat products valued at US \$100,000. This particular shipment was key to Johnsonville's future distribution plans in China.
- ATO/Guangzhou and ATO/ Beijing worked closely with OAA and the Almond Board of California (ABC) when a series of lawsuits related to a change in the official name for almonds threatened to undermine the business. Specifically, ATOs worked closely with the OAA to the eyes and ears for ABC with the local and national government offices connected to the case, collecting and feeding information back to these organizations so that they could consult with their members and build a response strategy. ATO/ Guangzhou worked with and supported almond traders in South China on

multiple issues related to this problem. China imported more than US\$22 million worth of U.S. almonds in 2011. South China accounted for 67% of that, via 7 major ports, making ATO Guangzhou's efforts with traders particularly important.

- ATO/Shenyang, APHIS/Beijing and Pear Bureau Northwest representatives welcomed the first shipment of U.S. pears to China which were valued at \$100,000. APHIS/Beijing secured market access for this product, which is expected to see substantially larger sales during the Chinese New Year season, beginning in January.
- The United States and China concluded successful negotiations facilitated by OAA on new hygiene import requirements for U.S. fishmeal exports, thereby maintaining market access for \$200 million in U.S. product
- ATO Shenyang, OAA Beijing, APHIS, and ATO Chengdu worked together to secure release of a shipment of feed worth about \$500,000 which had been stuck at the port of Dalian due to a phytosanitary issue.
- Persistent efforts by OAA and APHIS led China's AQSIQ to relist several U.S. poultry and pork plants that had been banned from exporting to China for over one year.
- APHIS and OAA also restored market access for U.S. hardwood logs from Virginia and South Carolina. This additional market access should further expand U.S. agricultural, fish, and forestry exports to China.
- OAA and ATO/Beijing consulted with and advised a new contractor working to get U.S. producers qualified as organic under Chinese regulations. OAA and ATO/Beijing helped resolve confusion related to China's broadly written regulations, as a result the contractor was able to gain approval to label Baby's Only infant formula as organic. This makes Baby's Only just the third U.S. product to gain this approval. The product went on sale in November, 2013.

ATO/Shanghai

- ATO helped release two U.S. poultry shipments, with a total value of \$130,000 from Foster Farms. CIQ Shanghai had detained and refused to release the shipments after arrival at Shanghai port owing to mistakes on health certificates.
- In 2013, ATO helped release 27 containers/loads, a total value of \$620,000 of poultry, corn on the cob, infused olive oil and frozen red fish products from the U.S. China Quarantine and Customs agents detained the shipments at the ports in Shanghai, Zhejiang and Jiangsu due to problems with certificates, inspection procedure, misloading and value declarations.

ATO/Guangzhou

- Multiple containers of hides and skins were detained at Xiamen port in Fujian province. ATO immediately contacted Xiamen Customs officials to investigate reasons of the detainment. Customs

detained shipments because they questioned the authenticity of shipping documents. After ATO/Guangzhou assured Xiamen Customs that the documents were valid, they gradually released all thirteen containers of US hides and skins. The shipments were valued at \$950,000.

- ATO/Guangzhou helped the Guangdong Dairy Industry Association submit their application to China's Ministry of Finance (MOF) for a permanent decrease to China's tariff on imported U.S. alfalfa hay. MOF announced that the tariff would decrease from nine percent to seven percent as of January 1, 2013. In 2014, the tariff could be further reduced to five percent. The reduced tariff will encourage increased imports of U.S. alfalfa hay. It is estimated that China will purchase 800,000 tons U.S. alfalfa worth \$320 million in 2013, a 100 percent increase from 2012.
- CIQ officials at ports in South China claimed they suspected the health certificates of U.S. frozen meat products were not legitimate and added that the U.S. export certificates were too easy to replicate. ATO/Guangzhou contacted the relevant U.S. regulatory agencies to verify the authenticity of these health certificates and facilitated the release of close to a hundred detained U.S. frozen meat shipments valued at \$18,650,000.
- ATO/Guangzhou helped release the first bulk shipments of U.S. sorghum to China, valued at over \$35 million. Shipments were being held by quarantine officials who had not processed this particular commodity before. The shipments arrived in response to China's growing feed demand. Over 20 more shiploads of sorghum have already been purchased by Chinese importers.
- ATO/Guangzhou and OAA helped release over 120,000 tons of detained U.S. soybean shipments valued at over US\$66 million. FAS China continues to work with local CIQ's to minimize disruptions and interruptions in agricultural trade.

ATO/Beijing

- In November, ATO/Guangzhou alerted ATO/Beijing to several shipments of hides and skins being held by Shandong/Binhai Customs over questionable value declarations. ATO/Beijing contacted Binhai Customs directly, and determined that the local authority was trying to determine whether the Customs declared value was fraudulent. ATO was able to resolve their concerns, and five containers worth a total of \$375,000 were released.
- ATO/Beijing was able to reduce the incidence of detained containers in Tianjin port through outreach to quarantine officials there. Quarantine issues for meat products entering through the Chinese port of Tianjin have been substantial over the past three years. Many of the issues are questions of trust on the part of Tianjin quarantine authorities in the documentation provided by their counterparts in CIQ. In September FSIS Administrator Almanza toured the port of Tianjin in an event coordinated by OAA and ATO/Beijing. The visit not only gave CIQ a higher degree of confidence in FSIS certifications, but alerted FSIS to a number of easily-resolved concerns that CIQ authorities had regarding the exterior labeling of U.S. meat products. ATO/Beijing notes that there have been no significant quarantine issues raised for meat products since the visit.
- ATO/Beijing worked throughout the year with Joyvio, a division of Legend Group, which was

established as a new food trading company. Joyvio has purchased interests in blueberry production in both China and Chile. Persistent efforts by the Highbush Blueberry Council and ATO/Beijing helped Joyvio to become a strong domestic advocate for market access for U.S. fresh blueberries. Development of domestic advocates for import interests is an important part of the overall FAS strategy for China. Joyvio is also looking into importing other food products.

- APHIS and ATO/Beijing worked with a U.S. exporter interested in shipping rice to Mongolia via China. ATO/Beijing and APHIS were able to work out the terms of transshipment with their Chinese counterparts. The final shipment is expected to amount to nine containers of 20 MT each.
- A Georgia-based lumber exporter contacted ATO/Beijing regarding 4 containers of hardwood lumber that had been held in the port of Qingdao due to discrepancies in the documentation. ATO issued a letter to Customs, following which the containers were released. The value of the shipment was \$45,000.
- The Foreign Commercial Service forwarded a request for support for a shipment of frozen U.S. cranberries. The shipment, worth roughly \$30,000, was stuck in Qingdao Customs over documentation issues. ATO discussed with the importer and Qingdao Customs and was able to obtain release of the container. The source of the issue was a longstanding documentation problem. Resolution at the Provincial level (rather than the port) may ensure that this issue does not appear again in Shandong.

ATO/Chengdu

- In January 2013, ATO/Chengdu and ATO/Shanghai helped Pop Weaver popcorn company fight counterfeit products in a Chengdu wholesale market. Pop Weaver estimated the ATO's assistance led to the immediate confiscation of \$10,000 of on-site counterfeit products and prevented sales losses of \$500,000 for the following 6 months.

ATO/Shenyang

- ATO Shenyang helped a cotton importer secure release of approximately \$250,000 of cotton which was stuck at the port of Dalian due to a certificate issue. The resolution of the issue with local CIQ authorities also paved the way for an additional \$600,000 of shipments that were already en route.
- ATO Shenyang helped secure release of several frozen cranberry shipments worth \$210,000 when the above shipments were stuck at the Dalian port due to phytosanitary certificate issues.

II. Trade Promotion

Multiple ATOs

- ATOs in Shanghai and Beijing worked with Northwest Cherries to coordinate a major launch event for the opening of the US cherry shipping season. Ambassador to China, Gary Locke, participated in a Northwest cherries online marketing campaign with TMall that already had over 10,000 pre-orders for fresh cherries, indicating future possibilities for increasing sales of U.S. agriculture products on a

seasonal basis. Tmall.com sold 110 tons of cherries and took approximately 50,000 orders in the first week. 80 percent of the cherries sold by the Shanghai-based fruit vendor were made to new buyers outside Shanghai. Following the TMall launch, ATO/Beijing arranged for the Ambassador to launch a similar promotion at Sam's Club stores in Beijing, garnering national-level press coverage.

- ATOs in Shanghai, Beijing and Chengdu worked with a U.S. company to launch the first U.S. – origin infant formula to be certified organic in China. The brand, McJayden, sources organic whey from Westby Cooperative in Wisconsin. ATO/Beijing supported the original product launch and ATO/Shanghai supported McJayden's presence at the Chinese trade shows. ATO/ Chengdu supported a McJayden media event, and made distributor connections that allowed them to expand their reach into Southwest China. AIW Management reports that McJayden sold \$2.5 million in 2013, and projects sales to triple in 2014.
- ATO/Shanghai and ATO/Guangzhou set up business meetings for HMI, a hardwood exporter from Michigan. According to a representative from the Michigan State Department of Agriculture, HMI realized an export value of \$1.7 million from this trip. ATO Shanghai staff connected them with China's No.1 and No. 4 wood flooring manufacturers located in South China.

ATO/Shanghai

E-Commerce

- The second online food and beverage promotion of American grocery products with Yihaodian was launched in Shanghai in November 2013. Monthly sales during the promotion grew from \$241,000 to \$1,000,000 in 2013. The products featured increased from 330 SKUs in 2011 to 1,500 SKUs in 2013. These include dried fruits and nuts, chocolates and candies, biscuits, breakfast cereals, bakery products, UHT milk, beverage, beer and wine. One fourth of all imported UHT milk in China is sold by Yihaodian. ATO Shanghai continues to introduce Yihaodian buyers to U.S. suppliers of grocery products and more recently to suppliers of fresh fruit and frozen meat products.
- ATO Shanghai collaborated with COFCO womai.com for an online-offline American Food Festival which included the Cranberry Marketing Council, the US Brewers Association, the California Wine Institute, the Raisin Administrative Committee, Alaska Seafood Marketing Institute, and US Meat Export Council together with eight local, American wine importers/distributors. The event featured cooking classes, chef demonstrations, wine tasting events, competitions, live music, models, games, and a host of other performances at the JoyCity Shopping mall. Consumers could participate in the festivities at the mall or purchase the products online at womai.com. The promotion led to a total sales revenue of \$49,366 including \$31,746 online sales via womai.com and \$12,220 offline at COFCO's Joycity shopping mall.
- Working with China's largest online retailer, Tmall.com, ATO Shanghai, with support from ATO/Beijing, launched an on-line, American food promotion across 15 Chinese cities. This promotion featured more than 60 different products from the United States including wine, seafood, pork, and cherries. Most major media in China reported on the event as did Reuters and Newsweek. Overall sales exceed \$3.6 million. The five most popular items were Northwest cherries, Sun-Maid raisins, dried cranberries, SKYY Brand Vodka, and Starbucks coffee drinks.

- ATO/Shanghai introduced 16 American food and beverage suppliers to an online retailer. After the initial new products introduction, ATO launched a month-long online marketing event to promote the products. Total sales reached \$241,000.

Retail/HRI Promotions

- The mainland China chef showdown in Shanghai from March 6-8 at the ZhongHua Culinary Center brought 19 teams from across mainland China. This competition was a joint effort by the U.S. Department of Agriculture, the U.S. Meat Export Federation, and 17 other U.S. agricultural producer associations. ATO Shanghai also hosted the Shanghai Asian Chef Challenge Award Ceremony on March 8 which was attended by 44 media representatives. The value of the total media coverage generated was estimated at about \$ 126,980 (800,000RMB).

Trade Missions

- A reverse trade mission to the Produce Marketing Association's Fresh Summit Trade Show and the State of Washington generated US\$1.7 million in sales from a new importer. This was the first trip for the importer to the United States who reported they would not have directly purchased fruit from the United States without support from this mission. The six Chinese members of the mission paid their own expenses and were supported by ATO staff. The importer purchased \$900,000 of apples and \$800,000 of cherries.
- ATO/Shanghai recently confirmed that a reverse trade mission resulted in direct U.S. pecan purchases of \$4,700,000 by participants. ATO/Shanghai led a team of pecan buyers, mostly to visit pecan orchards and packers mostly in Texas and Georgia. The National Pecan Board and the Texas and Georgia Pecan Boards provided logistical support for this mission.
- The Taste of California reverse trade mission included several buyers from Chinese on-line retailers, and resulted in at least one direct purchase of packaged food products. The first mixed container to ship was valued at \$54,000.

Trade Shows

- ATO/Shanghai hosted a pre-show market briefing and ATO lounge for the 79 U.S. exhibitors at the SIAL trade show. The 79 exhibitors made \$3.6 million of sales at the show and projected another \$85.5 million in sales over the next 12 months. The best selling products were almonds, walnuts, pecans, snacks, confectionary, and poultry.
- The USA Pavilion at the FHC China 2013 featured 47 U.S. companies exhibiting their food and beverage products and 37 U.S. wine companies at the ProWine trade fair. From the 18 exhibitors responding to the survey, FHC exhibition generated an estimated \$15 million in 12-month projected sales for U.S. exhibitors as well as \$4 million in onsite sales. The U.S. exhibitors featured 100 new-to-market products and made more than 500 serious contacts at the show. ATO Shanghai hosted a preshow briefing for the U.S. exhibitors at the FHC and ProWine shows. ATO also hosted a lunch for

USDA Under Secretary Scuse to meet U.S. producers' association representatives and invited E-commerce experts from Tmall and Web2Asia to deliver speeches. The events were well received and helped inform U.S. exporters about the vast opportunities in these markets.

Outreach

- ATO arranged media interviews for USDA Under Secretary Michael Scuse and Washington State Department of Agriculture Director Hoover during the Food and Hospitality China trade show. Local media from Tudou.com and other local Chinese lifestyle magazines followed Scuse and Hoover on a tour of the USA Pavilions at the FHC and ProWine shows in November 2013. The day after the show, Washington State Governor Inslee partnered with ATO Shanghai, the U.S. Pear Bureau, and TMall.com for a press conference and promotion of U.S. pears and Alaska seafood. The value of the media coverage of the two events were estimated at RMB100,000 (\$16,600).

- The “USDACHina Food” webpage (refer at <http://zone.tudou.com/asian-cuisine> or http://usdachina.org/en_index.asp) was launched in the summer of 2013. Tudou, as the one of the largest on-line video platforms in the world recorded many ATO promotion activities including USDA endorsed USA pavilions at Trade Shows in Shanghai, American Product Associations' promotion events, ATO organized American Food Festivals, etc. Tudou uploaded several professional videos highlighting these events on the Tudou Webpage to expand its coverage of international cuisine, especially about American food and beverage products. The commercial value of this type of webpage coverage by Tudou was estimated at RMB900,000 (US\$142,850).

Tudou is one of the largest on-line video platforms in the world with 100 million registered users and 3.5 million independent visits/day.

- ATO Shanghai collaborated with a monthly, “Wine in China” trade magazine that includes China-wide circulation to promote American wines. “Wine in China” provided two issues in June and July each with 32 free full pages to promote American Wine represented by nine local American Wine importers. These importers provided graphics and detailed information about the wine they represent in China. The estimated value of these promotion pages was RMB320,000 (US\$50,790). The American Wine importers/distributors who participated in this program were very pleased with the results and are eager to join similar promotion opportunities in the future.

- ATO Shanghai supported the U.S. Meat Export Federation in 2013 by organizing or co-organizing a series of seven media related promotional events through ATO's offline media contacts and ATO's on-line social media platforms. The events including the regional American chef competition, media coverage at the SIAL China show, Womai Food Festival event, Metro Cash & Carry media seminar, USMEF Chef Competition, media coverage at FHC show and media coverage of the Sogo American Food promotion. The value of media coverage of these events is estimated at RMB180,000 (\$28,570).

Other

- A California-based company recently shipped its first container of nut products to a new client in China. This is a result of ATO/Shanghai's trade services during the California agriculture trade delegation visit in Shanghai. These products had never entered the China market before. The exports value was expected to reach \$650,000 in the next twelve months.

ATO/Guangzhou

Retail/HRI Promotions

- The U.S. Fresh Fruit Carnival promotion was jointly hosted by China Resources Vanguard and four U.S. producer associations with ATO. The ten-day promotion was simultaneously launched in 60 CRV hypermarkets and supermarket stores. According to the report provided by the GBI lead industry representative, the total sales of the targeted products were \$269,218 during the ten-day promotional period. More than half of the participating CRV stores saw sales growth of above 40% during the promotion period, and one store reported a 310% sales increase during the promotion. A total of 30,588kgs of California table grapes, 27,101kgs of Washington apples, and 6,642kgs of California plums were sold during the promotion period.
- ATO/Guangzhou has reported the first-ever national “American Snack Food Promotion” resulted in a total sale of about \$600,000 of U.S. snack food and nine SKUs have become regular items in a new purchasing channel. According to trade contacts, the sales of U.S. products increased 50 percent in 2012 as a result of increased consumer awareness for new items as well as the distributors’ continuous marketing efforts. The rise in sales is expected to continue.
- The first hotel, restaurant, institutional food service sector (HRI) activity in Fujian Province by ATO included a live chef training module and a menu promotion program with the largest hotel management company in Fujian Province. The concurrent menu promotions were entitled “Great American Food Festival” and were carried out in six high-end hotels. Total revenue generated by the promotions reached over \$600,000 and attracted over 12,000 customers to experience the delicious foods made with U.S. ingredients.
- As a result of ATO’s facilitations, by October 2013, Post learned that a total sale of about \$600,000 U.S. snack food was generated, and nine SKUs (Stock Keeping Units) have become regular items in a new channel (Health & Beauty Care) since the first-ever national “American Snack Food Promotion” launched in 2011. The sales of U.S. products increased 50 percent in 2012 and continued to grow at a 20 percent rate in 2013 as a result of increased consumer awareness for new items as well as the distributors’ continuous marketing efforts.
- Over the course of 2013, a leading high-end supermarket chain in China with over 30 outlets registered a total of \$16 million in sales of U.S. food and beverage as a result of a National American Food Festival launched by FAS China in 2012. Currently, over 2,500 SKUs under 200 U.S. brands are available in this retail chain.

Trade Missions

- In 2012, one of ATO/Guangzhou’s 2011 PMA buyers’ mission members, who is also the key supplier of CRV and Wal-Mart, reported that orders were placed for a total of 240 containers of U.S. fresh fruits which were valued at about \$8 million.

Outreach

- By the end of 2013, two key fruit traders based in Guangzhou reported approximately \$14 million sales of U.S. fresh fruits (about 650 containers) as a result of ATO GZ's facilitations. Post provided match-making services and other assistance to these two traders.

ATO/Beijing

E-Commerce

- ATO/Beijing launched a first-ever online promotion with major on-line retailer JD.com (formerly 360Buy). The scale of this trial event was relatively small, and sales amounted to roughly \$50,000. JD.com is relatively new to food retail, and has moved conservatively.
- On December 20, ATO/Beijing launched its first major collaboration with Amazon.cn, the Chinese counterpart to Amazon.com, featuring roughly 1,000 SKUs of U.S. products, of which over 100 were sourced through their direct-buying operation. Although the event was still ongoing at the time of this report, sales had reached an estimated \$300,000. The promotion was timed for the Western holiday season, and featured a large number of seasonal items, which are growing in popularity with Chinese consumers. (Note that wine sourcing for Amazon is handled through Shanghai – ATO Shanghai has worked with Amazon to place a growing number of U.S. wines in their store).
- ATO/Beijing worked with online retailer Womai.com, helping them connect to U.S. suppliers and consolidators. Most recently, ATO kicked off a fresh fruit promotion with Womai.com during the western holiday season. Womai.com is a division of state-owned import powerhouse COFCO, whose distribution network runs nationwide, and which has shown a renewed interest in consumer-ready products. Along with Amazon.cn, Womai is one of the few online retailers with direct sourcing offices in the United States. ATO is currently assisting a U.S. manufacturer of instant beverages to navigate China market issues as they put together a line of own-brand coffee drinks for Womai.com.
- The recent purchase of Chinese television shopping channel CNRMall by QVC opened the opportunity to increase sales of U.S. products via this channel. ATO/Beijing took advantage of the opportunity, introducing several suppliers to CNRMall during their open house for suppliers. One of these suppliers has recently reported shipping their first container worth roughly \$85,000.

Retail/HRI Promotions

- Over the course of several meetings, ATO worked with Beijing Duty Free Stores to understand U.S. products and supply channels, ultimately connecting them with several U.S. consolidators, resulting in sales. One of these was Paramount Export, which resulted in an initial sale of a consolidated container of packaged foods worth \$50,000, Paramount's first shipment direct to North China. Further orders will depend on sales. Followup meetings with BDFS indicate that potential may be greater than initially anticipated, as the Beijing operation acts as a distribution center for DFS stores in at least five cities across China.

- Chang International originally a Chinese processor of U.S. seafood for re-export to North America and Europe, is in the process of becoming a major supplier to domestic Chinese markets, thanks to the efforts of China ATOs. ATO/Beijing first reached out to Chang encourage them to target Chinese consumers of U.S. seafood in 2009. Other China ATOs have since built Chang into their market development activities. As a result, Chang now sells roughly 15% of its \$10 million in processed product to domestic Chinese consumers, a ratio that is expected climb to 23% in 2014. Most recently, Chang International was a key participant in ATO's retail promotions with HiSense Plaza stores in Tianjin and Qingdao. Chang purchases primarily from smaller native-American fisheries in the Pacific Northwest and Alaska.
- ATO/Beijing supported U.S. based Sun foods by setting up contacts with importers and ports and including the company in ATO's tabletop trade show. Sun Foods reports 30 new contacts and potential sales of up to \$800,000 from their trip through Beijing. Sun also participated in the U.S. pavilion of the Food and Hotel China trade show, organized by ATO/Shanghai, reporting total potential sales for China of up to \$3 million.
- ATO/Beijing has worked with Missouri-based U.S. International Foods to identify new customers for shelf stable snacks and packaged nuts. USIF reports immediate sales of \$147,000 from new introductions this year, with excellent potential for long-term sales into these accounts. USIF was also a participant in the tabletop trade show.
- A tabletop trade show in Beijing helped to introduce both U.S. exporters and Chinese distributors to buyers from second and third tier markets as well as major e-commerce platforms. 28 exhibitors met with over 70 industry visitors. Five participants report booking over \$1.5 million in sales from the event.

Outreach

- ATO/Beijing and the U.S. Embassy's Public Affairs Section held a consumer wine education event hosted at the Embassy's Beijing American Center (BAC). For this first outreach event at BAC, ATO lined up Ektimo Winery, a Sonoma winery, to provide education to a mixed audience of consumers and food and wine media. The event focused on the basics of wine appreciation, rather than attempting to push specific labels or appellations. Ektimo sold an estimated \$250,000 in California wines.
- ATO continued to work with Napa-based winery Silenus and their China-based marketing arm, Napa Oriental, to build markets for their U.S. products in China. During the current year, ATO supported the launch of several new labels, and the official launch of NO's marketing operation in North China. NO shipped 8 containers of California wine in 2013.
- Working with the Public Affairs Section of the Embassy, ATO/Beijing organized and coordinated the official signing ceremony at the U.S. Embassy for the purchase agreement between the Ginseng Board of Wisconsin and China's oldest maker of traditional Chinese medicine, Tong Ren Tang. Ambassador Locke and Governor Walker of Wisconsin witnessed the event. The purchase agreement is the cornerstone of a relationship that has revitalized the market for Wisconsin ginseng by guaranteeing sales and giving a powerful Chinese company a strong interest in the protection of the Wisconsin name. ATO also incorporated Wisconsin into its New Media Tour, bringing, among others, one of China's top

nutritionists to see Wisconsin ginseng is produced, and participate in the ginseng harvest. The media members learned how Wisconsin's focus on small-scale production results in higher quality product that is desired by the Chinese markets, and published widely read stories to inform Chinese consumers.

- ATO Beijing led two influential bloggers on food and nutrition, Dong Jianmin and Gu Zhongyi, to visit the states of California, Colorado, Wisconsin, Maryland and Virginia. Mr. Dong and Mr. Gu have a combined total of more than 2.2 million followers. The team visited vineyards, horse, dairy, ginseng and cranberry farms, as well as food retail stores, farmer's markets, universities, a trade show, and signature restaurants. The participants posted stories throughout their travel, then posted detailed blog articles on their return. ATO worked closely with state and local agriculture and tourism offices to put the visit together, and in-kind support from local businesses, especially in Colorado, was critical to its success. By the end of the project the two bloggers posted 213 weibo (twitter) items and wrote 10 full-length blog articles about the trip, discussing U.S. agriculture and food products, U.S. food culture, and the link between food and tourism. ATO estimates the market value of this media coverage at RMB887,000 (\$148,000).

ATO/Chengdu

Trade Shows

- ATO/Chengdu recruited 10 U.S. food distributors from Southwest China to participate in SIAL Shanghai 2013. With assistance from ATO/Shanghai, ATO/Beijing, and ATO/Guangzhou, ATO/Chengdu conducted on-site match-making between those sub-distributors and importers from coastal cities. Immediately following, distributors estimated \$360,000 in 12-month projected sales as the result of the match-making. ATO/Chengdu formed new relationships with nearly 30 importers. Following SIAL, ATO/Chengdu partnered with two of the 10 distributors for first-time retail promotions in Chongqing and Guiyang, Guizhou.

Retail/HRI Promotions

- ATO/Chengdu launched the first American food promotion with Chongqing Far East department store in November 2013. The 10-day promotion generated total sales of \$32,000. Showcased U.S. products totaled 402 SKUs, including 350 new-to-market products. All 350 SKUs remained in Far East following the promotion. The Chongqing distributor is now seeking to direct import U.S. products to satisfy current demand. The ATO sought and received sponsorship for this event from the Cranberry Marketing Committee, U.S. Pistachio Grower's Association, and the U.S. Table Grape Commission.

- ATO/Chengdu launched the first American food promotion with Guiyang Xingli Supermarket in September-October 2013. This 17-day promotion generated total sales of \$30,842. Over 214 SKUs of U.S. products were showcased in this event, including 195 new-to-market products. Roughly 150 SKUs have become regular items in Xingli Supermarket after the promotion. The promotion was the first-ever American food promotion in Guizhou province.

Outreach

- ATO/Chengdu introduced the general manager of Chengdu UIW Investment Co., Ltd and Sichuan Tianai Trading Company to U.S. Intervine wine company. Following nearly six months of negotiations facilitated by ATO/Chengdu, Chengdu UIW ordered 250 cases of U.S. wine, a direct import valued at \$55,000. Sichuan Tianai also ordered 56 cases of wine, a direct import valued at \$5,000. Both companies look forward to continuing imports of high quality U.S. wine

ATO/Shenyang

Outreach

- ATO Shenyang worked with Haoyue beef to introduce US livestock genetic products, after which Haoyue bought an initial \$50,000 in frozen semen. Haoyue is China's largest beef producer and has potential for additional purchases of U.S. livestock genetics.
- ATO Shenyang connected a swine breeder in Jilin province with a U.S. swine beeder, after which the Chinese company imported about \$600,000 of live hogs from the United States.
- Shenyang Toly Bread, one of the largest bakeries in northeast China, replaced most of its imported cheese from other countries with U.S. cheese worth \$100,000 after ATO Shenyang worked with US Dairy Export Council to introduce Toly Bread to U.S. cheese products and suppliers.

Trade Missions

- Wine dealers from Northeast China imported about \$300,000 worth of U.S. wine after several trips to major American wine producing regions led by ATO Shenyang. In addition, upon hearing about ATO Shenyang's buyer mission, another company contacted American suppliers visited on the trip and purchased more than \$800,000 of American wine and other ag products.

III. Trade Capacity Building and Food Security

APHIS, OAA and Multiple ATO

- Multiple China ATOs worked with USLGE and the Swine Registry to organize seminars demonstrating the advantages of U.S. swine genetics, as well as supporting the activities of U.S. breeding swine exporters in China. Since 2010, live breeding swine exports have increased from \$1.2 million to \$17 million in 2012 and hit \$19.8 million in 2013.

ATO/Guangzhou

- ATO/Guangzhou led a delegation from the Guangdong Leather Association to visit U.S. hides exporters and worked closely with each tannery represented in the ATO-led buying mission to better understand their individual needs for hides. During a follow-up visit, a Fort Worth, Texas hides exporter signed contracts with two local tanneries for seven containers of hides worth \$5.6 million. In response to ATO/Guangzhou's industry rally, a San Francisco based exporter also received trade support services from ATO Guangzhou's local tannery and subsequently landed a contract worth \$1.7

million.

- ATO/Guangzhou facilitated the purchase of 500 tons of U.S. alfalfa pellets worth around \$200,000 by a large swine farm. This initial purchase is being used for feeding trials. Positive results from the trial will help to increase U.S. hay exports to China. ATO/Guangzhou is also working with AQSIQ on risk assessment for U.S. alfalfa pellets, cubes, and meal. China's potential annual sow hog feed demand for imported U.S. alfalfa pellets and cubes could reach 500,000 tons worth \$200 million.

ATO/Beijing

- ATO/Beijing recruited Hebei-based Huaxia Dairy for a mission to the World Dairy Expo, and for training programs led by Worldwide Sires, CRI, the U.S. Forage Export Council and the U.S. Grains Council. Huaxia sources primarily U.S. dairy genetics and U.S. feed ingredients now, having purchased, for example, 5,976 MT of U.S. alfalfa from January-November 2013, with alfalfa purchases expected to exceed 10,000 MT in 2014. Prospects for future sales are outstanding, as Huaxia's reputation as the premier quality dairy processor in the Beijing area has caused demand to far outstrip supply.
- Over the course of two years, ATO/Beijing worked with state-owned commodity importer Sinoma to develop the market for feed ingredients. Sinoma initially approached ATO/Beijing seeking to source rice bran as a feed ingredient. ATO/Beijing collaborated with APHIS and Sinoma to gain market access for this product. Since then, ATO/Beijing has assisted Sinoma in sourcing rice bran, as well as DDGS, whey and alfalfa, and is currently working with them and APHIS on market access for sugarbeet pulp. Sinoma's total purchases of feed ingredients this year reached \$83 million, including \$8.6 million in rice bran.
- Working with U.S. state offices and universities in Nebraska and North Dakota, ATO/Beijing has supported a 3-year educational effort with Chinese food manufacturers to build markets for U.S. food ingredients, including peas and dry beans, food grade soybeans, and ancient grains. Using the model and industry connections developed by ATO, North Dakota has built their participation into a separate, state-funded program that includes reverse trade missions and seminars. During 2013, U.S. exports of dry peas and lentils increased from \$12.7 million to \$29.5 million, and buckwheat exports from zero to \$3.5 million.

ATO/Chengdu

- In August, ATO/Chengdu welcomed the first trial shipment of alfalfa pellets, valued at \$1.35 million, through Chongqing. ATO was involved at the request of the importer in order to ensure no problems would arise upon inspection.
- ATO/Chengdu introduced the general manager of New Hope Dairy Group to Border Valley, Standlee Hay, and Anderson Hay. New Hope Dairy ordered 2,000 MT of U.S. alfalfa hay from these suppliers, a direct import valued at \$760,000. The GM told ATO Chengdu the company has already contracted for future sales, and intends to continue importing high quality U.S. alfalfa hay for its Southwest China dairies.

ATO/Shenyang

- ATO Shenyang worked with one of Flying Crane's dairy managers in Qiqihar to set up a visit to the United States and meet with U.S. suppliers, after which they imported an additional \$2,000,000 in alfalfa hay and \$100,000 in frozen semen.