



CHINA: Urban sprawl driving retail boom, conference told

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China's unprecedented urbanisation is driving a retail revolution, experts told a major food industry conference in Shanghai today (20 June).

The boom in the growth of Chinese cities has been the single biggest driver of consumption after rising income levels and it will continue to boost demand for packaged foods and modern retail, said Dr Fan Gang, director of China's National Institute of Economic Research.

More than 250m farmers have already been relocated to China's cities since the 1980s and Beijing wants to see a similar number migrating in the next ten to 20 years.

"This means that retail consumer goods are set to grow dramatically," Dr Fan told delegates attending the opening day of the CIES World Food Business summit in Shanghai today.

The conference has attracted record numbers – more than 840 delegates from 50 countries – and the highest ever number of retail participants, said Roger Corbett, CIES chairman, in his opening speech.

China has a rapidly growing role in the food retail market, Corbett said. Many international retailers are already present in China and seeing significant success. German group Metro saw its sales in China grow by 26% last year and is planning to open up to ten new stores this year.

The gathering of delegates in Shanghai in particular today was also significant. With nearly 18m people, the city is a key example of the impact of urbanisation on demand for food retail. Although it accounts for just 1.4% of China's population, Shanghai represents 20% of the country's retail market, thanks to its high density of urban residents.

"It accounts for 5% of China's total GDP and 90 per cent (of the city) is an urban population," said Benoit Rossignol, chief executive of Shiyao Investment. "This means there is a very high income power here and people are really used to going to retailers to shop."

Chinese consumers are attracted to modern supermarkets' offering of fresh, high-quality produce, particularly meat. Wal-Mart's Nancy Ye, district operations manager, said their Nanpu Bridge store sells 30 pigs each day, and more than 50 at the weekend.

However, Chinese retail is still highly fragmented, dominated by small "mom and pop" stores and traditional wet markets, with much more potential for growth. "The top 100 grocery stores in China make sales of US\$80bn - but that's still only 10% of all food sales in China," said Rossignol.

Dr Fan says that over 70% of the labour force still earns less than US\$1000 each year, with the country's farmers earning only half this amount.

The key to success in China and other big Asian markets is to regard them as continents and not single market countries, added Dr Hans Joachim Korber, chief executive of Metro. "The purchasing power varies strongly across regions. Being successful in Shanghai means nothing when you get to Beijing or Harbin."

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