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Fuzhou, propelled by the ocean’s legacy, sails on

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Report Highlights:
Fuzhou, capital of Fujian province, on China’s southeastern coast, across from Taiwan, inherits a legacy from the ocean. During its more than 2,200 year history, many of its people took to the seas for America, among many other countries, to settle and spread awareness about western products to family back home. In the 1900’s it established a navy yard and naval academy. It is defined by its proximity and trade with Taiwan – and waterway connecting the two. Fuzhou owes its cross-strait and export trade to its abundant source of aquaculture and natural resources. The city plans to sail on with ambitious plans to develop infrastructure and port facilities. These factors spell opportunity for U.S. agricultural products.

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I. Fuzhou at a glance

Fuzhou, the capital of Fujian province, has a population of 6.8 million. Fuzhou covers 7,436 square miles (11,968 square kilometers). It is located between north latitudes 25°15' to 26°29', and east longitudes 118°08' to 120°31'.

The old city of Fuzhou dates from the T'ang dynasty (AD 618-906). Marco Polo, who called it Fugiu, visited the city on his return journey. After the Opium War (1839-42) Fuzhou was established as a treaty port. By 1850 it was the principal Chinese port and the world's largest tea exporting center. In the late 19th century, Fuzhou had the second largest shipyard (including warships) after Liverpool, England. It was considered the birthplace of China's modern navy. However, the city declined in the early 20th century.

Fuzhou has rich water supply. The min River is the major river in Fuzhou, which is 329 miles long. The city is surrounded by mountains and faces the ocean. It enjoys a subtropical marine climate. Its annual average temperature ranges from 62 to 72 degrees F (16 to 20 degrees Celsius). Average annual rainfall ranges from 35 to 82 inches (900 to 2100 millimeters), and the annual sunshine ranges from 1,700 to 1,980 hours. Typhoon season takes place from June to September.

Tourism is developing. Revenues account for eight to nine percent of the city's total GDP. The city's long history, temples, mountains and its navy background as well "Shoushan" stone culture are the main selling points. Fuzhou's stone carvings, horn combs, shell carving are popular with local people and tourists alike. In addition, the city is blessed with rich aquaculture and natural resources. It is said there are over 480 hot springs in the Fuzhou area. It possesses a large area of forest. Golfing is a new sport which attracts many foreign customers from Japan, Korea and those from Taiwan.

The coastline is 571 miles (920 km) long, surrounded by 415 islands. On the east is the East China Sea, facing Taiwan across the straits. It also borders Ningde, Nanpin, Sanmin, Quanzhou and Putian. Therefore, it plays an important role in trading with inland cities.

This city, with over 2,200 years' history, is hometown to many overseas Chinese living abroad. Many Taiwanese are from Fujian, not to mention Southeast Asians and Americans. In recent years, with cross-strait ties strengthened, Fuzhou is known again for its unique geographic advantage and cultural background.
As a result, the city has witnessed great growth. In 2008, Fuzhou’s per capita urban disposable income was US$2,795, up 15 percent from 2007. Its GDP reached US$33.6 billion, up 16 percent from the previous year. It’s a key retail market in South China with total retail sales at US$16.7 billion, up 21.8 percent. Total agricultural output in 2008 reached US$5.91 billion, up 17 percent.

Per capita annual food consumption expenses in urban area in 2008 was $848.4, up 23 percent: expenses on meat items increased 22.8 percent, dairy items (up 25 percent) while expenditures on fishery and fruits remained stable, each with over 10 percent increments. Fuzhou is a key fishery processing base. In 2008, the total fishery output reached US$3.07 billion, up 7.3 percent.

In addition to its aquaculture industry, its major agricultural products also include rice, peanuts, vegetables, fruits (longan, lychees), sugarcane, sweet potatoes, tobacco, wheat, soybean, tea, and floral sector. In addition to mandarins, olives are a specialty.

Table 1: Fuzhou at a glance (2008)
Fuzhou has five districts: Gutian, Taijiang, Changshan, Jinan and Mawei. Surrounding downtown are six counties: Minhou, Lianjiang, Luoyuan, Minqing, Yongtai and Pintan as well as two county-level cities: Fuqing and Changle. Most Fuqing households have relatives living abroad.

Infrastructure development and investment facilitate trade. Over US$1.5 billion were invested in recent years in highways, electric power and telecommunications.

Fuzhou is a major production and consumer center of electronics and IT, automotive production, pharmaceuticals, bioengineering, energy-efficient products and environmental protection products in Fujian. South East (Fujian) Moto Co., Ltd., (SEM), for example, is one joint-venture between Fujian Motor Industry Group (FJMG) and China Motor Corporation (CMC). It got license from the Chrysler Group production of the Dodge Caravan minivan in Fuzhou.

Logistics is another key industry in Fuzhou. There are nearly 1,000 logistics related enterprises. Plans to build bonded logistic parks in Jiqiain, Songxia, Min River and Luoyuan are also under consideration. All this spells good potential for more U.S. agricultural products.

II. Cross-strait ties strengthen, helps Fuzhou’s agricultural development

Fuzhou, with good climate for fish, abundant natural resources and long cultural history, is open to
the world. It has established long term relationships with eight sister-cities including two from the States and two from Japan. Over 76 Fortune 500 companies have investments in Fuzhou.

The municipal government welcomes agricultural foreign capital to be utilized for planting and processing high quality variety of fruits, vegetables, tea and edible fungus; encouraging industrialization of milk, egg, and meat sectors; construction of fast-growing and high yield forest base; developing timber and bamboo processing and large scale cultivation and processing of aquatic products. Fuzhou produces jasmine and green tea.

Fuzhou is famous for a mushroom called suanbao that it exports to the EU and US. One of its fruit specialties is litchi meat. Its three fishery sectors include: aquaculture, processing and deep sea fishing. Aquaculture in Fuzhou dates back from the 1980’s. It involves sea water (like fish, clams, abalone, oysters, scallop and shrimps) and fresh water (like eel). Processing involves frozen sea food, producing fish balls or sashimi, further processing like health foods (like added calcium in fillets), roast eel, tilapia, shrimp, and fish noodles. Government officials told Post that 30-40 percent of processed products are exported. The volume of such products was 1.2 million lbs. per year at US$1.4 billion (10.0 billion RMB). Post was told there are 20 export oriented seafood processors in Fuzhou. The top seafood export by quantity is eel and prawn. The top revenue generator is fish as ingredient for hotpot (fish balls), roast eel and prawns. Post was told there is growing domestic demand for seafood so this will impact exports.

As a result, Fuzhou has become a hot investment area. It was approved as the first test cities by central government in 1997 to work closely with Taiwan agricultural industry and to set up cross-strait agricultural cooperation test area. One of the first Cross-Strait Agricultural Cooperative Experimental Zones was set up in Fuzhou. New technology involving cultivation, breeding and agricultural products processing and investment were introduced to Fuzhou and Fujian province from Taiwan.

Each year, the Cross-Strait Trade Fair is held in May in Fuzhou. This year, marks the tenth cross-strait conference and exhibition. A total of 203 new projects with foreign investment valued at US$1.71 billion were signed, up 2.46 percent. Among them, Taiwan invested in 25 projects valued US$959 million. The investment concerns several sectors including agriculture, industry, trade service and infrastructure. There are five agricultural projects with foreign directed investment valued at US$14.35 million.

In 2007, a new Fujian-Taiwan Cross-Strait Agricultural Products Wholesale Market located in Fuzhou Mawei district was opened to the public. Mawei port was one of the first trial direct shipping ports in China. It is close to Mazhu in Taiwan. The wholesale market project, with a total investment of US$1.97 million and an area of 121,632 sq. feet (11,300 square meters), is a platform for both Fujian and Taiwan traders to trade agricultural products.

Late last year China and Taiwan launched direct daily passenger flights as well as direct shipping and postal linkages to facilitate trade as well as build mutual economic and political trust. This marks a milestone for cross-strait relationship and will significantly reduce operational costs for
trade in general, not to mention for U.S. agricultural products. Since September 2009, direct flights from Fuzhou to Taiwan have commenced.

On the first day of the “three links” (air, sea, postal) run through, four cargo ships left Fuzhou Port for Taichong and Jilong. The shipping route between Fuzhou and Jilong (Taiwan) used to be 470 nautical miles but has been reduced to 150 nautical miles. Direct daily flights from mainland China to Taiwan will also shorten as there will be no need to pass through Hong Kong or Macau.

As economic ties between China and Taiwan strengthen, this helps Fuzhou weather the economic storm. With its unique geographic advantages, Fuzhou is becoming known again by many foreign investors. It will play a more important role in trade in the future.

III. Infrastructure development helps facilitate trade

Fuzhou is a transportation hub in Fujian. Fuzhou railway station is connected with the national railway network and operates services to Beijing, Shanghai, Qingdao, Zhengzhou, Nanjing, Nanchang, Guiyang, Changsha, Hefei, Chengdu, Chongqing and Shenzhen.

Fuzhou is a transportation hub in Fujian

It is the nearest city to Nanchang, capital city of Jiangxi Province. It is only 55.9 miles (90 km) from Fuzhou to Nanchang. There are also highways from Fuzhou to Yinchuan, Fuzhou to Haikou. Currently, the key existing railway line Fuzhou-Yintan (Jiangxi) connects Fuzhou to Shanghai. It needs 14 hours to transport goods from Fuzhou to Shanghai through Yintan. However, plans to open new lines from Fuzhou to Wenzhou then to Shanghai will significantly reduce the travel time to 9 hours.

The following are projects under construction:

- Fuzhou – Wenzhou Railway
- Fuzhou – Xiamen Railway
- Fuzhou – Shanghai expressway
- Xiangtan – Putian Railway
- Airport highway phase II

Fuzhou – Wenzhou Railway newly opened, connects the east coast

The last section of rail tracks between Fuzhou and Wenzhou in Zhejiang province has just been completed. Passenger service for the railway started in 2009. The rail has always played an important role in passenger and cargo transportation in China. For a long time, however, there has not been any rail connection between cities that dot China’s eastern coast. In response, the Chinese government made a plan to build a railway that will extend all the way from Shanghai, the midpoint of China’s long coast, to Shenzhen, which is next to Hong Kong. Major stops on the way would include Ningbo, Wenzhou, Fuzhou, Xiamen and Shantou, all of which are emerging or established economic centers.

As part of the coastal railway channel of the national railway network, the 218 mile long Wenzhou-Fuzhou railway, of which 60 miles are in Wenzhou, run across east Fujian Province and coastal regions in south Zhejiang Province. Currently in operation, trains run at high speeds of 124-155 miles per hour. This significantly reduced the time to only two hours travel between the two
destinations. As a result, economic ties between Fuzhou and inland cities as well as coastal cities will strengthen.

**Fuzhou to finish first subway line by 2014, just the start of an ambitious comprehensive transport project**

This year, a new plan was announced by Fuzhou municipal government to rapidly develop its transport sector. Work on the city’s first subway line will start within the next year. The number one line in Fuzhou will span 46 miles, expected to be completed by the end of 2014. The plan for the 43 miles long No. 2 line would be done by 2018. The Fuzhou municipal government plans to construct seven major “orbital” transportation lines, including subways and other transport around the provincial capital to strengthen urban infrastructure for a growing population. To mitigate traffic congestion similar to what has emerged in many other prosperous coastal provincial capitals, a project of 290 miles of high-speed transport throughout and around the city will be constructed. Infrastructure development will help Fuzhou catch up on the transportation front with coastal cities.

**Airport**

Fuzhou has one international airport in Changle, which is 30 miles (a 40 minutes’ drive) away from downtown Fuzhou and was put into use in 1997. More than 80 domestic and international air lines help passengers reach over 55 cities. With an area of 529 square miles, the first phase terminal has a capacity of 3,000 people during peak time and allows an annual throughput of 6.5 million passengers. The airport provides direct flights to Singapore, Bangkok, Kuala Lumpur and Osaka. Daily flights to Hong Kong and Macau are also available. Direct flights to Korea and the United States are planned to open soon. A second phase of the airport is under construction.

**IV. Fuzhou, a port city with a strong naval legacy**

Fuzhou, situated at the north east of Fujian Province and bordering the Taiwan Straits on the east, was born with rich natural sources. It was a historic open port and was one of the first two ports designated for experimental cooperation with Taiwan.

Back in the nineteenth century, (1839-42) Fuzhou was established as a treaty port after the Opium War. By 1850 it was the principal Chinese port and the world’s largest tea exporting center. In the late 1900’s, Fuzhou had the second largest shipyard (including warships) after Liverpool, England. It was considered the birth place of China’s modern navy.

**Quickly developed, modern Fuzhou Port**

According to the Fuzhou Port Authority, the Fuzhou government intends to develop the Fuzhou port to focus on four areas:  Jiangyin (brings in electronic components from Taiwan and Japan, paper and pulp from the States, auto accessories from Japan, shipments out include fashion shoes, timber and beach chairs; Min River Bay (similar shipments as Jiangyin); Songxia (brings in iron ore from Australia, domestic grains, feed, wheat, edible oils and minerals); and  Luoyuan (ships loose cargo),
In total, over 136 productive berths have already been built. Twenty-six of them are deep-water berths with a capacity to handle 10,000 tons to 100,000 tons vessels maximum.

It has opened container lines to Japan, Korea, Singapore, Hongkong, Gaoxiong of Taiwan, Mediterranean, Middle East, West Africa and west bank of the United States. In 2008, the total throughput of Fuzhou port reached 67 million tons. It handled totally 1.17 million TEU containers, which was five times of that in 1998.

**Songxia area** is designed to be the transportation hub for bulk-cargo shipment of grain, edible oils and feed. Min River Bay is the main part of Fuzhou port. Mawei port and Qingzhou port are located in this area. Over two-thirds of the container business occurred in this area.

Officials told Post that within five years, Jiangyin area in Fuqing would be developed as a key container hub with a similar function as Xiamen. Jiangyin and Luoyuan bay areas that have deepwater advantages, quite unique in China.

Within five years, 25 more berths would be built in Fuzhou to generate 30 million metric tons more throughput. By then, annual container handling capacity could reach 2 million TEUs. Later, Post visited two container terminals. They are FQCT (*Fuzhou Qingzhou Container Terminal* in Min River Bay) and FICT (*Fuzhou International Container Terminal* in Jiangyin). According to the managers, most imports from the States is waste paper and pulp for paper manufacture. In the past it imported U.S. soybean, wheat, feed. Post also learned that China is Tacoma, Washington’s largest trading partner in both volume and value. Fuzhou is a key gateway
to the market as the two cities are longstanding sister cities. The development and expansion plan of Fuzhou port will provide further optimistic trade opportunities for China through Fuzhou to other countries including the States.

Fuzhou International Container Terminal in Jiangyin
(Source: ATO Guangzhou)

The existing ocean line services at FICT include Europe/Mediterranean, Europe, Middle East, West Africa, U.S. west coast, Korea, Southeast Asia, as well as feeder lines to Hong Kong and Taiwan.

In September 2009, a new line service in FICT was launched by APL, which represents the shortest route linkage between Fuzhou and U.S. west coast. It takes only 13 days to arrive U.S. from Fuzhou, with a port rotation of Chiwan, Nansha, FICT, Shanghai, Los Angeles, and Oakland.

V. Fisheries are an important and prosperous sector

Due to its nice weather, rich aquaculture resources, long coastline and capital city status, Fuzhou is one of the key fishery breeding and processing bases in China and ranks first in Fujian for its fishery production.

In 2008, the total fishery production was 1.64 million tons (up 7.1 percent), which accounts for one third of total provincial fishery output. Total fishery output accounts half of the total agricultural output in Fuzhou.

In Fuzhou, there is a fishery wholesale market located in Taijiang district. The wholesale market is one of the projects supported by the Fuzhou government with an investment of US$16 million. It is the largest specialized fishery wholesale market in Fujian with a total area of 936,460 feet (87,000 square meters). This market is divided into eight sections and has 368 booths.

Fishery actually is a traditional sector in Fuzhou. According to the fishery bureau official, Fuzhou has 56 towns and 233 villages. Some 100,000 households and 260,000 people are engaged in the fish industry.

There are over 1,600 different species farmed in Fuzhou including both fresh water and deep sea varieties such as grass carp, silver carp, snapper sea bream and Pacific herring as well as eel, tilapia, scallops and clams, shrimp, mussel, oyster, crab and abalone. Seaweed is also a key species in Fuzhou with an annual output of US$219 million in 2007. (Note: 2008 data not
Total output of fishery processing reached 1.2 million tons, which was valued at 1.5 billion. Among them, 30 to 40 percent were for export. Many frozen processed items such as tilapia, eels, prawns, yellow croaker, tuna, abalone, scallops and clams were exported to Japan, Korea, Australia, Russia, Canada and United States. Roast eel and prawn and frozen tilapia fillet are the most popular. Japan used to be where eel was processed. Out of cost concerns, processing was moved to Taiwan before relocating to China. In addition, fishballs and hot-pot fish ingredients are high demanded, and total output in 2007 reached US$290 million (Note: 2008 data not available).

Since 2007 food safety has become a hot issue for the Chinese seafood industry. Reportedly significant amounts of carcinogens and contaminants were found in several species of farm-raised fish and shellfish in China. FDA and Chinese government have taken several measures to avoid trading these products with defects. Many Chinese exporters were concerned about future seafood exports to the U.S. market. Despite such legitimate issues with certain Chinese seafood products, they only accounted for a small fraction of China’s seafood export.

There are over 30 fishery processing companies in Fuzhou, and 20 of them were export-oriented. The top three are Haiyi, Baiyang and Tengxing. According to the fishery bureau official, these fishery processors and exporters are doing well as the central government and municipal government have helped them monitor the entire process, from environment-breeding processing through marketing. Quality is controlled by severe origin-traceable systems; random testing and regular inspection were carried out before certificates were issued to qualified farms and manufacturers.

VI. Retail is booming, viable market for imported food

Fuzhou is a key retail market in South China. Fujian was one of the earliest provinces to open for foreign trade in China’s history. It is also one of the major hometowns of over ten million overseas Chinese living in over 160 countries and regions in the world. Among them, over one million reside in Hong Kong and Macao. It is estimated that 80 percent of the Taiwanese are Fujian decedents. Fuzhou is one of the key markets for imported foods, as many have relatives living abroad, exposed to western lifestyle.
Table 2: Existing key retailers in Fuzhou (2009)

<table>
<thead>
<tr>
<th>Retailers</th>
<th>Number of Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart</td>
<td>3</td>
</tr>
<tr>
<td>Sam’s Club</td>
<td>1</td>
</tr>
<tr>
<td>Carrefour</td>
<td>2</td>
</tr>
<tr>
<td>Metro</td>
<td>1</td>
</tr>
<tr>
<td>Xinhuadu</td>
<td>12</td>
</tr>
<tr>
<td>Yonghui</td>
<td>52</td>
</tr>
</tbody>
</table>

(Source: ATO Guangzhou)

Most retailers have targeted this market including Wal-Mart, Carrefour and Metro. Carrefour was the first to open with two supermarkets in Fuzhou. Wal-Mart opened its first Fuzhou store about 10 years ago, then opened two more stores and one Sam’s Club. Metro also selected Fuzhou to open its first store in South China.

All carry imported food items, especially imported fruits from all over the world. U.S. Washington apples, seedless table grapes, Sunkist oranges are available in almost every supermarket including local retailers such as Xinhuadou and Yonghui.

Imported cereals
Imported juices
U.S. apples

U.S. grocery items
Imported wine
U.S. plums

(Source: ATO Guangzhou)

U.S. imported grocery items such as canned soup and vegetables, seasoning products; olive oils, cereals, syrups, cookies, infant formulas, dried raisins, and almonds, jams, instant-coffee are also available. Organic and natural products such as 100 percent natural juices, pancakes mix, energy bar with various flavors are becoming the new highlights on shelves.
Tesco to open Fuzhou store in 2010

Fuzhou, as the capital city, has definitely become a target for many giant retailers, including the world’s third largest retailer Tesco. Tesco will land in Fuzhou by 2010. Compared with other top 500 global retail giants in the world, Tesco appears to be quite cautious with expansion in China.

After successfully opening its store in Guangzhou last year, Tesco started to aim at Fujian province. In addition to the above-mentioned Fuzhou project, Tesco will take three years and invest US$1.5million in Xiamen to establish a business circle including large-scale shopping centers and office buildings. The total project area is 461,771 sq. ft., which is expected to open in 2011.

With the arrival of this British retail giant, competition in Fujian is expected to intensify. Wal-Mart already has three supercenters and one Sam’s Club and plan to open a new store near Tesco. In addition, two major local chain stores include Xinhua (12) and Yonghui (52). They also have plans to open more new stores. All these retailers carry U.S. imported fruits.

VII. Western-style cuisine in HRI sector grows

Traditional dishes in Fuzhou represent Min Cuisine, one of the eight major cuisines of China. Min, a symbol of Fujian province, is a unique style that emphasizes savory sauces. These sauces are mild with a sweet and sour tang. The most famous traditional dishes include Fo Tiao Qiang (Buddha jumps over the wall), Ji Tang Tun Hai Bang chicken soup with sea clam) as well as snacks such as fishball and oyster cake.

With more Fuzhou families traveling abroad and returning with exposure to western style culture, western style cuisine has grown more popular in the past decade.

Post visited the city and met with hotel and restaurant managers to understand the food market. Later Post learned there is a potential to marketing western style cuisine in Fuzhou.

Fast-food restaurants proliferate

Fuzhou is one of the earliest cities open to the world. Therefore, Fuzhou people are open to western style cuisine. The younger generation is curious about innovative ideas and more willing to lead new lifestyles. They like fried chicken and enjoy sitting in a clean and nice environment while meeting their friends. As a result, it is not surprising to note there are many fastfood chains in Fuzhou: over 10 McDonalds and KFC’s each plus two RBT’s (acquired by Dico’s), three Pizza Hut’s, three Papa John’s, several Dico’s and many Japanese restaurants including Ajisen Ramen. There are many Chinese Houcaller steak and Hao Xiang Lai steak chain restaurants.
"Western Style" restaurants gain ground

In Fuzhou, you will also find many "western-style restaurants" owned by Taiwanese or expatriates returned to China. Among them, "Shishanshui" and "Houcaller" are two major chain restaurants offering western style cuisine. Each regularly uses substantial U.S. products and promotes U.S. food to Fuzhou customers. Other emerging restaurants include Douniushi, Haoxianglai, Guizhushijia.

"Shishanshui" was first opened in 1998 by a return Fuzhounese who lived in the States for years. At the time, there was only one western restaurant in the city, owned by a Taiwanese.

The chain uses American style deco. There is live music at night, a piano and TV screen. There were booths to provide privacy, Chinese style. Appetizers included duck chin, chicken paws and squid. When asked why it was named "Shishanshui," the owner explained that this Chinese name indicates stone, mountain and water, considered key symbols of Fuzhou. Therefore, he believes the name would bring him good fortune as local people find these elements meaningful. Most customers are under 40 years old, who have a more open mind and more exposure to western culture.

Post learned from the owner of "Shishanshui" on a reporting trip last year that his restaurant chain had worked closely with USA Poultry and Egg Export Council (USAPEEC) and regularly imported U.S. meat to satisfy his clients in Fuzhou. U.S. wine, U.S. pork, U.S. beef and potato chips enjoy good reputation in Fuzhou. U.S. style grilled steak (unit price, US$12.88), U.S. Montreal shortribs as well as U.S. flame steak with brandy (priced US$ 8.40 to US$ 9.90) are the...
most popular dishes ordered by many young lovers. The manager also told Post that most of their customers return for more. The owner advised that most people needed to know more about U.S. culture. He stated that local taste and inclination had to be understood before promoting U.S. products.

Post also met with the manager of "Houcaller”. As a matter of fact, Houcaller was first invested by Taiwanese, now with 52 restaurants in South China, mainly in Guangdong, Fujian and Hunan province. Post cooperated with this chain in 2007 to launch an American Menu promotion, which introduced a significant volume of American products include California almond, Tabasco sauces, American whey powder, American chicken, American boneless pork butt, dehydrated potato powder and sour cream flavored French fries. Ninety-two percent of this restaurant dishes are western style. They come with soup, salad (mostly fruit), bread and tea. The most popular entree is sirloin beefsteak. It targets the young generation age 15-30 years old and dating public, age 18-28 years old.

One of its competitors in Fuzhou is another steak restaurant called Hao Xiang Lai that runs slightly less expensive than Houcaller meals but offers much less western dishes. Seating in Houcaller is more individually segmented western style while Hao Xiang Lai had western furniture but with more Chinese style grid style ordered seating.

Fuzhou people like bakery items

The baking sectors in Fuzhou consists of both sizable chains which operates several to tens of bakery outlets and quite a number of small bakeries that run only one or few outlets. Middle mass market consists mostly of large chains, including Andersen, Sunmile, Fumao and Xialang, each respectively having about 10 to 50 some shops.

The upper segment of the market, holding a small but increasing share, it is primarily shared by Taiwan-invested Chaoya Cheesecakes and Hong Yeh Bakeries (both featuring high quality cakes and desserts in addition to bread items). Numerous small bakeries with only one outlet or two together also have a cut in the middle to lower end market, mostly in an accessible location by the community.
The industry offers substantial but largely untapped potential for a range of U.S. baking ingredients from wheat flour, dairy ingredients to nuts, dried fruit, fruit puree.

Constraints come from very limited awareness and availability of U.S. ingredients and its applications, prices and shortage of professional bakers.

(Note: Please refer to Gain9621, South China’s bakery industry is booming, but demand for U.S. ingredients depends on price)

Hotels offer another venue for American Food

According to Tourism Bureau officials in 2008, there are 77 hotels in Fuzhou, including six five-star, ten four-star and 56 three-star hotels. Most of the five-star hotels are domestic brands including Lakeside, Hot Spring, Empark and Waimao. Shangri-la is the only international hotel in the city. Yet, it is said that the Hilton may have plans to gain a foothold in Fuzhou within a few years.

Post talked with the Shangri-la F&B director to see about the possibility of promoting U.S. food products. According to the manager, he believes that the imported food market is improving; however, the market size is small and not very stable.

There is growing willingness to try western style cuisine, target customers should not be limited to inhouse guests but also to local Fuzhou people. More investment and emphasis on education are necessary to make further improvements.

Shangri-la was opened to the public in 2004. Each year, the hotel welcomes guests from domestic major cities (70-80 percent) and Hong Kong (8 percent) as well as from overseas such as the States (8 percent), Japan and Korea (3 percent). As most of its in-house guests are Chinese, Chinese cuisine still remains the mainstream. However, most Chinese customers prefer western style breakfast buffets offered by the hotel. On average, Post was told last year each person spends US$22 on the buffet. In general Chinese patrons prefer eating buffet style for eating western foods for those unsure of what they definitely want and focus on. Buffets give patrons alternatives and allow them to control portions. In addition to its in-house guests, the hotel
occasionally launches menu promotions open to the public, featuring various foods from Thailand, Mexico or Malaysia. However, last year, Post was told application of U.S. food ingredients in this hotel was limited, as local food items and ingredients were perceived as fresher, cheaper and easier to obtain. No U.S. fruits are used.

The hotel sometimes arranges wine dinner seminars to teach local Chinese customs and the basic know-how of eating western style cuisine properly. Local media would be invited. These events received positive feedback from local customers. Some invite friends or families to attend. According to the manager, with sufficient marketing and promotion, U.S. beef, cheese, Alaska seafood and wines would be the most promising items in demand. Post was told that there are four wine shops in Fuzhou. Suppliers promote French, Chilean and Spanish wines. French wines dominate, and Post was told there was no marketing of U.S. varieties. As an international five-star hotel, the media is interested in what it does. Is Food and beverage average check is higher than in Xiamen, but Xiamen is a Special Economic Zone (SEZ) where more foreigners tend to frequent.

There is also the challenge that there is no real western chef in Fuzhou. Staff turnover is high at 35 percent. Many go overseas to the US or Canada. Fuzhou is considered more a stopover before reaching Longyuan (6 hours from Fuzhou, a sightseeing destination in Jinjiang) or to Xiamen or the Wuyi Mountains (a famous tourism spot in Fujian, Wuyi Mountains are one of World Heritage sites, both natural and cultural. Numerous types of tea, including Dahongpa, are produced around Wuyi Mountains)

VIII. Swine breeding, area to consider

Fuzhou is a key swine production area in Fujian. It provides pigs not only to its own regional market but also to neighboring regions such as Zhejiang and Shanghai.

Post learned during its reporting trip last year that a first lot of some 200 breeding pigs were imported from the US by Fujiang Yongcheng Huaduo Company, a joint-venture of Fuqing Yongcheng and Waldo Farms, Inc. from Nebraska, which is the largest Duroc breeder in the States. Total investment of this joint-venture was US$3.8 million. Waldo Farms and Whiteshire Hamroc LLC, the world’s largest Yorkshire breeder from Indiana, have formed an alliance to produce and market Waldo Duroc and Waldo Duroc component terminal boars and semen. Therefore, Waldo Duroc boars have superior growth and can weigh up to 251 lbs. (114 kg) within 126 days. Waldo Nebraska SPF Duroc ranked at or near top in most performance and meat quality traits according to the NPPC Sire Evaluation Comparison.

The plan of this new operated joint-venture in Fuqing is to set up a Duroc nucleus breeding unit with a stock of 600 head of sows and over 300 boars with excellent genetics. The new breeding farm would apply the most advanced automatic feeding method, and all breeding hogs will be imported from United States. Meanwhile, U.S. testing equipment and breeding technologies would also be introduced to this joint-venture. It is estimated that the nucleus unit will annually provide 6,500 head of high yield and pork quality pigs including Duroc, Landrace, Yorkshire and White Duroc to Chinese consumers.

IV. Summary

There is a viable market for imported food items in the retail sector. Imported fruits including U.S products enjoy good reputation in Fuzhou. Imported grocery items are also gaining ground. Fast food and western-style cuisine are available, but there is still room for improvement. This gateway to Taiwan attracted substantial investment on various sectors including agriculture. Infrastructure development will help facilitate trade between Fuzhou and the States. U.S. swine products, for
example, have potential to enter China through Fuzhou. However, more promotional activities and marketing investment needs to be properly introduced.

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*Covers the five provinces of Guangdong, Guangxi, Hunan, Hainan and Fujian

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