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# **China, Peoples Republic of**

## **Agricultural Situation**

### **Emerging Markets in East and Central China**

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#### **Report Highlights:**

**China's rapid economic growth is turning previously obscure cities into major centers of commerce and manufacturing. Despite their size and potential as markets, many of these emerging city markets are virtually unknown to outsiders. This report identifies and provides basic information on the largest of these emerging markets in East and Central China.**

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## Into the Spotlight

Rapid growth is not merely making the overall China market bigger, it is creating new markets within China as rising incomes turn previously obscure cities into major centers for business and commerce. A handful, such as the coastal resorts of Qingdao and Dalian, have gained the attention of food exporters. Yet the vast majority of these emerging city markets (ECMs) remain unknown outside of China. Statistics on these cities are difficult to come by: government publications divide numbers into generic ‘urban’ and ‘rural’ categories, with no separate statistics for specific cities other than provincial capitals and special economic zones. In order to address this deficiency and identify the most important emerging markets in the region, ATO/Shanghai commissioned a survey of the largest cities in East and Central China, excluding Shanghai. The survey includes basic demographic data on the top 30 cities, with in-depth information on the top 10, including food retail, HRI and distribution and logistics. The most basic information is summarized in this report. Future reports will examine specific aspects of these ECMs in greater detail.

## The Survey Area



## Twenty Bostons

ATO’s survey was based on GDP rather than population, and excluded suburbs and satellite cities. As a result, population numbers for many of the cities are lower than those commonly cited, which may include surrounding areas (as well as migrant laborers). Despite this, twenty of the thirty cities identified have urban populations the size of Boston (city

## Provinces and Cities In the Survey



proper) or larger. Some were predictable: well-known urban centers such as Wuhan, Chengdu and Qingdao are no surprise, and these cities have already been identified by many exporters as important emerging markets. Survey results also showed a strong presence on the part of foreign-owned or foreign joint-venture hypermarket chains in these cities.

Somewhat more surprising is the high concentration of cities in the provinces of Zhejiang and Jiangsu, many of them virtually unknown to foreigners. The Hangzhou-Shanghai-Nanjing corridor in particular is packed with growing cities. Anchored by Ningbo at the southeast and Nanjing at the northwest, this relatively small region includes the cities of Ningbo (population 800 thousand), Shaoxing (311 thousand), Hangzhou (1.9 million), Huzhou (351 thousand), and Jiaxing (300 thousand) in Zhejiang province; and Suzhou (1.1 million), Wuxi (1.2 million), Changzhou (837 thousand), Zhenjiang (2.6 million), Yangzhou (521 thousand), Taizhou (304 thousand), Nantong (1.4 million) and Nanjing (2.8 million) in Jiangsu province. All of these cities are within a few hours drive of Shanghai, connected by a web of rail, road and river transport links. The province of Shandong also rated high in the survey.

Another surprise came from per capita income figures, a key indicator of a city's market potential. Nearly all of the cities in the survey placed below Shanghai and Beijing, as expected. The exception in this regard was Wenzhou, a manufacturing city in southern Zhejiang which showed a per capita income comparable to that of Shanghai. Huzhou and Ningbo, also in Zhejiang, also fared remarkably well. Cities in the interior fared less well, with Xi'an and Chongqing near the bottom. Hefei, despite its proximity to Shanghai, also fared poorly. Retail development, measured by the presence of foreign-invested hypermarket chains, appears to vary independently of income levels, with development particularly strong in the interior cities of Wuhan and Kunming, yet minimal in high-income Wenzhou.

These emerging city markets will continue to grow in importance. As costs in cities such as Shanghai rise, many manufacturers are relocating to these secondary cities. Average GDP growth rates for the cities in this survey over the past four years run in the low double digits.

City Name	Province	Population (thousands)	GDP (billion rmb)	Income (rmb/capita)	Median income
Suzhou	Jiangsu	1,171	208	10,515	8,944
Chongqing	Chongqing	3,934	197	6,721	6,090
Hangzhou	Zhejiang	1,933	178	10,896	9,666
Chengdu	Sichuan	2,341	166	8,128	7,012
Wuxi	Jiangsu	1,245	160	9,454	8,605
Qingdao	Shandong	1,704	152	8,731	8,145
Ningbo	Zhejiang	807	150	11,991	10,487
Wuhan	Hubei	4,490	149	7,305	6,338
Nanjing	Jiangsu	2,822	130	8,848	n/a
Jinan	Shandong	1,850	120	9,565	8,961
Yantai	Shandong	918	112	8,261	8,157

Wenzhou	Zhejiang	563	106	13,200	n/a
Shaoxing	Zhejiang	311	93	10,669	9,061
Weifang	Shandong	684	90	7,303	6,708
Nantong	Jiangsu	1,417	89	8,485	n/a
Xi'an	Shaanxi	2,926	82	6,705	5,816
Changsha	Hunan	1,489	81	8,704	8,007
Xuzhou	Jiangsu	1,121	79	7,616	6,735
Changzhou	Jiangsu	837	76	9,406	8,347
Kunming	Yunnan	1,940	73	7,790	n/a
Jiaxing	Zhejiang	300	71	10,766	n/a
Taizhou	Zhejiang	275	68	10,842	n/a
Jinhua	Zhejiang	263	68	10,385	n/a
Yancheng	Jiangsu	981	67	6,935	n/a
Zhenjiang	Jiangsu	2,666	56	7,698	7,122
Yangzhou	Jiangsu	531	56	7,205	n/a
Taizhou	Jiangsu	304	50	7,439	n/a
Huzhou	Zhejiang	351	42	11,388	n/a
Hefei	Anhui	1,107	41	6,817	n/a
Mianyang	Sichuan	440	37	7,864	6,610

## The Better Part of Valor

Before jumping into these markets with both feet, exporters are advised to do further research. Although they have great potential, there are some good reasons that these markets have received little attention. Consumers in these cities, particularly those further inland, are more price sensitive than their counterparts in Shanghai. Also, most of these cities are at the end of supply chains that begin in Shanghai or Guangzhou. If a product is new to market, it may be better to begin in a city like Shanghai, where the consumer culture is more receptive to new products. On the other hand, it is a mistake to assume that products shipped to Shanghai will eventually find their way into nearby markets. Although many of these cities are located near to Shanghai, the consumer culture, cuisine and even the local dialect can vary dramatically. Exporters who are serious about marketing their products in these cities are best advised to select their target market and develop a plan specific to it.

## A Note on Statistics

The statistics cited in the survey were assembled by CFAS on contract to ATO/Shanghai, and were gathered primarily through desk research. At the time of the survey, the most recent numbers available were for 2001. Sources vary from city to city, so some inconsistencies are likely. Also note that all population numbers for these cities are limited to the official city limits, and do not include suburbs or satellite cities. Although somewhat arbitrary, this is necessary as the high rural population densities found in China often make it difficult to distinguish nearby agricultural communities from suburbs. Statistics formulated on the basis of total urban area

(including suburbs, etc.) are likely to show much larger populations and lower per capita incomes, particularly for the special administrative districts of Shanghai and Chongqing, which include extensive non-urban areas.