Changes in the Chinese Fresh Food Sector: Opportunities and Challenges.

With China rapidly changing and integrating into the global marketplace food and agriculture are being treated differently within China.

As market reforms rapidly take place in China, the importance of the agriculture sector of the economy is being reduced. Since 1978, the reforms have freed up prices, abolished virtually all production and trade planning, privatising agriculture and allowing the more efficient non-state sector to now produce over two thirds of the country’s output.

In the 1970’s, prior to the start of economic reform, agriculture contributed $2,500 billion yuan to a total Gross Domestic Product (GDP) of $4,600 billion, or over 50% of the total GDP. The contribution of agriculture, although it has itself grown, has reduced the relative contribution to the total GDP of $48,700 billion yuan in 2000.

The agricultural workforce is approximately 355 million, however it is estimated that 100 million farmers would be sufficient to satisfy the agricultural labour requirements. If economic reform continues with an emphasis on efficient allocation of resources, as has been the driving force since 1978, it is envisaged that 30 to 50 million people could move from rural areas to urban centres and seek opportunities in the industry and services sectors.

Associated with the reduced importance of the agricultural sector within China, there is an increasing influence of Westernisation of food products for Chinese consumers. Consumers are starting to demand high quality, fresh and processed food items that they know are safe and healthy. This change in eating trends within China has lead to the invasion and expansion of Westernised style supermarkets. These supermarkets are multinationals with bases predominantly in Europe, the UK and the USA.

The leading multinational retail companies have increasing presence and are gaining market share in China. The key effect has been the start of irreversible change, with new formats (hypermarkets and supermarkets) replacing old (single stores and wet markets) and larger scale operations with new benchmarks of performance and competitiveness in Asian food retailing and distribution.

These multinational supermarkets are targeting the areas where the greatest influence of economic reform has been experienced, namely, coastal cities. These cities which have seen the entry of the inefficient rural workforce, seeking employment in the industrial and service sectors, now experience the greatest influence of westernisation and the resulting changes in food consumption.

As China integrates with the rest of the world’s food producers, those in the agriculture and food processing sectors are under increasing pressure, both internally and externally. The entry into WTO has meant that farmers are competing, using an inefficient system, against cheaper products that are gaining greater market access in China. In parallel with this change in the farming sector is a change in consumer habits that is being supported by the Westernisation of food retailing and food consumption in China.
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