



Competing in the World's No. 1 Emerging Market

**A REPORT FROM
A CAPI TRADE TRIP
TO CHINA**

Chinese Food Retailers,
Consumers and
Canadian Food Exports

February 2015

The Canadian Agri-Food Policy Institute
960 Carling Avenue, CEF
Building 49, Room 318
Ottawa, ON K1A 0C6

Telephone: 613-232-8008 or toll-free 1-866-534-7593
Fax: 613-232-3838

www.capi-icpa.ca
info@capi-icpa.ca



*The contents of this paper are copyrighted by the Canadian Agri-Food Policy Institute.
Other parties are free to use the contents of this paper as long as CAPI is appropriately referenced.*



Contents

Foreword	4
Introduction	5
CAPI Trade Trip Visits and Delegation	6
Chinese Food Retail Marketplace In Brief	7
Ten Market Developments and Key Observations.....	8
Proposed Immediate Actions.....	16
Conclusion — and the Importance of Strategy.....	19
Some Questions for Dialogue	20
Appendices	21
1. Trip Participants and Meetings	21
2. Food Safety History	24
3. E-commerce Insights.....	25
4. Trade Perspectives.....	28
Acknowledgements	32
Notes.....	33

Foreword

In mid-2014, CAPI concluded a comprehensive study on the competitiveness of Canada's food manufacturing sector.¹ In our final report, we commented on the importance of targeting growing export markets for Canada's food manufacturers and ingredient suppliers, including China.² As part of that project, we introduced a variety of Canadian food companies and stakeholders to a major Chinese grocery retailer and an expert on Chinese marketplace trends³ during their visits to Canada. There was considerable interest in the Chinese food retail opportunity, not only for Canadian food companies but also for others that support trade (such as financial institutions, sectoral organizations, researchers, and governments.) This interest inspired CAPI's networking trip to China in November 2014.

The CAPI trip was arranged to introduce Canadian food companies and organizations to several senior Chinese grocery and e-commerce retailer representatives and government bodies in two major cities, Shanghai and Beijing (see Appendix 1). It was also intended to improve our understanding of Chinese retail strategies (at a high level) and the consumer marketplace. These visits were also arranged to allow our Chinese hosts to make personal connections with Canadian company executives, so they might come to better appreciate the "authenticity" of Canadian-produced food, beverages and ingredients. The trip provided CAPI with first-hand insights into export/import issues involving the world's number one emerging market and identified constructive policy ideas that could further facilitate trade between Canada and China.

Introduction

One would think that Canada's quality food brand — safe, clean and healthy — offers the desirable attributes needed to propel Canadian food, beverage and agricultural exports to China to new heights. Yet with some noteworthy exceptions, Canadian food remains off the radar for most Chinese consumers and retailers.

We heard three recurring questions, the first two being: "Where is Canadian food?" (its presence on the grocery shelf) and "What is Canadian?" (how retailers could describe or differentiate Canadian food from our western competitors). Fortunately, discussions with retailers led to a third question: "How can we get more Canadian food?" (profiling Canadian products with their Chinese customers).

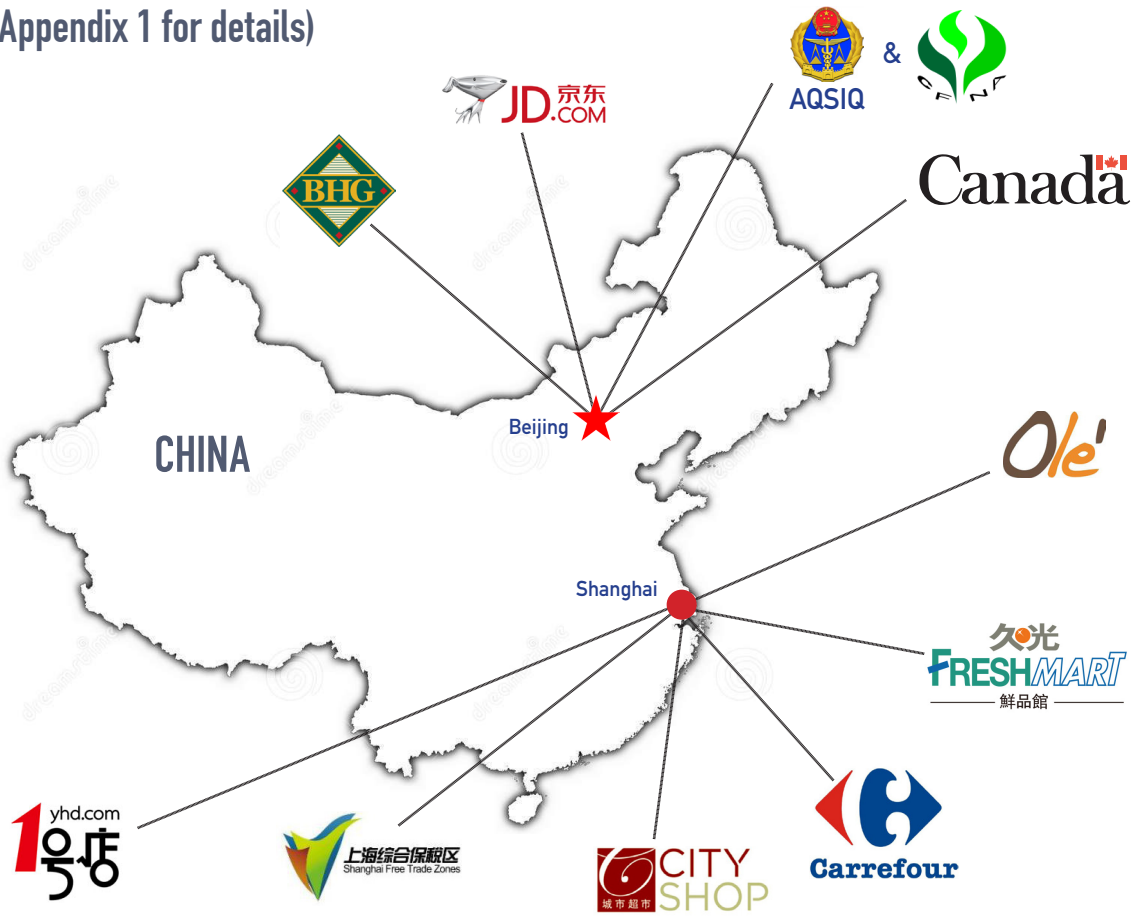
This paper addresses these questions and presents ideas at a practical and strategic level, so that a dialogue can proceed among Canadian food companies, supply chain stakeholders and governments on how to enhance our efforts to succeed in China.

We propose that the Canadian agri-food sector, with the help of government, fully leverage the Canadian brand and support food exporters by promoting the brand to key Chinese physical and online food retailers. This would include showcasing Canada and its foods and beverages among upscale retailers and developing a branded online presence for leading e-retailers. Based on company feedback, we propose creating a reference guide for exporting to China and we identify some ways to improve market access to China. To keep up with marketplace developments, we believe it is timely and important to take our China strategy to the next level by defining and reinforcing Canada's reputation for quality and points of differentiation for our agri-food products.

American branding on YHD.com, the leading Chinese online food retailer. (Of several countries profiled, Canada was not included).



CAPI Trade Trip Visits (See Appendix 1 for details)



Delegation



Chinese Food Retail Marketplace in Brief

- ★ Over 90% of all consumer retail purchases are done at physical stores, locations.
- ★ Among high-end grocers, some 70% of food products (SKUs) are imported.
- ★ The top five grocery chains have a combined market share of only 6.5%.

**Physical retail: high-end grocery store
BHG, Beijing**



- ★ China surpasses the US as the No. 1 e-commerce market (2013).
- ★ Online shopping represents ~10% of all retail sales and is forecast to double by 2020.
- ★ One quarter of Chinese population (~300 million) shops online. Online food purchases represent 3.3% of total sales but food is the fastest-growing segment.

Online retail: JD.com's delivery scooter



Ten Market Developments and Key Observations

1. CANADIAN FOOD: Based on our informal assessment, Chinese retailers don't think about "Canadian food" as a source to help them meet their customers' food desires (other than a handful of items; e.g., maple syrup, ice wine and lobster). Still, we saw a variety of Canadian foods "on the shelf," including honey, canned seafood, frozen mussels, wine, canola oil, frozen beef and chocolate. However, other countries' products are more frequently profiled and achieve greater visibility (see Carrefour promotional flyer).



A promotional flyer distributed in China by Carrefour

2. SOURCING MORE FROM CANADA: The retailers we visited expressed an interest in sourcing more quality processed products from Canada. BHG, a major high-end retailer, is methodically seeking out global supply relationships that will include sourcing more secondary processed foods, such as frozen meats, frozen confectionary and "leisure grocery" (snacks, cookies).⁴ BHG recently opened a North American buying office in Toronto for this purpose. (See image of BHG's procurement span with the "future" focused on value-added foods.) Online retailers were also interested in profiling Canada and Canadian food on their platforms. That said, retailers are competitive and they will source quality products wherever there is opportunity. Shanghai's Fresh Mart is seeking out direct connections with trading companies in the US with an eye to improving the flow of products to its stores.



BHG North America procurement span

“ It will take time for Chinese consumers to understand the quality of Canadian food products. But we’ll work with you to help make this happen. ”

— Kenneth Fung, Director of Merchandising, BHG International

3. MARKET RESPONSE BY PHYSICAL RETAILERS: Some 90% of China’s retail sales are still carried out in traditional physical storefronts.⁵ The high-end stores we visited cater largely to consumers expecting “quality” and “safety,” and more than 70% of the stock-keeping units (SKUs) on their shelves are imported. Among mid-level chains, imported products are also available, although the vast majority of products would be produced in China. Retailers are responsive to consumer food expectations (see images of products from Olé and Carrefour).



Olé: organic



Olé: local



Carrefour: imported

Retailers take market segmentation strategies seriously, as competition for the consumer’s yuan is stiff and highly fragmented, and there are some unique marketplace features. China’s market is not dominated by a few retailers. The top five Chinese grocery retailers account for only 6.5% of total grocery sales.⁶ (In Canada, the top three grocery chains have nearly 70% of the market.) For first-time Canadian exporters especially, this speaks to the importance of identifying a strategy focused on “one retailer in one city” as an initial step to help break into this vast marketplace. Relationship-building is vital, and this measured approach is prudent. Also, the legacy of China’s former one-child policy has shaped the marketplace; one major retailer targets mothers who are keen to make the safest food choices for their child and family.



Australian beef display,
BHG Market Place, Beijing

“ Consumers will not knowingly buy fake food. ”

— Andrew Wu, Group President for Greater China, LVMH Group

4. THE VALUE OF “TRUST”: Food safety continues to be a preoccupation for high-end consumers and middle class consumers, or those who can afford western foods. As one Shanghai grocery store manager said: “Chinese people don’t trust food grown in China.” (See Appendix 2 for a list of some recent tainted-food scandals.) They want assurances that what they consume is “authentic,” including ingredients, labels, brands and sources of food and beverages. This is the backdrop for positioning Canadian products. However, consumers fear even reputable products could be adulterated or counterfeited (particularly if packaged in China). Therefore, retail-ready products prepared and packaged abroad have value. Traceable and verifiable systems should be increasingly important to retailers as a key part of a product’s value proposition, and imported foods are no exception. At this point, such supply chain practices are largely assumed to be in place simply because they are from reputable foreign sources. “Authenticity” should become a much sought-after point of differentiation and retailers know it. The online company JD.com promotes itself to Chinese consumers on the basis of trust, and the physical retailer BHG declares that it has “the most responsible food private label program in China.”

5. RISE OF E-COMMERCE: China is now the world's largest e-commerce market, surpassing the US, with food purchases representing a small (3.3%) but growing proportion of the country's online activity.⁷ A quarter of the Chinese population — 300 million people — now shops online. This is a staggering number, nearly equivalent of the entire US population! The cross-border online shopping market has grown from 6 billion yuan (CAD \$1.0 billion) in 2009 to 74 billion yuan (CAD \$12.4 billion) in 2013 – a twelve-fold increase.⁸ While online shopping represents some 10% of total retail sales, that share is forecast to double by 2020.⁹

This presents opportunities to export or extend our reach into China — benefiting bulk Canadian agricultural products (e.g., lobsters, cherries), primary processed products (e.g., pork and beef cuts) and higher value-added or secondary processed products (e.g., packaged foods and beverages). Western retailers are seeing the potential, too. After partnering with Alibaba (China's largest online company), Costco sold more than three metric tonnes of nuts and one tonne of dried cranberries to Chinese consumers.¹⁰ Moreover, some 60% of Chinese consumers use online shopping sites as the main source for learning about brands and products, suggesting that getting effective exposure online is particularly important for foreign product suppliers.¹¹ But there's a cost to this approach, as it requires considerable marketing support to stand out among the vast array of competing items; this avenue also favours certain products over others and has current limitations (e.g., the cold chain is undeveloped). Additional information is provided in Appendix 3.



Milk poster at YHD, Shanghai

6. RISING FOOD IMPORTS: A consumer revolution is transforming how food is sold and consumed in China — and driving up China's food imports. Those imports have risen rapidly from over US \$20 billion (CAD \$26 billion) in 2004 to nearly US \$100 billion (CAD \$103 billion) in 2013.¹² Canada supplies China with about 4% of its total agri-food imports. Our agriculture and seafood exports to China have risen more than five-fold since 2006 to CAD \$5.6 billion — making China the No. 2 market for Canadian agricultural exports (see Table 4a in Appendix 4).¹³ Our exports are dominated by commodities and primary processed products (particularly canola seed and oil; see chart, "Top 10 agri-food exports," page 12). Secondary processed foods represent just over 1% of the total value of our food exports.¹⁴ A close look at this trade (see Appendix 4) reveals that some of these Canadian exports (e.g., wine in recent years) are growing, though not nearly as dramatically as canola. Still, for a small- to mid-sized exporter (such as a Canadian winery), success in China can be a big achievement in terms of gaining premiums from a growing market.¹⁵



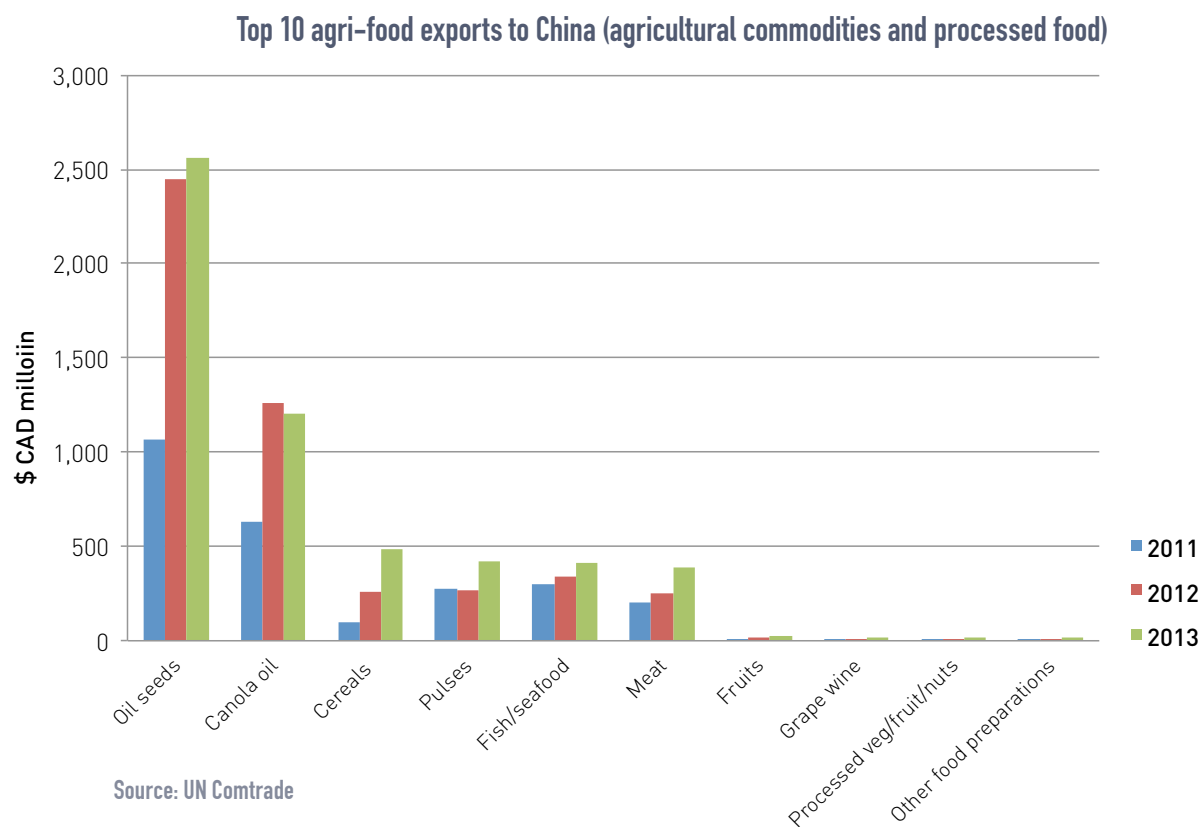
We've set up twelve foreign food pavilions to profile foreign brands. [...] We'll do week-long online promotions and work with the embassies to make them successful.



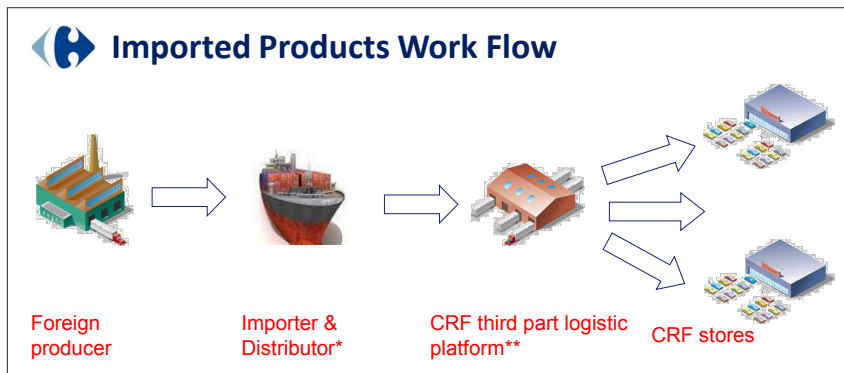
— Ling Huang, Key Account Director, JD.com

7. MARKET ACCESS CHANGES: Getting access to the massive Chinese market is a priority for exporters, trade associations and governments, both in Canada and among our competitors.

a. Canadian access efforts: Federal and provincial governments are supporting Canadian business growth in China along a number of fronts,¹⁶ achieving access to key agri-food sectors in China.¹⁷ Relatively speaking, export opportunities for Canadian secondary processed foods (such as packaged foods) is not a high priority. The following chart demonstrates that Canada's "top 10 agri-food exports to China" are led by commodities and primary processed products. Moreover, from our observations, it appears that most Canadian food manufacturers are not investing at a level that will ensure success in China.¹⁸ That said, our trip demonstrated an important point. There is a growing interest across this diverse sector to better understand the Chinese market and the steps required to enhance our presence in China.



b. Chinese market access developments: Chinese reforms are creating new opportunities. A case in point is the Shanghai Pilot Free Trade Zone. While early days yet, the Chinese are trying to make it work.¹⁹ JD.com considers the free trade zone “a big step forward” and is developing a “new business model” to reduce the time for clearance, inspection, quarantine and delivery of imports. To enable imports, the zone streamlines business registrations, facilitates customs clearance, offers warehousing, makes foreign currency transactions easier, and waives customs and import duties if goods are re-exported to other countries. The free trade zone is considered symbolic of the opening up of China’s economy and is an attempt to work around established State Owned Enterprises, which “benefit from the status quo” and show some reluctance to see further reforms.²⁰ Other provinces may be allowed to emulate the Shanghai initiative if this zone is successful. Retailers recognize the need to facilitate imports to some degree. Carrefour helps exporters by supplying general information about the import process (see its “imported products work flow” diagrams below).²¹ Carrefour recently received an import license for its private-label processed foods and is working with Chinese regulators to streamline the customs clearance process. Still, there are limitations to what retailers can do on their own. Without a dedicated retail partner, exporters will have to continue to work with local distributors.

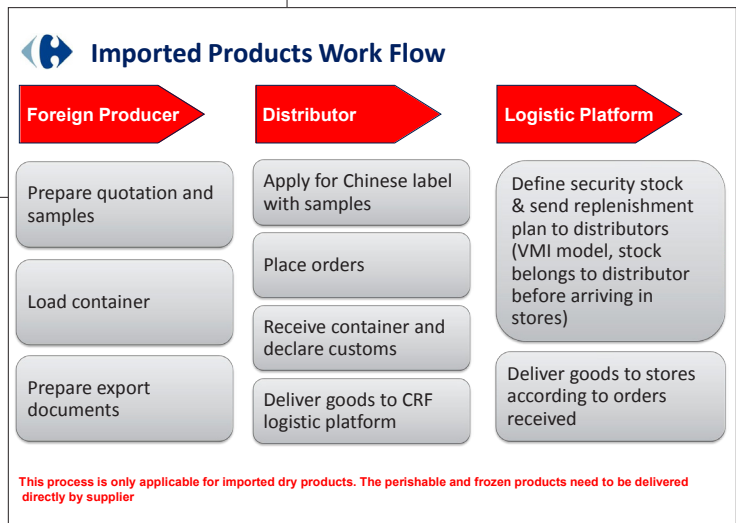


Remarks

*CRF China doesn't have import license, all imported goods in stores are sourced from distributors

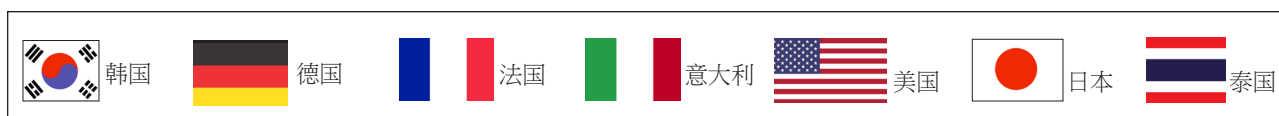
**For perishable and frozen products, distributors deliver directly to stores

Carrefour “imported products work flow”



8. GOVERNMENT'S ROLES IN ONLINE POSITIONING

a. Foreign governments' response: Our competitors have been quick to secure a larger online presence. The French Foreign Ministry signed an agreement with Alibaba in May 2014 to promote the “elegance of France” to the Chinese consumer, focusing on the products of some 30 French flagship stores. The agreement included a remittance and logistics component to enable transactions.²² Last summer, the Australian Department of Agriculture worked with JD.com to list more Australian brands. JD.com has profiled “Australia week” and in fact has 12 country “pavilions” on its site to profile food and beverages of our competitors. (There is a cost to receive this profile.) YHD has firmed up collaborations with several countries, including the US Consulate General in Shanghai, to facilitate food exports to China.²³ The US Department of Agriculture has also collaborated twice with Alibaba’s Tmall (its business-to-consumer online platform) featuring over 60 American products, including pork, cherries, wine, seafood, and pretzels.²⁴ The promotions were positioned as a way for American SMEs to access the Chinese middle class through the “power and potential of e-commerce.”



YHD.com's span of “food festivals”

b. Canada's online response: Canada's online efforts to promote its products have been more limited and largely focused on seafood. But this is changing. The Canadian Head of Missions and Trade Commissioners in China have been actively promoting Canadian seafood on Tmall and on JD.com, which publicized Canadian cold-water shrimp at the Canadian Embassy in 2013.²⁵ Canada's Prime Minister, Minister of Agriculture and Agri-Food, and Minister of International Trade visited Alibaba and the Minister of Foreign Affairs visited YHD.com in November 2014, demonstrating the attention being paid to the online retail opportunity as a market channel for Canadian agri-food products.²⁶ As well, Canadian premiers have reached out to Alibaba to promote their respective province's foods and beverages. E-commerce campaigns reveal the potential of these efforts. Last year, some 20,000 Canadian lobsters were shipped on Alibaba's famous “Singles Day” promotion. On November 11, 2014, Alibaba sold 90,000 live Nova Scotia lobsters.²⁷ Canada's diplomats helped promote the event by posting an online letter from the Government of Canada emphasizing the quality and source of lobsters from Canada.²⁸ (See more on e-commerce in Appendix 3.)

Rick Savone, Consul General, promoting lobster on Tmall



“ People think about Canada as fresh air, nice environment, and food produced in Canada has a good reputation. But the US has 20,000 SKUs listed with us and Canada has 3,000. We need to introduce more Canadian food to YHD. We want to promote your country and your brand.

— Chris Go, Vice President, YHD

9. CHINESE GOVERNMENT SHIFTS: China is transitioning from years of double-digit GDP growth to a new normal of single-digit growth. Its central government is officially encouraging “consumption” as a policy objective to help drive up economic activity. This is enabling rapid expansion of largely unfettered e-commerce activity. As a result, the Chinese government is both embracing and promoting e-commerce while grappling with its responsibilities and assessing its regulatory roles. Facilitating trade is also a priority. China and Canada have just agreed that Canada will become the first country in the Americas to secure a Renminbi trading hub.²⁹ The Shanghai Free Trade Zone was noted earlier and China has just signed a free trade agreement with Australia.³⁰ While the regulatory environment can be vague and uncertain, changes underway are allowing Chinese consumers to seek out more imported foods.

10. REGULATORY CHANGE AND RESPONSE: As China imports more products from abroad, including value-added products, new issues will require clarification and, where necessary, action. (See “Non-tariff barriers,” Appendix 4.) Given the global interest in exporting to China, there is an inspection queue to get certain plants approved for products exported to China. The Chinese regulatory capacity is one issue that confronts exporters. (See “China’s regulatory structure,” Appendix 4.) The “world” is coming to China to serve this growing marketplace, and time must be invested in the regulator relationship.

In our meeting with the Chinese regulator AQSIQ (General Administration of Quality Supervision, Inspection and Quarantine) and the China Chamber of Commerce of Foodstuffs (CCFNA), we informally discussed issues facing Canadian food exporters.³¹ We learned that the AQSIQ has allowed Australia to conduct a pilot program to import chilled beef into China as a basis to develop an approved protocol for this product. China wants to ensure that bacterial counts after shipment do not exceed safe limits. AQSIQ revealed that it would also entertain a similar pilot program for Canadian chilled pork. We explained that advances in packaging, shipping and logistics technology ensure product safety and quality. Such an application also requires involvement by Canada’s regulator, the Canadian Food Inspection Agency, to validate the process. Regulatory approvals can require physical inspections of processing plants here in Canada by Chinese officials. This can be costly (inspections are funded by industry) and add considerably to delays in processing access requests.

Proposed Immediate Actions

1. RETAIL POSITIONING

Based on our trip and recognizing that e-commerce represents 10% of the Chinese retail marketplace, we present the following suggestions:

Online Retailers: While Canadian foods are listed on China's leading e-commerce sites, the challenge is to determine how or why a Chinese consumer scrolling through the many product choices might select "Canadian." Our competitors are steering Chinese consumers to their respective foods and beverages. We need to leverage our national brand to help Canadian companies (especially SMEs) see their products displayed on these e-commerce sites. Sub-national Canadian branding will likely make little headway in this market as the average Chinese consumer is likely unaware of any Canadian province.

Physical retailers: Upscale and mid-level stores are seeking out new, value-added foods and beverages to meet changing customer food tastes. Competing here (where there can be multiple choices of the same product from a variety of countries) also requires crisp product differentiation. For enhanced exposure, companies can turn to country branding to help make the difference (in-store displays, signage, use of flags, etc.). When contemplating go-to-market strategies in China, companies can also benefit from identifying one or two specific retailers in a specific city as the initial focus, building experience and relationships from there.

ACTION: As our competitors have done, developing a dedicated country-branded "page" or site rented from leading online retailers will enable dozens of Canadian food and beverage exporters to improve their chances of being seen online. An online "Canada Food Festival" should be launched next summer (Canada Day) or late fall/early winter in time for the Chinese New Year. The approach should also be adapted for use in high-end physical retailers in key cities (e.g., Shanghai, Beijing) so consumers have a "showroom" to see and try products. A handful of government and industry champions need to take this forward and CAPI can help enable these discussions. This initiative will also serve to better align Canadian food stakeholders back in Canada to improve our approach to the Chinese market.

2. REGULATORY CLARITY

While change is underway, a regulatory black box continues to exist. Engaging distributors and agents have been the traditional ways to enter the market, but Chinese retailers are starting to do more to facilitate desirable food imports themselves (and having bilingual Canadian company sales staff to engage retailers directly is always advantageous). That said, Canadian companies (especially SMEs) struggle with navigating China's complex import practices and regulations. Canadian documentation on the Chinese regulatory structure and marketplace trends and issues is available.³² However, there is a need for practical step-by-step advice and case studies of successful food and beverage imports to China. The key point is that food companies will be less inclined to invest in exporting to China because of the complexity of understanding Chinese rules about clearances and approvals. While these regulatory challenges are of China's making, feedback from our delegation suggests Canadian companies could benefit from a "food import roadmap."

ACTION: A "food import roadmap," including examples of successful food imports, would help companies better understand the export-import process. While sub-sectors face unique requirements, a high-level reference guide appears to be needed. Government needs to take the lead here with key food and trade associations.

3. IMPROVING PRIORITY ACCESS

As well, food companies will not invest in the China export opportunity if regulatory restrictions make such investments prohibitive. For instance, it was our understanding that there are challenges to allowing Canada to ship chilled pork into China. Meeting with the Chinese regulator, AQSIQ, revealed that it would entertain access for chilled pork on a pilot basis but has never been approached with that specific request.

Maintaining and improving access for leading Canadian agricultural exports (such as canola, pork and beef, among other products) is a priority given their commercial export value. Value-added foods present immediate and emerging niche opportunities for Canadian companies, given changing demographics, food preferences and the size of key target segments in China. Our government dialogues in China focused on advancing practical solutions to address sticky access problems for processors and expressing this segment's growth potential. Over the long term, this is good for Canadian food manufacturers and primary producers as some 40% of Canada's agricultural output is processed by Canadian food manufacturers. Securing new growth markets has a cascading benefit.

ACTION: The processed food sector needs to work with Agriculture and Agri-Food Canada (and the federal market access team) on what can be accomplished to improve market access for processed food products. As well, the pork industry also has an opportunity to present the case for a chilled pork pilot in China.

4. A CHINA STRATEGY FOCUSED ON “DIFFERENTIATION”

Canada has identified the need to secure new premium markets for its value-added sector.³³ Given its changing demographics, such as a burgeoning middle class and wealthier consumers, China presents Canadian companies with significant market opportunities, both currently and in the future. Seeing the trends, Chinese grocery chains and online retailers are taking strategic steps aimed at serving these segments. We learned that other countries are actively pursuing the China market opportunity for their respective value-added products. It is also clear that the evolving marketplace and the actions of our competitors (governments and supply chains) will only continue to force change. A dialogue on a “China strategy 2.0” would be timely and beneficial.

Leveraging authenticity is at the core of how we can differentiate ourselves. It’s hard to counterfeit a lobster but most products can be at risk of counterfeiting or adulteration unless clear steps are taken to ensure product integrity. Chinese retailers and consumers know this. Processed foods produced and packaged in Canada within a dedicated import supply chain can confer market advantages as demand for authentic imported foods increases. For consumers, however, the origin must be beyond doubt, and this may require both innovation in marketing as well as technical advances in packaging to increase security and improve shelf life. Taking a “beachhead” approach by targeting one or two cities or regions may also help focus the effort (while not foregoing opportunities as they arise across China). Objectives drive tactics.

ACTION: A business-government dialogue on Canada’s China strategy should include goals and metrics. For instance, what is required to double Canada’s value-added agri-food exports to China over the next five years? The strategy should also focus on defining and reinforcing Canada’s points of differentiation (for our ingredients, foods and beverages) and getting alignment among stakeholders to deliver upon them. The trade framework is also shifting as countries secure free trade deals with China; while this was not part of our trip deliberations, it is worth discussing in the context of strategy.

Conclusion — and the Importance of Strategy

Building on the efforts taken to date to position Canada for success in China, it is timely to consider the next generation of a trade strategy with China. The strategy needs to evolve to meet these rapidly emerging commercial opportunities. The question is, “are we keeping up?” While a comprehensive answer is beyond the scope of our analysis, this overarching question should guide what we do next.

Individual companies determine their own go-to-market strategies but a “China strategy 2.0” should focus on defining and reinforcing our collective points of “differentiation.” Positioning a Canadian brand that better profiles Canadian ingredients, foods and beverages and differentiates Canada from other quality importers is a priority. It may become an even higher priority in the future as Chinese consumers and retailers become even more discerning about the food they eat.

Canada needs to respond to these changes in a way that is good not only for Canadian food manufacturing (now the country’s largest manufacturing sector³⁴) but also for Canadian primary producers as ingredient suppliers. Nearly 40% of Canada’s agricultural output is processed by Canadian food manufacturers. The benefits of winning and maintaining access to the largest e-commerce economy in the world — and likely soon the largest economy in the world — are undeniable. Regulatory actions and priorities must take into account how we want to position Canadian agri-food opportunities in both the short and long term.

Greater alignment at our end can help. Federal and provincial governments, industry, research infrastructure, and the array of support sectors (transportation, technology, financial services, etc.) that enable successful trade and commercial dealings all have a role to play. The right targets can align stakeholders and resources, and measure progress.

In summary, the growth potential of the world’s No. 1 emerging market, the efforts being taken by competitor countries to position themselves in this market, and Canada’s quality agri-food brand potential, mean it is time to take our strategy to the next level and embrace a more ambitious and sophisticated approach.

ACTION SUMMARY

- ★ Fully leverage the Canadian food brand among leading retailers (as our competitors have done). Showcase Canada and Canadian foods/beverages among those retailers that attract higher-income Chinese consumers and develop a dedicated Canadian-branded “pavilion” to better present and promote Canadian products with leading e-retailers.
- ★ Produce a high-level reference roadmap to support Canadian companies to export to China.
- ★ Support improved market access for food companies’ products.
- ★ Develop the next-generation China strategy that reinforces Canada’s strengths and advantages.

Some Questions for Dialogue

1. How should we aim to increase our share of China's food imports (for commodities and processed foods)? What is required to double Canada's value-added agri-food exports to China over the next five years? (Currently, our value-added exports represent just over 1% of export value to China.)
2. How can we best differentiate ourselves from our competitors' ingredients, foods and beverages? Why should we?
3. In the context of considering the notion of a free trade agreement, what would we be willing to give up and what do we want to gain? Are we even ready to raise this question?

Appendix 1: Trip Participants and Meetings

Table 1a. Companies and organizations on the CAPI trade trip

Greg Mohr
 Director of Sales and Marketing
Bee Maid Honey Limited



David Lomas
 Vice President, Marketing and Business Development
Bumble Bee Seafoods International



Randy Williamson
 Chairman
Canadian Dairy Commission



Toine Stolze
 Director of International Sales
Dare Foods Ltd.



Sven Freybe
 President and CEO
Freybe Gourmet Foods Ltd.



Grant Lazaruk
 Chief Executive Officer
HyLife Ltd.



Robert Wiebe
 VP & General Manager, Food Science and Safety Services
Maxxam



Ray Price
 President
Sunterra Group



Ted Bilyea, Chair, and
 David McInnes, President & CEO
Canadian Agri-Food Policy Institute

Note: Daniel Cheng, Managing Director, China, of the Canada China Business Council, joined the CAPI delegation in Beijing for Chinese and Canadian government meetings.

Table 1b. CAPI delegation visits to grocers

Grocers visited	Profile	Reasons for visit
Olé Shanghai, November 9	Part of Vanguard, owned By China Resources Group, a State Owned Enterprise (SOE) with 3000 stores in China – largest chain in China. Olé is its high-end platform; operating for some 10 years.	A large state-owned store. Western-style, high-end model store visited in the business district. Significant imported foods (70% of SKUs)
Fresh Mart Shanghai, November 9	Japanese-run, Hong Kong-owned. Regional supermarket. Relatively new entrant (mid-2000s).	Foreign-influenced retailer (discernably Japanese). Significant imported foods, high-end.
Carrefour Shanghai, November 9, 10 Store, separate management meeting.	Fifth largest food retailer in China; over 230 stores in China in some 70 cities. French-owned and an early entrant (1995). While initially considered high-end, now serves the mid-market. Heavy emphasis on discounting, coupons, in-store promotions. French private label products are pervasive. Facilitates local food; food mix varies by store/region.	A hypermarket (food + consumer products). Foreign-owned. Mid-market. 3-5% foods are imported. Leading Canadian products are canola oil, maple syrup.
City Shop Shanghai, November 9	A recent Shanghai-based chain/success story. Formed a few years ago to serve the expatriate consumer but now has a broader reach. 12 stores in Shanghai; 2 in Beijing.	Local-chain. High-end. Significant imported foods (70%).
Beijing Hualian Group (BHG) Beijing, November 12, 13 Two stores, innovation centre	Founded in 1993, retail business begins in 1996 and aims to be the best and most innovative retailer in China. Focus: “To improve the lives of Chinese shoppers through fresh and healthy product and lifestyle choices.” Chinese publicly listed company and one of the 15 largest retail enterprises supported by the Ministry of Commerce of China. Has 152 grocery stores in 47 cities (21 provinces), 21 department stores (another 5 in Singapore), 1 luxury department store (Beijing), and 52 BHG malls (May 2014).	Has a high-end grocery with 70% products imported, as well as mid-market stores; has a dedicated retail research and innovation centre. Also has recently opened a North American buying office in Toronto.

Table 1c. CAPI delegation visits to e-commerce retailers

E-commerce retailers visited	Profile	Reasons for visit
Yihaodian (YHD) Shanghai, November 11	Started in Shanghai. 51% owned by Walmart. SKUs have increased 1,500 times from 2008 to 2014 offering today some 4.5 million SKUs (all products) 70 million registered members (users).	The sixth largest online provider but the largest food and beverage e-retailer. China's number one choice for online food and beverage shopping. Nearly 80% of its products are imported foods.
JD.com Beijing, November 13	Started in Beijing. NASDAQ listed, May 2014. (Ontario Teachers' Pension Plan was an investor when it was held privately.) Sells "everything" (25.7 million SKUs as of December 2013); food SKUs growing but represent less than 1% of total.	Second largest e-retailer in China. Largest online direct sales retailer in China (in terms of transaction volume). Its food SKUs have increased from some 23,000 (2013) to over 37,000 (March 2014).

Table 1d. Other meetings

Meeting	Profile	Reasons for visit
Shanghai Pilot Free Trade Zone Shanghai, November 11	Spanning 28 square kilometres, it is the first free-trade zone in mainland China, established in August 2013 by the Shanghai municipal government.	To understand its role in enabling food imports into China, the costs, logistics and impact on timelines.
Government: General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), Beijing, November 13 Canadian Embassy, Beijing, November 14		To hold informal discussions including about regulatory and market access matters based on our delegation's observations over the week.

Appendix 2: Food Safety History

Table 2. Recent food safety/adulteration scandals in China

	Scandal
2003	Ham soaked in the insecticide Dichlorvos.
2004	Counterfeit milk-powder deaths of dozens of children in an eastern Chinese city.
	Adulterated vegetables: use of industrial-grade salt to pickle vegetables; pickled vegetables treated with the pesticide DDVP prior to shipment.
	Counterfeit alcoholic drinks: industrial alcohol blended with rice wine.
2005	Red dye discovered in vegetables and noodles. (In 1996, China banned Sudan I red dye as food coloring).
2008	Tainted Milk Scandal I: melamine contaminated infant milk formula scandal; infant deaths.
2010	Counterfeit green beans: soybeans dyed to mimic green beans.
2011	Tainted Milk Scandal II: melamine contamination.
2012	Counterfeit eggs.
2013	Pork scandal: pork harvested from dead stock, processed in unapproved plants.
	Lamb scandal: rodent meat sold as mutton.
	Gutter oil scandal: lard oil labeled as edible oil.
	Beef scandal: pork treated with chemicals to make it look like beef.

Appendix 3: E-commerce Insights

CAPI visited two online retailers during its trip, JD.com and YHD. We did not visit Alibaba (given that our trip coincided with its major e-commerce campaign, “Singles Day”). But that company is mentioned below, given its importance.

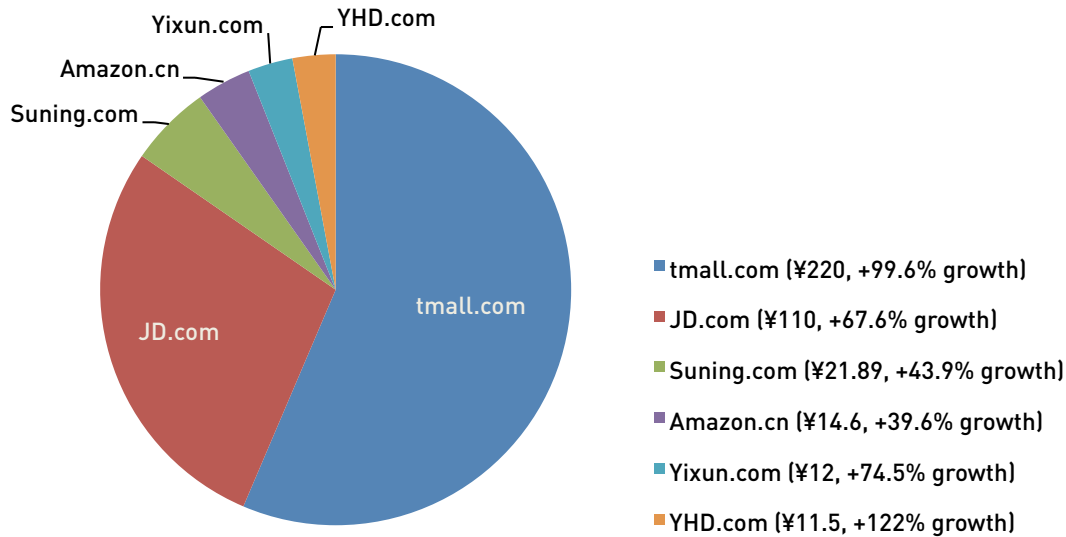


Figure 3a: Revenue before tax in RMB billion yuan of leading e-retailers in China (2013% growth)
 Source: China Chain Store and Franchise Association (CCFA); CAPI

E-commerce accounted for 10% of China’s total retail sales in 2013 and has been forecast to reach 20% by 2017.

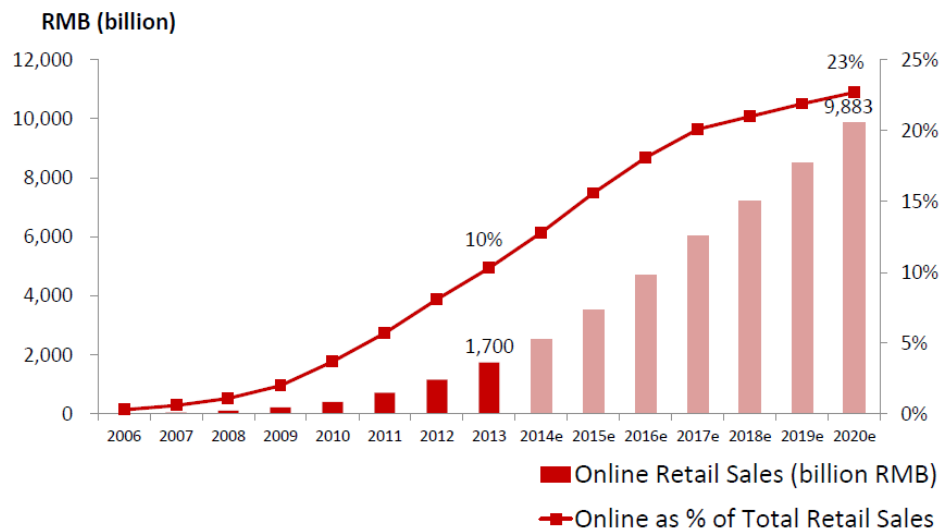


Figure 3b: Growth of e-commerce and forecast.
 Source: Kantar Retail Analysis via JD.com

Alibaba

Alibaba Group Holdings Ltd. is the world's largest online commerce company (all consumer products). In 2013, it became the No. 1 retailer in China.³⁵ Tmall is its "B to C" company. Its November 11 Singles Day was initially promoted to encourage single people to "comfort themselves with some retail therapy." Today, its CEO describes the event like shopping for Christmas on one day, and it is now an e-shopping extravaganza as other online companies jump aboard. Food and beverage products are among the top five product categories purchased that day.³⁶ In 2013, Alibaba achieved 35 billion yuan (CAD \$5.8 billion) in sales on that day.³⁷ In 2014, it exceeded US \$9 billion (CAD \$9.9 billion)— a staggering amount.³⁸

**JD.com**

JD.com is the No. 2 "B to C" e-commerce company.³⁹ By controlling its own direct distribution to customers, it provides rapid and free delivery (for purchases over about \$10).⁴⁰ Its network of 97 warehouses in 39 cities, among other facilities, manages inventory. It provides a range of services for exporters from point of sale (online), to warehousing, payment and delivery, with a declared delivery time of some 3-7 days once the product lands at the Free Trade Zone.⁴¹ JD.com's listing cost includes a "deposit payment" (US \$10,000-\$15,000/year); a "platform access fee" (US \$1,000/year); and "sales commissions" of 2-10% depending on the product category.⁴² The company can, essentially, take products on consignment and it directly purchases high-demand products (e.g., wine).⁴³

**YHD**

Yihaodian (YHD) is the largest online Chinese retailer for food and beverages, although it sells other consumer products. It has marked rapid growth (better than 400% CAGR over five years).⁴⁴ It offers, for instance, 70 brands of milk from 29 countries⁴⁵ and 65% of all imported milk sold online in China is sold by YHD.⁴⁶ It proudly promotes its Guinness World Record for selling the most milk online in 24 hours — over one million litres on March 18, 2014.⁴⁷



E-commerce – facilitated by technology

Nearly 60% of e-commerce is generated from mobile devices.⁴⁸ With some half a billion smartphones in use in China, access to electronic wallets facilitates e-commerce transactions, making online shopping highly accessible. Confidence is maintained in the financial transaction by the fact that e-retailers enable e-banking (e.g., Alibaba’s “Alipay” financial services arm).

New model – pre-selling

“Revolutionizing the traditional imported food supply chain”⁴⁹ is the “pre-sale model,” which allows consumers to place their orders in advance and enables sellers to lock in their market before shipment and reduces supply chain costs (e.g., Alibaba pre-sold 200 tonnes of Washington State cherries this way).

Demographics and changing food expectations

The prevalence of young, urban consumers comfortable with e-commerce is changing shopping preferences. Some 94% of JD.com’s customers are college-educated, mainly reside in the large eastern cities and are mostly 29 to 40 years of age.⁵⁰ Over 40% of the Chinese population, or around 220 million people, were born after 1980. They are prepared to pay for “quality food” with respect to safety, health, authenticity and sustainability. Chinese consumers born in the 1990s (some 170 million people) are highly connected to the world outside of China and represent yet another food marketing segment that Canadian exporters need to understand.⁵¹

Appendix 4: Trade Perspectives

CHINA'S FOOD IMPORTS

The following charts present different views of Canadian and global agri-food exports to China.

In Table 4a our market share of key imports remains in single digits (2013), such as pork (9.7%), beef (6.4%) and seafood (3.5%), although each category is showing growth. Seafood, for instance, added some \$100 million in trade value in two years. In the red meat market, frozen products are the main import category and only limited quantities of fresh or chilled products enter the Chinese market.

Table 4a. Global commodity imports: Canada's export share and other competing suppliers

Product	2011	2012	2013	Main competing suppliers in 2013 and value of exports to China (US\$ million)
Live animal (Total)	376.6	499.5	432.7	Australia (179), New Zealand (87), USA (71)
Canadian exports	5.8	7.1	12.8	
Bovine semen (Total)	13.39	17.58	21.3	USA (11.5), Germany (1.6)
Canadian exports	4.42	6.47	6.6	
Milk and Milk products	2,620.1	3,212.8	5,188.3	New Zealand (3,273), USA (544), Australia (227)
Canadian exports	1.4	1.1	0.5	
Meat and edible meat offal (Total)	3,411.0	5,088.2	5,996.8	USA (1,177), New Zealand (716), Brazil (490), Denmark (413), Germany (410), Uruguay (332)
Canadian exports	209.2	251.4	379.2	
Beef (Frozen)	178.22	303.2	1,242.8	Australia (657), New Zealand (153), Uruguay (268)
Canadian exports	-	10.9	80.2	
Pork (Frozen)	1,173.8	1,276.5	1,430.4	USA (236), Germany (210), Denmark (138), Spain (120)
Canadian exports	97.4	101.8	138.6	
Natural Honey	12.9	26.2	42.9	New Zealand (25), Australia (3.8), Germany (2.4), France (1.3)
Canadian exports	0.59	1.01	1.37	
Fish and Seafood	16,592.0	16,835.0	18,532.0	USA (2,787), Japan (2,256), Russia (1,541), Korea (1,366)
Canadian exports	540.6	581.0	646.9	
Pulses	397.9	582.0	681.8	India (194.8), USA (30.4)
Canadian exports	280.4	274.2	409.7	
Wheat	418.0	1,101.5	1,865.9	USA (1263), Australia (210)
Canadian exports	63.8	154.3	330.1	
Barley	612.4	781.2	798.6	Australia (587), France (44)
Canadian exports	39.2	111.7	141.8	
Animal fat	406.7	298.3	241.0	Australia (64), New Zealand (39), Uruguay (11)
Canadian exports	1.61	1.77	1.58	
Vegetable oils	10,959.5	12,535.3	10,327.2	Malaysia (3,175), Indonesia (2,618), Argentina (779), Brazil (507)
Canadian exports	639.7	1,276.3	1,167.6	
Pasta/cereals/baked food	343.3	431.9	581.2	Indonesia (79), Malaysia (55), Denmark (48), Korea (37)
Canadian exports	0.66	0.62	1.19	

Product	2011	2012	2013	Main competing suppliers in 2013 and value of exports to China (US\$ million)
Vegetable/nut/preps.	592.6	623.7	661.6	USA (199), Brazil (98), Israel (49), Korea (40)
Canadian exports	11.7	8.8	15.5	
Grape wine	1,436.3	1,581.0	1,554.6	France (707), Australia (236), Chile (166), Spain (107)
Canadian exports	7.98	12.24	14.06	
Animal feed +	3,098.3	3,047.5	3,653.7	USA (1,753), Chile (220), Russia (99)
Canadian exports	215.5	119.7	2.6	

Source: UN Comtrade

Figure 4a reveals the importance of canola oil when considering our secondary processed food exports to China.

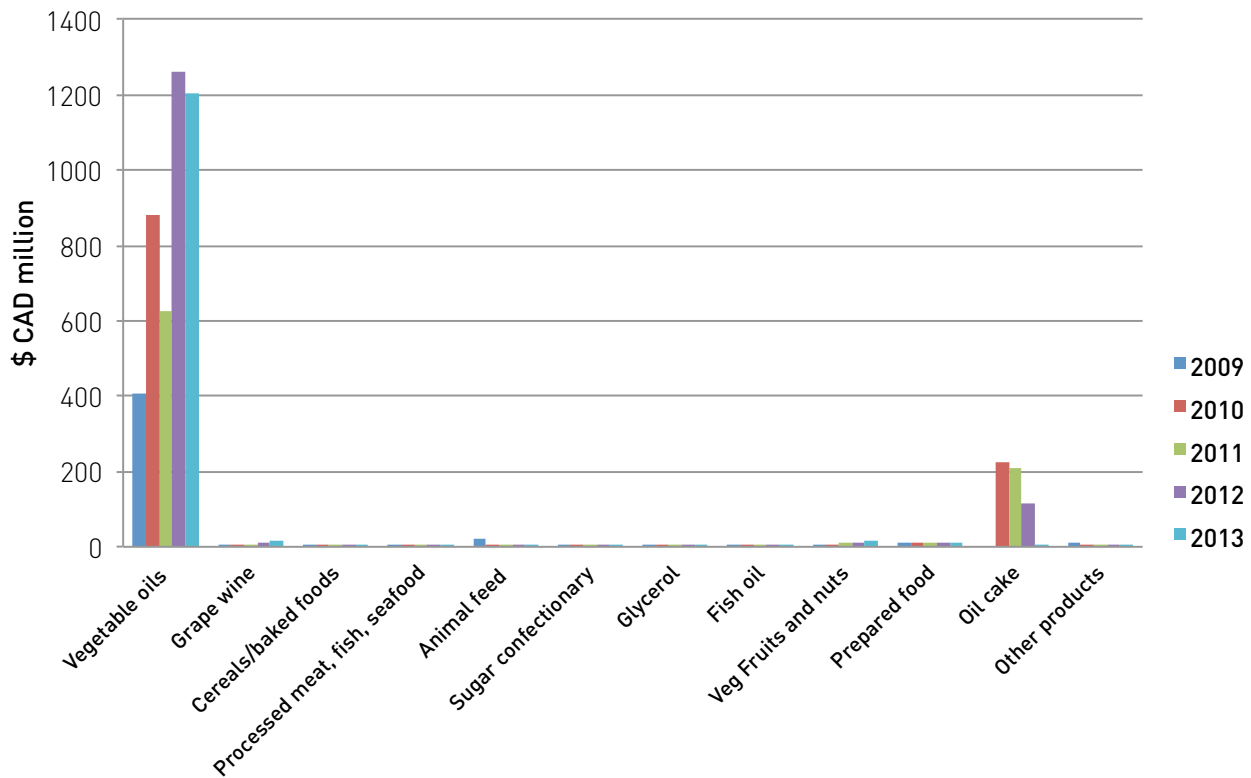


Figure 4a. Canadian processed food exports to China 2009 -2013 (\$ CAD million) Source: UN Comtrade

Taking canola oil and oil cake out changes the perspective. Figure 4b reveals changes among other processing categories. Note the growth of wine, albeit at a much different scale than canola. Still, for a small- to mid-sized exporter (such as some Canadian wineries), success in China can be a big achievement in terms of gaining premiums from a growing market.

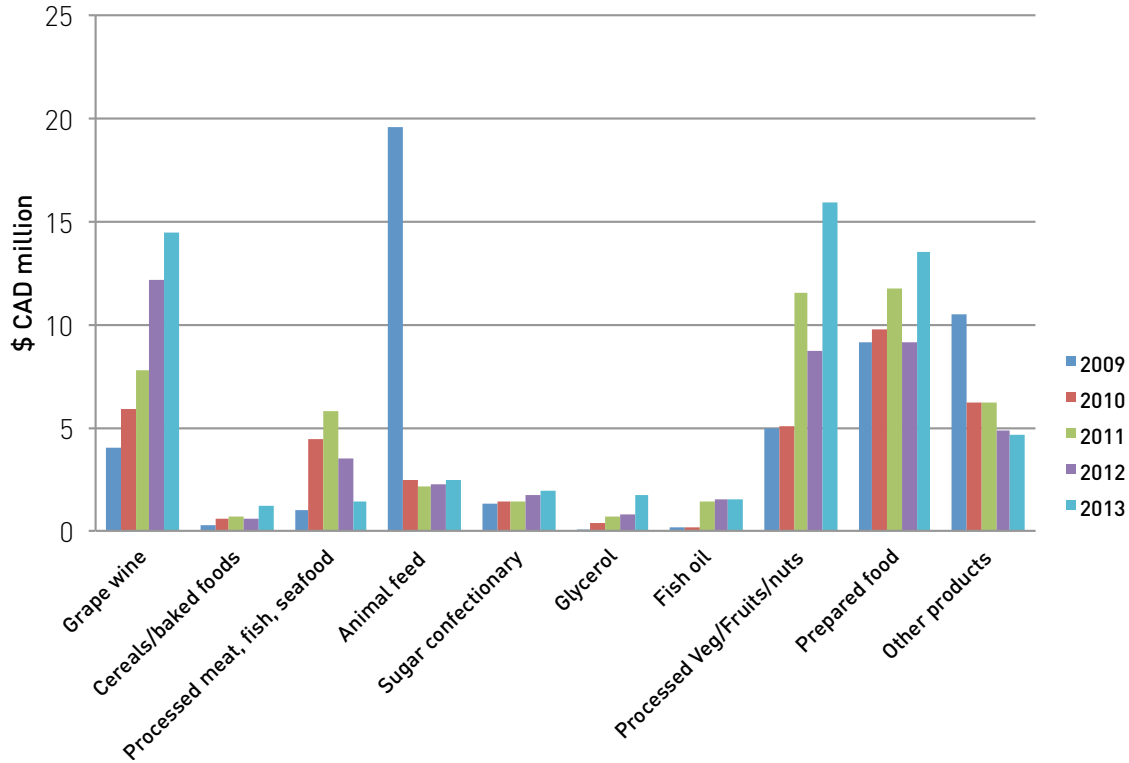


Figure 4b. Canadian processed food exports to China 2009-2013, excluding canola oil and oil cake (\$ CAD million) Source: UN Comtrade

Figure 4c shows the total global processed food picture and the size and potential of the Chinese market. Note the growth in Chinese demand for dairy products now exceeds some \$5 billion.

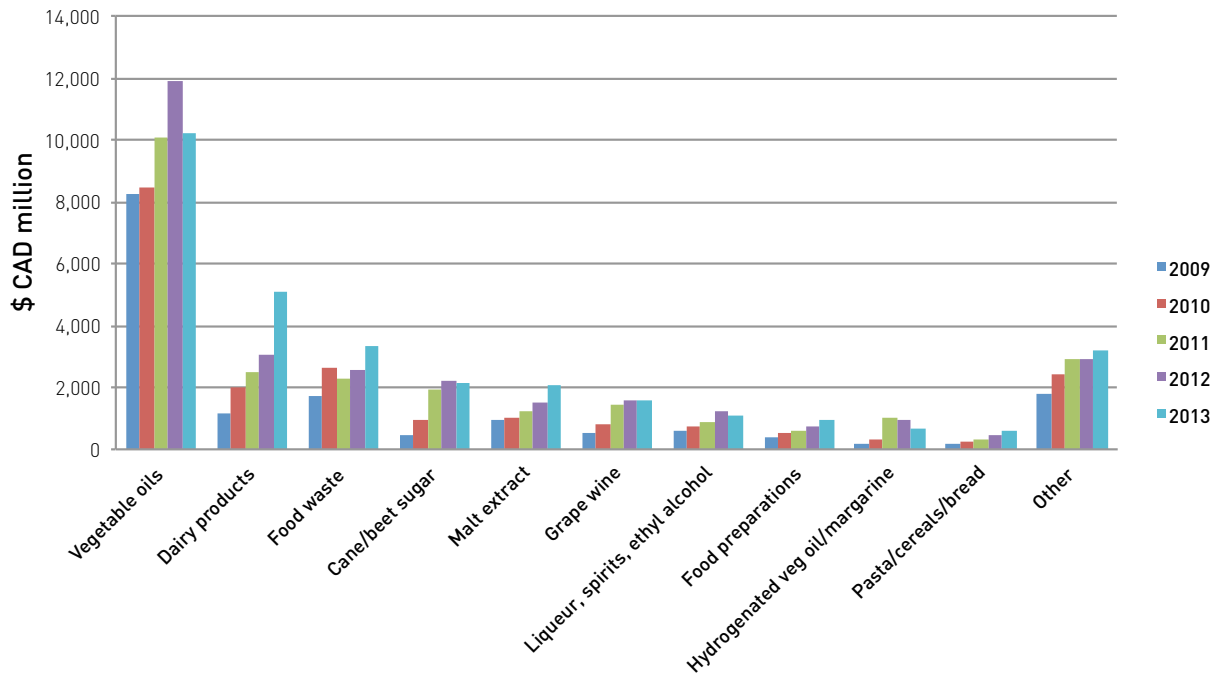


Figure 4c. China's processed food imports (global) 2009-2013 (\$ CAD million) Source: UN Comtrade

NON-TARIFF BARRIERS

Table 4b: Non-tariff barriers

Non-tariff measure	Relevant regulation or product	Remarks
Food labeling	Codex standards are sometimes only being used as a guideline.	Mandatory labeling requirements include the name of the food, the list of ingredients, net contents, weight, name and address of the manufacturer and distributor, date, storage instructions, quality grades, and whether the package contains irradiated foods or genetically modified foods.
	Labeling requirement of irradiated food	Chemical fumigation, which is a similar practice, is not facing the same requirement.
Sanitary and phyto-sanitary	Food safety	China-specific standards sometimes appear to lack a particular technical or scientific basis.
	Meat	China’s policy towards ractopamine is zero-tolerance.
	Tallow	Tallow is considered risk for BSE contamination.
Import permit	Application process	Sensitive business information was required without explanation for license applications, leading to non-tariff barriers.
Quarantine Inspection Permit (QIP)	Plant and animal quarantine	Importers have to obtain a QIP prior to signing a purchase contract for nearly all trade in agricultural commodities. Slow issuance of the QIP increases costs, such as storage, labour and spoilage.
Maximum residue levels	Pathogens	Zero-tolerance for <i>Salmonella</i> bacteria, <i>E. coli</i> and <i>Listeria</i> pathogens (only for imported products). Irradiation is the only method available and it is subjected to labeling laws.
Domestic fiscal policy	VAT	VAT applied only on imported goods.
Limitations on FDIs	Food processing and markets	Only identified sectors are promoted while others have put in the restricted or prohibited category.
Organic certification	Only for products with Chinese certification logo	Compulsory Chinese standards and certification.

Source: WTO 2014, USTR 2008, ccbc.com

CHINA’S REGULATORY STRUCTURE

The country’s regulatory structure is fragmented and includes several regulatory bodies relating to food and agriculture: the Ministry of Health (MOH), the Ministry of Agriculture (MOA) and the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), the State Administration for Industry and Commerce (SAIC), Ministry of Commerce (MOFCOM), and the State Food and Drug Administration (SFDA) are each actively involved in regulating sanitary-phytosanitary standards (SPS) for agri-food products. This fragmentation of the SPS regulatory system presents a challenge regarding the enforcement and implementation of policies and specific measures as there could be an overlap of functions — resulting in frustration for exporters and creating potential confusion around responsibilities and accountabilities.

Acknowledgements

CAPI expresses its deepest thanks to our colleagues in China, Andrew Wu and Sean Sun, and their team, for arranging the meetings and organizing the many trip details; we recognize it was a major effort. The participation and support of the CAPI delegation helped to make this trip possible. Our conversations held over the course of the week in China significantly shaped our thinking and the ideas presented in this report. Of course, our sincere thanks go to the retail companies and governmental organizations we met while in Beijing and Shanghai; the time they devoted to us and the passion they demonstrated for what they do every day to better serve the Chinese consumer, either directly or indirectly, was insightful.

Thank you to Murray Gwyer and the team at the Embassy of Canada in Beijing for arranging the Chinese government outreach. We appreciate the counsel offered by Canada's Ambassador in China and the helpful feedback provided by Canada's trade commissioners as well as officials in Ottawa with the Department of Foreign Affairs, Trade and Development. We acknowledge the support of the Alberta Livestock and Meat Agency, which enabled us to fulfill our research. Al Mussell and Kamal Karunagoda of Agri-Food Economic Systems provided needed research and helpful advice on our work. We appreciate the Canada China Business Council's engagement, both in Canada and in China. As well, several other agri-food and trade organizations and individuals helped us promote the trip and provided advice, including officials at Agriculture and Agri-Food Canada, which provides overall support to CAPI. We also thank David Wylynko and James Hrynyshyn at West Hawk Associates for editing and graphic design, and The Word Shop for French-language coordination and translation.

Notes

1. Overview of the CAPI research program: <http://www.capi-icpa.ca/proc-food/index4.html>
2. CAPI final report on food manufacturing: *Taking the Sector from Trade Deficits to a Competitive Resurgence* (2014). http://www.capi-icpa.ca/proc-food/proj7-8/CAPI_PFRP_Conclusion_ENG.pdf
3. CAPI report on Chinese retail trends: *Charting a Path for Global Growth* (2013). http://www.capi-icpa.ca/pdfs/2013/CAPI_Agri-food-opportunities-China-2013.pdf
4. Overview of BHG, Beijing Hualian Group, distributed at its Toronto office “grand opening,” December 3, 2014. Note: CAPI’s Chair, Ted Bilyea, is also a Director of BHG International Inc.
5. The online retail market is deemed to be 8-10% of the total market, depending on the source. See “E-commerce shines on PM’s China tour,” Meng Jing, *China Daily*, November 8-9, 2014, page 1.
6. Agri-Food Consumer Profile - China: May 2011, Agriculture and Agri-Food Canada.
7. “China’s E-Commerce and Canadian Seafood Export Opportunity to China,” Fan Xubing, Managing Director, Beijing Seabridge Marketing Co., 2014 Annual Conference of Canada Fishery Council, October 8, 2014.
8. “New opportunities for cross-border e-commerce in China,” JD.com presentation, September 2014.
9. “New opportunities for cross-border e-commerce in China,” JD.com presentation, September 2014.
10. “Globalization is the new buzzword in e-commerce,” Meng Jing, *China Daily*, November 12, 2014; and, “Costco to enter China through Alibaba’s Tmall,” Sruthi Ramakrishnan, Reuters, October 14, 2014.
11. “The Chinese Digital Consumer in a Multichannel World,” BCG Perspectives, Boston Consulting Group, April 17, 2014.
12. UN Comtrade data as compiled by Abares, 2014.
13. Agriculture and Agri-Food Canada.
14. In 2013, Canada’s export share of processed foods to China defined under HS 16-24 to Canada’s total agri-food exports (HS 1-24), excluding tobacco, was 1.33%.
15. See for example: “B.C. wine sells for over \$900 a bottle in China,” Global News, January 10, 2014, which profiled Painted Rock Estate Wineries from the Okanagan, B.C.; some 40% of its business is in China. <http://globalnews.ca/news/1075923/watch-b-c-wine-sells-for-over-900-a-bottle-in-china/>
16. See specifically the progress taken on China, “Fact Sheet: China - Canada’s Priority Market.” <http://www.international.gc.ca/global-markets-marches-mondiaux/markets-marches/china-chine.aspx?lang=eng> (accessed December 11, 2014); as well, the Federal Market Access Secretariat at Agriculture and Agri-Food Canada, in consultation with agri-food industry stakeholders, maintains and responds to a priority list of trade issues facing key export markets including China. Matters elevated to this list are largely those facing significant barriers. Most other trade questions and problems are directed to the department’s “single-window” service desk (email: MAS-SAM@agr.gc.ca).
17. See, for instance, “Minister Ritz Delivers Major Market Access Achievements in China,” News Release, Agriculture and Agri-Food Canada, June 17, 2014.
18. The level of investment required will be different for every company. It might range from the simple hire of one person dedicated to export with a mandate to develop the China market or at the other extreme it could be the acquisition of a Chinese food manufacturing company. The point is generally accepted that it is difficult for any North American food company to raise capital without growth and there is little growth in the domestic food and beverage market. Therefore there is little choice but to invest in growing markets. For many of those companies, China will/should be on their short list.

19. The Shanghai Free Trade Zone hosts a small imported food store known as a Direct Imported Goods shop, which at the time of the CAPI visit included frozen PEI mussels and Nova Scotia lobster.
20. "The Shanghai Free Trade Zone: Establishment and Outlook," Lance Noble, Government of British Columbia, 2013.
21. Carrefour presentation, November 11, 2014.
22. "Alibaba to promote French brands in China under new deal," Xinhua, May 19, 2014.
23. "Yihaodian to Offer More Choices of Imported Food," Cri English, November 25, 2013.
24. "Yihaodian to Offer More Choices of Imported Food," Cri English, November 25, 2013.
25. "E-promotion" of cold-water shrimp as referenced in "China's E-Commerce and Canadian Seafood Export Opportunity to China," Fan Xubing, Managing Director, Beijing Seabridge Marketing Co., 2014 Annual Conference of Canada Fishery Council, October 8, 2014.
26. "Alibaba touts ties to Canada on Harper's China trade trip," Steven Chase, *The Globe and Mail*, November 7, 2014. The Canadian government meetings took place at the head offices of Alibaba (Hangzhou) and YHD.com (Shanghai).
27. "Alibaba shakes up online shopping market for Canadian producers," Sophia Harris, CBC News, November 15, 2014.
28. E-commerce is recognized by Canadian seafood companies as a useful channel to the Chinese market, including for shrimp and lobster; as well, crab, salmon, sablefish, and geoduck exporters are also embarking on e-commerce initiatives. (Canadian Fishery Council.)
29. "Increasing Renminbi Trade, Commerce and Investment between Canada and China," Press Release, Prime Minister of Canada Stephen Harper, November 8, 2014. Among other advantages to facilitate trade, this will allow Canadian companies to convert directly from Canadian dollars to Renminbi (also known as the "yuan"), rather than converting to another currency (such as US dollars) first.
30. With the recent signing of the trade agreement with Australia, China has 13 free trade agreements including being part of the Asia-Pacific trade agreement.
31. CAPI delegation meeting with AQSIQ, Beijing, November 13, 2014. While Canadian agri-food exports face their share of regulatory challenges in China, our meeting focused on some issues confronting processed foods. These can be summarized under three categories: better understanding ingredients, clarifying the application and interpretation of the rules, and being approved to import product into China. For instance, we explored why prepared foods that include meat as an ingredient face import bans. This is driven by China's concerns with potential additives. We learned that some issues have not previously been raised with the regulator, such as why pre-made frozen sandwiches are denied entry when frozen pizzas can get access.
32. See, for example, a series of detailed documents produced by Agriculture and Agri-Food Canada about market opportunities in China, trends and regulatory requirements (e.g., "The Wine Market in China: Opportunities for Canadian Wine Exporters, February 2011" and "Consumer Trends: Confectionery in China, March 2012") and by the Canadian Trade Commissioner Service (i.e., "Selling to China: A Guide for Canadian Companies").
33. "Agriculture and processed foods" are specifically flagged as "Global Markets Action Plan Priority Sectors" in addition to "fish and seafood" and "wine, beer and spirits" (Department of Foreign Affairs, Trade and Development Canada. <http://www.international.gc.ca/global-markets-marches-mondiaux/plan.aspx?lang=eng#4d>).
34. Canada's food manufacturing sector has surpassed automobile manufacturing in terms of GDP and in employment. See CAPI's 2014 report on the state of food manufacturing and its importance to Canada: <http://www.capi-icpa.ca/proc-food/index.html>.

35. "Who's China's top retailer? It's actually an ecommerce site that doesn't own a single store," Julia Q. Zhu, Techinasia, June 6, 2014 (ranked in terms of turnover in billions of RMB).
36. "Record 'Singles Day' online sales expected," Shi Jing, *China Daily*, November 8-9, 2014, page 9. Other popular items purchased include clothing, cosmetics and household appliances.
37. "Online shopping festival to boost domestic consumption," Xinhua, *China Daily*, November 10, 2014, page B1.
38. "Alibaba shakes up online shopping market for Canadian producers," Sophia Harris, CBC News, November 15, 2014.
39. "Ontario Teachers' Pension Plan scoring big after its early wager on Chinese online retailer JD.com," Belinda Cao, *National Post*, August 18, 2014.
40. At YHD, 70% of direct sale shipments were made the same or next day in 2013. "New opportunities for cross-border e-commerce in China," JD.com presentation, September 2014.
41. "New opportunities for cross-border e-commerce in China," JD.com presentation, September 2014.
42. "New Opportunities for cross-border e-commerce in China," JD.com presentation, September 2014.
43. "Make Joy Happen," JD.com presentation, November 2014.
44. YHD presentation, November 2014.
45. "Yihaodian to Offer More Choices of Imported Food," Cri English, November 25, 2013.
46. YHD presentation, November 2014.
47. YHD presentation, November 2014. Guinness certified YHD for selling a record amount of milk in under an hour, too.
48. "MasterCard reports lift the lid on China shopping habits," Wang Zhuoqiong, *China Daily*, November 10, 2014.
49. "U.S. Department of Agriculture and tmall.com Strengthen Collaboration to Promote American Food Products to Chinese Consumers," Press Release, USDA Agricultural Trade Office and Tmall, July 3, 2013. Pre-selling is estimated to save about 50% of supply chain costs because the shipment matches the consumer orders.
50. "New opportunities for cross-border e-commerce in China," JD.com presentation, September 2014.
51. See CAPI's report *Charting a Path for Global Growth* (2013) for more on consumer changes in China: http://www.capi-icpa.ca/pdfs/2013/CAPI_Agri-food-opportunities-China-2013.pdf

