

# Focus on Emerging Chinese Market: Kunming

By Ross G. Kreamer

**Y**unnan Province may be a bit off the beaten path for imported food products in China, but remoteness has not lessened consumer eagerness for new products in the provincial capital city of Kunming.

This is an enticing thought for U.S. exporters who are finding tremendous market opportunities for agricultural trade with China.

From less than \$1 billion in fiscal 1999, U.S. agricultural exports to China more than tripled by fiscal 2003, reaching almost \$3.5 billion.

## Growing Pains Not Stunting Growth

In calendar 2002, Yunnan Province ranked 10th among China's provinces in per capita disposable income (\$880). The average consumer in Kunming spends about 40 percent of income, or \$293, each year on food, compared to 43 percent for Shanghai residents. (However, more affluent Shanghai consumers average 50 percent more income.)

In some areas of Kunming, urban planners have been hard-pressed to keep pace with development. Modern skyscrapers often crowd narrow streets, creating traffic snarls.

Population growth in Kunming is continuing too; migration from surrounding areas is expected to swell the city's current 4.5 million population to 5 million within a few years.

To free up a large downtown area for commercial development, the city government plans to move its offices from the



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city's center to Dian Chi Lake, several kilometers south of town.

Though the market requires due diligence—more promotions, more outreach—of new entrants, Kunming's healthy economy should provide ample incentive for exporters. Over the past five years, the city has benefited from yearly economic growth of 6.8 percent, which should continue for the next few years.

## Golfing in China?

Kunming has become a hub for foreign and domestic tourists because of its natural beauty and climate. Perpetually snow-capped Mount Yulongxue and nearby traditional villages hold great potential for more development of tourist attractions.

For example, with six months of sunshine each year and mean temperatures ranging from 46 °F in January to 68 °F in July, Kunming has attracted foreign investment in golf course development.

Yunnan's sunny climate also supports a range of tropical and temperate horticultural products—fruits, mushrooms, cut flowers and high-value orchids. Kunming's flower market is a must-see destination for tourists.

## Modern Retailers a Recent Phenomenon

Modern retail stores have sprung up over the past four years. Several hypermarkets and supermarket chains, along with proliferating convenience stores,

## Proven U.S. Products

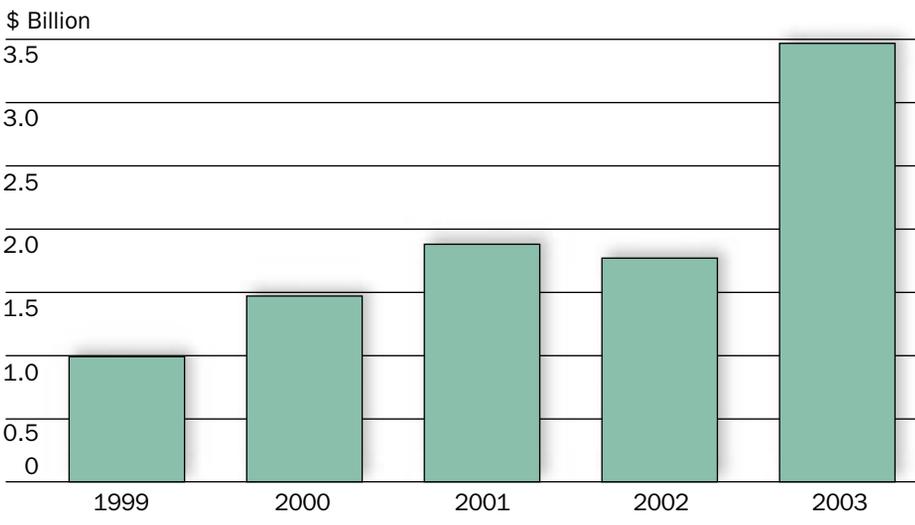
Imported items from the United States already on Kunming retail shelves include:

- Snack foods in small packs
- Canned foods
- Frozen and smoked salmon
- Milk powder
- Beef
- Wines
- Oranges, apples and table grapes



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 At \$3.5 billion, U.S. sales in fiscal 2003 almost doubled from 2002.



have taken root. Stores are supplying a full range of services to meet the demands of families that often shop together.

In these outlets, imported foods make up only 2 percent of total food products. However, retailers are willing to test new products. They are always looking for an edge to help them survive rigorous competition. And their razor-thin margins require high-volume sales and in-store promotions. ■

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