

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary  Public

**Date:** 11/28/2012

**GAIN Report Number:** CH11851

## China - Peoples Republic of

**Post:** Guangzhou

### **Success Story: ATO Guangzhou opens China's U.S. organic milk retail**

**Report Categories:**

Export Accomplishments - Other

Dairy and Products

Retail Foods

**Approved By:**

Jorge Sanchez

**Prepared By:**

Ursula Chen

**Report Highlights:**

**Summary:** ATO Guangzhou has made numerous and continuous efforts to promote U.S. organic exports and the USDA organic seal in South China. As a result, two of the largest supermarket retail chains in China with headquarters in Shenzhen: Wal-Mart China and Olé have signed contracts with local distributors of Organic Valley Family Farms (Le Farge, Wisconsin) for the sale U.S. organic milk. This will be the first time national retailers offer USDA certified milk in Mainland China.

## General Information:

**Background:** Though imported organic food and drink sales are growing at a slower pace than other supermarket-ready U.S. agricultural exports, due to endless food safety scandals, local consumers are always looking for safer options for their families. To some consumers in Mainland China, imported organic products are not a lifestyle choice, but a must for their daily living, especially when reliable imported products are available. Two of the largest supermarket retail chains in China with headquarters in Shenzhen: Wal-Mart China and Olé have signed contracts with the local distributor of Organic Valley Family Farms (Le Farge, Wisconsin) for the sale U.S. organic milk. This will be the first time national retailers offer USDA certified milk in Mainland China.



**Building Trust (May 2010):** In order to win the confidence of consumers, importers, distributors and retailers, in May 2010, ATO Guangzhou organized the first organic educational seminar in Guangzhou and invited potential importers of U.S. organic products to attend. Post also invited a speaker from the Organic Trade Association (OTA) to deliver an overview of the U.S. organic program and USDA organic seal including its management, organic product growth trends, product availability, key organic consumer trends in the States, and tips on how to promote U.S. organic products in the retail sector. During the event, retailers reached out to importers to discuss product availability in South China while importers engaged in discussions with U.S. exporters on packaging and labeling requirements, and discussed the shelf life of various U.S. products. This event strengthened the image of USDA certified organic products from the United States and laid a solid foundation for the sector to grow. At the seminar, ATO Guangzhou introduced U.S.

representatives of the Organic Valley Family Farms Cooperative to a local importer: LZ Trading of Shenzhen, who used to import Australian milk exclusively. After months of communication, the local importer was impressed by the high quality production standards and reputation of U.S. organic milk and placed initial orders for South China in October 2010.

**Attending the Natural Expo (March 2012):** ATO Guangzhou recommended the U.S. Organic Trade Association to recruit LZ Trading to visit the Natural Expo to expand their knowledge of U.S. organic products and strengthen its connection with the U.S. organic industry. Upon their return to China, LZ Trading became a vociferous supporter of the U.S. organic industry. Shortly after the Natural Expo, LZ Trading, increased orders from Organic Valley and gained national distribution rights for products to online retailers in Mainland China. Although details of the March purchases are considered business confidential, the trial purchases valued at \$130,000.

**Promoting in a national retail chain (September 2012):** On September 1, ATO Guangzhou organized the 1<sup>st</sup> national U.S. food promotion with Olé supermarket chain, a leading retailer in Mainland China focusing on high-end imported products. Although OTP did not participate in this retail promotion, ATO Guangzhou extended an invitation to Organic Valley's U.S. representative to meet with Olé's purchasing department in mid-July. As a result, Organic Valley milk was successfully permitted entry into Olé's 17 outlets nationwide marking the first time USDA certified organic milk formally entered into China's retail chain. By August 2010, Olé was regularly purchasing two 40-foot containers of

Organic Valley milk per month. Sales remain strong after the September promotion with Olé, and according to a marketing manager, demand for USDA certified organic milk is growing in first and second tier cities South and East China. By September 2012, LZ Trading Company had already purchased \$180,000 in U.S. organic milk, surpassing their 2011 sales mark.

**Negotiations with Wal-Mart (November 7, 2012):** On November 2, ATO Director and staff met with Wal-Mart and Sam's Club purchasing managers allay doubts regarding the USDA organic label and the production capacity and safety of U.S. milk in general. To Post's surprise, Wal-Mart and Sam's Club purchasing managers questioned the quality and standards of U.S. milk and were led to believe that U.S. organic milk was inferior to European, Australian and New Zealand milk. ATO Director realized there was a lack of information and misinformation about U.S. milk production and proceeded to answer all of the relevant questions they had about USDA organic milk standards. ATO staff prepared coordinated responses with three USDA Cooperators: U.S. Dairy Export Council (USDEC), California Fresh Milk Board (CFMB), and OTP. On November, ATO Guangzhou Director visited Shenzhen again and reassured the Wal-Mart and Sam's Club managers that U.S. organic milk is one of the world's highest standards with stringent supervision from the National Organic Program under direct supervision of the U.S. Department of Agriculture. On the way back to Guangzhou at night, LZ Trading called and informed Post that Wal-Mart finally agreed to carry this U.S. organic milk in their stores.

**Ten Days of promotion (December 7-20, 2012):** To eliminate any further doubts about the marketability of U.S. organic milk, ATO Guangzhou Director advised the local China representative offices of the CFMB and USDEC to approach the South China retailers to educate them on advantages of U.S. milk. Post clarified other additional concerns regarding the fortification process with Organic Valley's organic milk. Convinced with all the technical information gathered by Post with industry and Cooperators' input, Wal-Mart decided to organize a milk promotion in its Panyu (a suburb of Guangzhou) store from December 7-20. During the ten-day promotion, Wal-Mart will test the market for a minimum sale 24,000 liters of U.S. organic milk. Coordinating with Sam's Club, Organic Valley, LZ Trading and the Organic Trade Association; Post spared no efforts to support Organic Valley Family Farms (Le Farge, Wisconsin) for the sale of U.S. organic milk and on educating consumers on the USDA organic seal.

*For more on export opportunities in the **dairy** sector, please read GAIN report CH11766 and CH11838, while specifically for market intelligence on **U.S. infant formula and products**, please read CH11825 and CH11832. For more on ATO Guangzhou's cooperation with **Olé** supermarkets please read GAIN report CH11773 and CH11785. Finally, for more on ATO Guangzhou's efforts to raise awareness of the USDA organic seal, please read CH11822, and CH11827-- on new regulations regarding imported organic food and drink items.*