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## China, Peoples Republic of

### Market Development Reports

#### Guilin: Rock formations soar, but what about demand for U.S. agricultural imports?

**2008**

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**Report Highlights:**

In 2007 over 15 million tourists visited Guilin, the most picturesque destination in South China. Its HRI sector has potential to showcase and promote U.S. meat, wine and condiments to affluent Chinese and foreign tourists once it decides to increase focus on tourist quality rather than number. Retail is still in its infancy for imported foods. The local livestock sector thirsts for high quality U.S. inputs such as purebred breeding pigs to boost production. As its economy grows, and infrastructure improves in line with other key Guangxi cities such as Nanning, Guilin will rise in prominence. U.S. producers need to take note.

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## I. Guilin, dramatic scenery attracts tourists from 'round the world

Four American presidents - Jimmy Carter, Richard Nixon, George Bush and Bill Clinton -- have been to Guilin. Standing by majestic limestone peaks and the crystal like Li River, Nixon stated:

"I have visited more than 80 countries and over a hundred cities. I have found that no city can surpass the beauty of Guilin ... Guilin is really a bright pearl in China."

The formation of this "pearl" started 200 million years ago when there were crustal movements and limestone sediments thrust out of the sea bottom. After years of erosion by wind and rain, hills, rocks and caves with unusual shapes were molded and referred to as "karst" topology.

In 2007, over 15 million tourists visited Guilin, the most picturesque destination in South China. Its HRI sector has potential to showcase and promote U.S. meat, wine and condiments to affluent Chinese and foreign tourists once it decides to increase focus on tourist quality rather than number. The retail sector is still in its infancy for imported foods. Meanwhile, the local livestock sector thirsts for high quality U.S. inputs such as purebred breeding pigs to boost production. As its economy grows, and infrastructure improves in line with other key Guangxi cities such as Nanning, Guilin will rise in prominence. U.S. producers need to take note.

## II. Guilin at a glance

Guilin is in the northeast part of the Guangxi Zhuang Autonomous Region with five urban districts and twelve counties. The most famous are Yangshuo and Longsheng.



The People's Republic of China, with Guangxi outlined in black  
(Source: Chinaonline.com)



Map of Guangxi  
(Source: Travelchinaguide.com)

Guilin has subtropical weather with a monsoon season from April to July and annual rainfall of 69 inches (2006 data). The hottest months are July and August at 90° Fahrenheit during the day, and 75°F at night.

Tourism is the pillar of Guilin's economy, followed by agricultural and industrial sectors. In 2008, Guilin focused investment on auto parts manufacture, pharmaceuticals, the IT industry and food processing. Most new projects center in the Lingui New District, the future industrial center of Guilin.

**Chart 1: At a glance, Guilin compared to Nanning**

	<b>Guilin</b>	<b>Nanning</b>
1. City Area:	10,737 square miles	8,535 square miles
2. Urban Area:	218 square miles	2,501 square miles
3. Population:	4.9 million	6.7 million
4. Urban Population:	0.7 million	2.6 million
5. GDP in 2007:	US\$10.7 billion, up 15% from 2006	US\$15.2 billion, up 17.1% from 2006
6. Per Capita Annual Disposable Income (urban residents)	US\$1,844, up 20.5% from 2006	US\$1,800, up 15.2% from 2006
7. Per Capita Annual Food Consumption Expenditure	US\$420, in CY 2006	US\$409, in CY 2006
8. Hotel (star-rated)	4 five-star, 9 four-star	4 five-star, 6 four-star
9. Retail	International chain: <ul style="list-style-type: none"> <li>• <i>Wal-Mart</i> (1 store scheduled to open )</li> </ul> Chinese national chain: <ul style="list-style-type: none"> <li>• <i>Nancheng Baihuo</i> (1 store)</li> </ul> Local chains: <ul style="list-style-type: none"> <li>• <i>Hua Rong</i> (19 stores)</li> <li>• <i>Wei Xiao Tang</i> (1 store)</li> </ul>	International chain: <ul style="list-style-type: none"> <li>• <i>Wal-Mart</i> (2 stores)</li> </ul> Chinese national chains: <ul style="list-style-type: none"> <li>• <i>Beijing Hualian</i> (3 stores)</li> <li>• <i>Nancheng Baihuo</i> (2 stores)</li> <li>• <i>Ren Ren Le</i> (2 stores)</li> <li>• <i>Friendship Store</i> (1 store)</li> </ul> Local chains: <ul style="list-style-type: none"> <li>• <i>Likelong</i> (15 direct sales stores, 22 franchised stores, 4 convenience stores)</li> <li>• <i>Daremen Shopping Center</i> (1 store)</li> </ul>

*Source:*

# 1 – 4, 7 reflect Calendar Year 2006 data from *Guangxi Statistic Yearbook (2007)*;

# 5 - 6 reflect Calendar Year 2007 data from *Guangxi press releases in 2008*;

#10 – 11 reflect Calendar Year 2007 data from *interviewees*.

Note: US\$1.00:RMB7.00

Compared to Nanning, Guilin has a smaller GDP due to less urban area and population. However, when based on per capita annual disposable income, the two cities are comparable. Nanning has more retail stores per its larger population, while Guilin has more hotels for tourists. With seven universities, Guilin is Guangxi's important educational center.

### III. Transportation to Guilin, well connected by air, road, rail and river

Guilin is well connected by air, road, rail and river. Tourists and business travelers can easily access Guilin quickly, safely and comfortably. Most cargo transportation relies on rail and road. Most imported goods are shipped from Guangzhou by truck.

#### A. Air

Opened since October 1996, *Guilin Liangjiang Airport* is the largest in Guangxi. In 2007, it hit a historic high for receiving 4.7 million travelers.

It has regular and chartered international flights to Japan, Korea, Southeast Asia, Europe, the United States, Taiwan, Hong Kong and Macau. In 2007, 402,141 international travelers visited the airport, mostly bound for Bangkok (Thailand), Seoul (Korea), Kuala Lumpur (Malaysia) and Hong Kong.

Guilin airport is poised to become an “air hub” that connects Chinese mainland cities to Southeast Asia. For example, airlines plan to stop in Guilin enroute to major cities, e.g., Beijing-Jakarta, Shanghai-Phnom Penh, Chongqing-Ho Chi Ming and Wuhan-Singapore.

In February 2008, the *Guangxi Airport Group (GAG)* was established to run six civil airports: Guilin, Nanning, Liuzhou, Beihai, Wuzhou and Baise. As the two main hubs, Guilin mainly serves tourists and Nanning, for business travelers. GAG plans to establish an air traffic network in Guangxi to connect Guilin, Beihai, Nanning, Wuzhou and Baise.

An ambitious expansion plan has been blueprinted to invest RMB858 million (US\$120 million) to double Guilin airport’s capacity to receive 9.8 million travelers yearly by 2020.

#### B. Road

A major highway was built in 2000 to connect Guilin, Liuzhou, Nanning and Beihai. It takes an hour-and-a-half to drive from Guilin to Liuzhou, four hours to Nanning and six hours to Beihai.

It’s more than a nine-hour drive from Guangzhou to Guilin. However it will soon be shortened to four hours when two new highways, Guilin-Wuzhou (Guangxi) and Guangzhou-Hezhou (Guangxi), open by the end of 2008.

Two highways under construction will link Guilin to Kunming (the capital of Yunnan), Changsha (the capital of Hunan) and Shantou (a large seaport in the province of Guangdong).

#### C. Rail

Guilin has two rail stations, the *Southern Station* and the *Northern Station*. Most travelers select the *Southern Station* because it’s close to the urban area.

Rail is not as popular as air or road. Only a few cities - Nanning, Kunming, Shenzhen and Beijing (the *Western Station*) – have passenger trains destined for Guilin. However, Guilin is



The back of a RMB Twenty Yuan Bill and famous Guilin rock formations.  
(Source: www.aituba.com)

a rest stop for several rail routes. Travelers from large cities such as Shanghai, Guangzhou, Chengdu and Changsha may choose to ride the train to Guilin if they don't mind spending extra hours in overcrowded cars and risking not getting return tickets.

Things will change. In 2008, a high-speed (155miles/hour) railway project will initiate to connect Guiyang (the capital of Guizhou province), Guilin and Guangzhou (the capital of Guangdong province and the wealthiest South China city). Once finished in five years, it will take only two hours travel from Guangzhou to Guilin, much faster than the current 12-13 hours.

#### D. River

Guilin's waterway has access to the Yangtze River. The cruise boat tour from the cities of Wuhan or Yichang to Chongqing, then to Guilin, is one of the most popular tourist attractions in China. Guilin scenery is even depicted on the 20 yuan bill (worth US\$2.80).

In November 2007, a waterway system called "Two Rivers Four Lakes (Liang Jiang Shi Wu)" was built to connect two rivers (the Li and the Taohua) and four lakes (the Gui, Rong, Shan and Mulong).

The four-hour boat trip from downtown Guilin to Yangshuo County treats tourists to a feast of beautiful limestone mountains and emerald waters. However, this journey may not be possible from November to February next year because part of the waterway is dried up due to lack of rain.

#### IV. Tourism, set to soar

In 2007, Guilin received 15.3 million visitors who spent RMB8.6 billion (US\$1.2 billion), up 24.4 percent from 2006. Among them, 1.3 million came from abroad, an increase of 16.3 percent: foreigners accounted for 63 percent; Taiwan, Hong Kong, and Macau tourists for 37 percent. Yangshuo County received one-third – more than 5 million - and earned RMB1.2 billion (US\$169 million) which, for the first time, exceeds the agricultural sector as the number one source of revenue.

In December 2007, a U.S. tourist from Houston, Texas was lucky to be the five-millionth tourist to visit Yangshuo.

Nevertheless, Guilin tourism – a longtime star – will soon rejuvenate to enter a new phase of development, attributed by both short and long term drivers.



The five-millionth tourist arrived at Yangshuo in 2007  
(Source: Chinanews.com.cn)



Yangshuo's rock formations and minority buildings  
(Source: ATO Guangzhou)

### A. Short-term drivers

- The newly completed “*Two Rivers and Four Lakes*” is expected to generate lucrative incomes for Guilin tourism by selling boat tickets. The boat trip goes for RMB149 (US\$21) and likely prolongs a traveler’s stay an extra night and increase spending on food and shopping, say, an average RMB250 (US\$35) per person. Combined, it would mean an extra US\$56 per person. Even if only 20 percent of 15 million visitors bite the bait, it will mean an extra US\$168 million revenue yearly.
- The 2008 Beijing Olympic Games could create an influx of tourists who would visit Guilin before or after the games, in July or September.
- By June when the Guilin-Wuzhou and Guangzhou-Hezhou highways open, Yangshuo will greatly benefit. More Pearl River Delta vacationers will travel to Yangshuo by car or bus and spend their weekends with friends or family members.



Luxury cruise boat on Shan Lake graced by “Twin Towers”  
(Source: [www.glljsh.com](http://www.glljsh.com))

### B. Long-term drivers

- On February 28, 2008, Beijing approved the development project of Beibu Gulf Economic Zone (BGEZ) which will benefit Guilin significantly. For example, increased Nanning-based companies would come to Guilin for meetings or group retreats, given efficient and convenient transportation.
- Once the above said railway and highway projects are completed, Guilin will be linked to four provincial capitals: Nanning, Guangzhou, Changsha and Guizhou within a radius of two to three hours by train or by car. Guilin will become a backyard garden for neighboring provinces.



Guilin landmark: Elephant Mountain  
(Source: [www.cnr.com](http://www.cnr.com))

### V. HRI, poised to expand

The Guilin urban area has four five-star hotels and seven four-star hotels. Yangshuo County has two four-stars and 18 hotels said to be equivalent of four-star. One *Sheraton* five-star was renovated and reopened in May 2008. *Shangri-la* is building



Longsheng County: Paddy field terraces  
(Source: [www.pcauto.com.cn](http://www.pcauto.com.cn))

a brand new five-star at a cost of US\$65 million and plans to open in 2009. Both domestic and foreign investment are pouring into Guilin's HRI sector.

**Chart 2: Guilin major hotels (four- and five-star)**

Name	# Stars	Location
Sheraton Dayu	5	Guilin urban
Guilin Lijiang Waterfall	5	Guilin urban
Royal Garden	5	Guilin urban
Merry Land Resort	5	Guilin urban
Guishan Hotel	4	Guilin urban
Plaza Hotel (Guan Guang)	4	Guilin urban
Guihu Hotel	4	Guilin urban
Guilin Hotel	4	Guilin urban
Ronghu Hotel	4	Guilin urban
Hangkong Hotel	4	Guilin urban
Golden Dragon Hotel	4	Guilin urban
Paradise Hotel	4	Yangshuo, Guilin
Jianguo Hotel	4	Yangshuo, Guilin

**Chart 3: New hotels scheduled to open in Guilin (five-star)**

Name of Hotels	Location	Status	Investment Volume	Scheduled to open
Shangri-la	Guilin urban	Under construction	US\$65 million	Early 2009
Grand Mercure (by Accord Group)	Guilin urban	Planned	Unknown	By 2010
Green Lotus Peak Hotel	Yangshuo, Guilin	Under decoration	US\$25 million	2008
Xiang Zhang Hua Ping Resort	Yangshuo, Guilin	Planned	US\$20 million	Unknown

One interviewed five-star hotel manager said his hotel enjoyed over 70 percent guest room occupancy on a yearly basis. The peak season is from April to October. Fifty percent of guests are from Hong Kong, Macau and Taiwan while twenty percent are from foreign countries, mostly Europe and the United States. Most tourists from abroad come in groups on a classic route that takes 17–21 days at US\$2,500-5,000 per person:

**Chart 4: A classic tourist route involving Guilin**

1. Fly to first stop - Beijing or Shanghai;
2. Fly to Xian;
3. Fly to Chongqing;
4. Ride a cruise boat to Wuhan along the Yangtze River to see the <i>Three Gorges (San Xia)</i> ;
5. Boat arrives in Guilin, along Li River, cruises down to Yangshuo;
6. The tour ends, fly to Hong Kong or Shanghai, then fly back to home countries.

Another interviewed five-star hotel manager provided similar market information. The hotel sells out 85 percent of its 430 rooms yearly at an average rate at US\$80. Arranged by travel agents, U.S. tourists are mostly retired who travel to Guilin in September, October and November when their home states enter cold winters, accounting for 16 percent of hotel guests; Europeans for 15 percent and Japanese for 17 percent; Chinese domestic guests, for 23 percent which is on the rise. These affluent and well educated Chinese tourists tend to travel independently and book hotel rooms through traveler's web sites such as [www.ctrip.com](http://www.ctrip.com) and [www.elong.com](http://www.elong.com).

Managers of both hotels mentioned that many European and U.S. tourists miss western foods such as beef steak. Given the current import ban on U.S. beef, hotel restaurants serve Australian or New Zealand beef. Experienced customers can easily differentiate U.S. beef, which is deemed the best, from those produced on the Oceanic continent. A set menu including New Zealand beef steak as the main course is priced at RMB190 (US\$27).

All imported ingredients or meat are sourced from Guangzhou. Although guests have a strong demand for fresh imported fruits, restaurants serve mostly local produce since distributors are more willing to guarantee quality and assume liability for food safety related problems.

When consulted on market potential and possible promotions for U.S. products such as poultry, pork, fresh fruits, potato products, condiments and ingredients, all interviewed hotel managers and chefs responded positively, but emphasized that timing is critical, preferably between May and October, the peak tourist season culminated by a 7-day long holidays (October 1-7) celebrating the China's *National Day* (the founding of the People's Republic of China).

One interviewed Executive Chef of western restaurants mentioned his kitchen was short handed because Beijing hotels pay higher salaries to recruit cooks of western cuisine around China to meet expected huge market demand during the *Beijing Olympic Games* in August 2008. Therefore, chef training programs are needed to teach local chefs as most lack experience to properly prepare imported ingredients.

Compared to other Chinese cities, where western cuisine is an alternative choice, it's the mainstream in Yangshuo described in the *Lonely Planet* traveling guidebook as a "backpacker's laid-back Mecca". The *West Street*, the heartland of Yangshuo and also known as "Foreigner's Street" (Yang Ren Jie), accommodates 40-50 eateries and bars serving western cuisines and drinks. A tourist can even have a bite of original imported New Zealand ice cream which is a brand with chain stores in Guangzhou.



In numerous online forums and blogs, travelers enthusiastically recount stories in the 80's and 90's that foreign backpackers settled down on West Street and renovated Chinese village houses into classy eateries/bars to provide an authentic taste of western cuisines such as beef steak, pizza, spaghetti, potato pie and cheese cake.

Prices tags are as high as those in large cities such as Guangzhou and Shenzhen. For example, a serving of New Zealand beef costs US\$14.00, a bottle of beer US\$5.50 and a 10-inch pizza goes for US\$10.00. However, Chinese tourists or vacationers, typically those young white-collar's, could care less. In fact, West Street western cuisines are really about atmosphere that keeps customers coming back.

For U.S. fast food chains: the Guilin urban area has one *McDonald's*, three *KFC's* and one *Pizza Hut*; Yangshuo has one *KFC*.



*A brick pizza oven with firewood in a restaurant on Yangshuo's West Street*

### HRI Market outlook

- No doubt, Guilin HRI is a viable yet undeveloped market for U.S. foods, ingredients and condiments. Just a gentle "push" by brokers/suppliers, U.S. beef, frozen meat, baking ingredients, condiments and wines/alcohol products could help access the Guilin market. Through promotions, Alaska seafood and fresh fruits could also gain a toe hold.
- Improvements in infrastructure such as the highway connection with Guangzhou will enable imported products, particularly perishables gain easier market access.
- Menu promotions should be arranged in the peak tourist season - May to October - to target affluent foreign and Chinese domestic tourists and achieve optimal outcomes.
- Chef training is needed to nurture the market, particularly when new five-star hotels open.
- The Guilin/Yangshuo market is so unique that it has potential to showcase and promote U.S. products to millions of emerging young, middle class and white-collar consumers from all over China.



*A KFC on West Street  
(Source: ATO Guangzhou)*

## VI. Retail, in its infancy for imported foods

Guilin has a relatively small population of 70,000, with an annual per capita disposal income at US\$1,844. The retail sector lacks a steady and sizable group of high income earners to purchase imported foods. In Guilin, consumer awareness of U.S. products trails Guangzhou by five years. *Wei Xiao Tang* and *Nancheng Baihuo* are the two major retail stores. A new *Wal-Mart* is scheduled to open by the end of this year.



Import section at *Wei Xiao Tang*



"Nature Valley" brand granola bar



"Betty Crocker" brand baking ingredients

### A. *Wei Xiao Tang*

Opened in 1997, *Wei Xiao Tang* used to be a foreign invested store by the *Niko Niko Do* company from Kumamoto, Japan, a sister city of Guilin. Now, it is a shareholding company mainly owned by Chinese and co-managed by Chinese and Japanese managers.

Situated on Zhong Shang Road, the center of Guilin's urban area, *Wei Xiao Tang* enjoys a good flow of customers. Two five-star hotels are a five to ten minute walk away. As the oldest shopping mall in Guilin, the store is well known among local shoppers for good quality home appliances, clothing, grocery and food.

It targets high-end consumers such as employees from foreign invested companies and local high income earners. The store has a designated section carrying a wide range of imported food items from the United States, Japan, Korea, Southeast Asia and European countries. Sourced from agents/brokers in Shanghai, Guangzhou and Shenzhen, many U.S. packaged and canned foods/condiments are on the shelf: canned vegetables such as green beans and black beans, granola bars, ready-to-bake ingredients for cakes and cookies, dry fruits such as pitted prunes and seedless grapes, fruit juices, breakfast grains such as corn flakes, organic brown rice pasta and spaghetti sauces. Some are even rarely found in the first tier cities such as Guangzhou.

The interviewed manager was interested in carrying U.S. confectionary products such as chocolate. Although U.S. brands have manufacturers in China, original imported ones are allegedly better in taste and quality. However, sales of imported high end products are very limited. Per ticket food sales is only US\$6.00 on average.

Due to competition from local abundant fresh produce and limited refrigerated capacity at stores, U.S. fresh fruits, frozen meat and cheese were not found on shelves. However, the store management plans to expand its cold warehouse to carry imported beef and seafood.

It carries no U.S. imported beers but a few U.S. wines which obviously need promotion to compete with European and Australian counterparts.

**B. Nancheng Baihuo (Southern City Department Store)**

Headquartered in Shenzhen, *Nancheng Baihuo* has a series of ten chain stores in Guangxi: four in Nanning, one in Guilin, two in Liuzhou, one in Yulin, one in Wuzhou and one in Hechi.

The Guilin Store is strategically situated at a newly developed district - Qi Xing (Seven-star) District, home to modern office buildings, a large exhibition center, hotels, universities and newly built residential apartment houses. Unsurprisingly, affluent costumers spend more generously for foods and grocery, allegedly US\$20 of per ticket sales (30 percent for fresh produce, 27 percent for packaged food) that is even higher than those of its four Nanning stores, typically from US\$6.00 to US\$13.50 depending on location.



Promotion section at Nancheng Baihuo

Established five years ago, as the largest shopping mall in Guilin, *Nancheng Baihuo* has a sales area of 538,000 square feet, respectively, 388,000 for department stores and 150,000 for a supermarket carrying 65,000 SKU's.

To cope with rapid expansion in Guangxi, *Nancheng Baihuo* installed an IT system to process all accounting data digitally. This year, it plans to build a logistics center to receive and distribute perishable/dried foods and grocery for all Guangxi stores as well as future stores in the neighboring Yunnan Province. In 2009, this retailer looks to list with the stock market.

such  
were



Imported Danish cookies

When interviewed, the Guilin store was conducting a promotion for the shopping high season: Chinese New Year. Popular items, as candy, cookie, wine, dried fruit and tree nut gathered to showcase. For example, Danish cookies worth US\$12.50 per box and Iranian pistachios at US\$5.20 per jar were among the sellers. U.S. imports were notably absent due lack of local suppliers.

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As mentioned, by the end of 2008, U.S. retail giant *Wal-Mart* is scheduled to open a new store in Guilin, in addition to its two Nanning stores (*Note: For details about Wal-Mart Nanning stores, please refer to GAIN7617, page 11-12*). The new store will be located close to *Nancheng Baihuo* and carry imported food.



Imported Iranian pistachios  
Source: ATO Guangzhou)

Both retailers aim to serve the local Qi Xing District as well as the neighboring Lingui New District, the future economic engine of Guilin, with an estimated additional urban population of 1 million, a market large enough for more supermarkets.

## Retail Market Outlook

- The Guilin retail market is too small to justify food promotion in this region alone. However, a multi-city promotion in Nanning, Guilin and other Guangxi cities such as Liuzhou is worthwhile to help set up distribution channels and establish a positive image for U.S. imported foods to meet future market demand in this large emerging market. (*Note: For the Nanning retail market evaluation, please refer to GAIN 7616, pages 12-13.*)
- In view of the above goal, the timing of promotion activities should be carefully selected to ride the largest crest of local consumers as well as business travelers and sightseeing tourists. A viable option would be in October, when the ASEAN Expo is held in Nanning; a peak tourist season in Guilin; and local consumers celebrate *National Day* followed by the *Golden Week* holidays.
- Both *Nancheng Baihuo* and *Wal-Mart* are good venues for promotion, given they have chain stores in two or more Guangxi cities.

## VII. Livestock, swine production shines

### Swine

Swine production is the most important agricultural industry in Guilin. Guilin raises 2.5 million pigs and provides 420,000 head to market monthly, No. 1 in Guangxi that produces over 41 million pigs yearly and ranks the sixth nationwide. Local government's data suggest Guilin consumes 135,000 head monthly. That means about two-thirds of the Guilin swine annual production, over 3.4 million, supply outlying markets.

According to an interviewed livestock official, Guangdong is the biggest consumer which annually buys 25 million live pigs from neighboring provinces such as Guangxi, Jiangxi, Hunan and Sichuan. Guangxi supplies over 10 million including fattened pigs and piglets (small pigs aged 90 days), mainly to Guangdong, partially to Hainan, Hong Kong and Macau.

Guilin swine farmers prefer U.S. sourced genetic stock (crossbred offspring of U.S. Duroc boar, Yorkshire sow - a.k.a. "Large White" - and Landrace sow), because of enviable appearance, strength, rapid growth rate, high fertility, disease resistance and adaptability. (*Note: For detailed information, please refer to the ECM Nanning GAIN report CH7616, page 8-9.*)

One recent example is a joint venture scheme involving the *Guilin Livestock Department*, a local large swine farmer and a leading American breeding stock exporter who imported 165 head of best quality U.S. breeding pigs, preferably offspring of champion pigs in past contests. A total of RMB 5 million (US\$700,000) has been pooled for the purchase, transportation, quarantine and farm construction/installation of facilities.

ATO/GZ assisted a delegation consisting of livestock officials and a swine farmer to visit the States to select purebred piglets in March 2008. Consequently, 165 pigs were airborne to Tianjing in May and quarantined at one of four certified national segregated quarantine farms for imported live animals. The other three are in Guangzhou, Shanghai and Tianjin. After inspection and monitoring for 45 days, pigs will be released and trucked to Guilin if no biorisk is found.

Some would wonder why the Guilin swine farmer doesn't use the quarantine farm in Guangzhou to save logistic costs. The answer is that the Guangzhou farm has been fully

booked by other swine importers till 2009. This proves a recent boom of investment in the swine industry because of the lack of pork supply and escalated prices, allegedly attributed by an epidemic of swine "blue ear disease". A live marketable pig (220 pounds) is worth RMB3,400 (US\$480) on the farm.

Despite the said importation of 165 U.S. pigs is relatively small, it could result in significant and long-term impact in Guangxi region.

**1. Help to enhance market share for U.S. breeding stock in Guilin.**

The intended purchase of U.S. breed is the first ever importation in Guilin, an addition to two previous shipments of 728 pigs to a Nanning breeder who consequently gained a sound business and reputation (*Note: Refer to GAIN CH7616, page 8*). U.S. stock has won a leading market position in Guangxi against other competitors from Canada, Great Britain and Australia.

**2. To elevate Guilin swine production expertise.**

The joint venture project brings not only good quality animals to improve production levels but also U.S. expertise with regard to farm management, disease control and waste treatment.

**3. To test drive market access to the ASEAN market.**

The mentioned breeding stock trader has been active in exporting to Southeast Asia such as Vietnam, Thailand and Philippines. Once the breeding farm opens, he will look into marketing crossbred piglets from Guilin to his Asian clients. A Free Trade Agreement signed by China and ASEAN may make such market access available (*Note: For details, please refer to GAIN CH7616, pages 5-6*). If feasible, the farm will expand and spur demand for imported U.S. purebred pigs.

The booming swine industry benefits U.S. soybean exports to this region. For example, a large Guilin local feed mill annually produces 300,000 tons of feed, mainly made by soybean meal which is supplied by crushing plants importing shiploads of U.S. soybeans and processing them into cooking oil and soybean meal at Fangcheng and Qinzhou ports. (*Note: Refer to GAIN CH7616, pages 6-8*).

**Dairy**

Guilin has a small-sized dairy operation (1,100 head) which could be traced back 66 years ago and linked to a legendary American World War II hero: Major General Claire Lee Chennault, an air fighter pilot, who trained and led an *American Volunteer Group* and the *China Air Force* to combat Japanese invaders, mostly in Southeast China, India and Burma. His fleet was later known as the "Flying Tigers" after an overwhelming victory of annihilating a whole Japanese fleet of ten aircrafts without any damage on his side. In 1942, when stationed in Guilin, General Chennault not only brought hope and encouragement to Guilin but also flew in a herd of Holstein cows from the States. These cows produced milk to give fighter pilots strength and nutrition during the World War II, as well as offspring generations to feed the young who rebuilt the city out of war debris.



General Claire Lee Chennault



Chennault's fleet: Flying Tigers  
(Source: U.S. National Archives)

## VIII. Conclusion

Guilin, is among the most popular tourist attractions and presents a viable market opportunity for U.S. imports at HRI sector. As for retail, it will need a few years before the city is economically mature for high-end imported products.

As its economy grows and infrastructure improves in line with other key Beibu Gulf Zone developments such as Nanning and Beihai, Guilin will rise in prominence, and U.S. producers will need to take note.

In the livestock and feed sector, U.S. soybean and piglets advance market shares as consumers can afford and enjoy eating more pork and poultry. In the HRI sector, U.S. frozen meat, seafood and wine have great potential once successfully introduced. In the retail sector, together with those in other Guangxi cities, Guilin consumers will become more receptive to U.S. fresh fruits, dried fruits and tree nuts. Much will depend on intercity market promotion efforts.

**Chart 5: Promising U.S. Products**

Product	Markets	Notes
Beef	HRI	Beef steak is the best seller in western restaurants that mostly use imported New Zealand and Australian cuts. HRI has a strong interest in introducing U.S. beef back on menus once the ban is lifted.
Seafood	HRI	U.S. seafood has great potential if menu promotions are held at five-star hotels during the tourist peak season.
Wine	HRI	Very promising, but must compete with European and Australian counterparts. Those successful agents carrying U.S. wine in first tier cities such as Shenzhen or Guangzhou need to give the Guilin market a try.
Bakery ingredients	HRI	Promising, if bakers' training is provided. Consumers, particularly young ones, are more receptive to bakery products such as pizza and cheese cake.
Tree Nuts <ul style="list-style-type: none"> <li><i>pistachios</i></li> </ul>	Retail	U.S. pistachios are shipped in bulk and repackaged. One interviewed supermarket store carries salted U.S. pistachio in 150 gram bags.
Dried Fruit <ul style="list-style-type: none"> <li><i>grapes</i></li> <li><i>prunes</i></li> </ul>	Retail	U.S. dried prune and grape are on shelf. Vietnam also supplies dried tropical fruit & vegetable (jackfruit, banana & sweet potato, taro) products to the market.
Feeds <ul style="list-style-type: none"> <li><i>soy meal</i></li> <li><i>corn DDGS</i></li> </ul>	Feed	Soy meal (particular High Protein Concentrate Soy meal) and corn DDGS have a big potential in Guangxi for swine, poultry and aquaculture production.
Breeding pigs	Livestock	If a recent importation goes smoothly, U.S. breeds will outpace counterparts from Canada, Britain and Australia in this region.

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