



MONTHLY REPORT

TRADE SERVICING

– WUSATA

June 2022



Monthly Trade Servicing Report

Market: China & HK Submitted by: China In-market Representative Month & Year: June 2022

Executive Summary

Investing in China could prove to be the right move for plant-based protein suppliers, as the country begins to warm up to the alternative protein sector. In January, cultivated meats and future foods were included in China's five-year agricultural plan, for the first time in history. Acknowledging that these are areas to be involved in, the plan opens up the possibility of a diversified protein industry, both domestic and internationally supplied. This was seemingly supported two months later, by President Xi positively referencing alternative protein in a speech.

It's not just meat that stands to be supplemented in China, as dairy has just come under fire. Results from a multi-year study have recently been revealed that make connections between dairy and cancer rates within China. Findings included an increase in liver and breast cancer in consumers eating larger amounts of dairy. Participants were studied for an average of 11 years. Though China is not a traditional mass consumer of dairy, demand is on the rise, making the study significant.

Market Intelligence Update

China's retail, services sales boom during Dragon Boat Festival

China's sales of consumer goods and services expanded year on year during the Dragon Boat Festival holiday (June 3-5), and catering and hospitality sectors posted substantial recovery, official data showed.

Retail sales nationwide during the three-day holiday ending on Sunday, June 5, climbed 9.5 percent year on year, said the State Tax Administration. Sales of daily necessities like staple foods, oil, vegetables, fruits, eggs and meat shot up 28.4 percent from a year earlier.

Services sales grew 12.9 percent over last year, led by housekeeping with a 27.4-percent surge, the data showed.

The holiday also saw sales of the catering and hospitality sectors restoring 83.8 percent and 92 percent of last year's level, respectively.

China's '618' shopping festival to test COVID-hit shoppers' urge to splurge

China is set to get a picture of how the country's zero-COVID-19 policy and

slowing economy have impacted shoppers' urge to splurge, as e-commerce platforms gear up to report takings from the mid-year "618" shopping festival this weekend.

Held in the run-up to June 18, 618 is China's second-largest shopping event by sales after Nov. 11's Singles Day, with bargain-hunters holding off purchases in anticipation of discounts spanning a range of brands.

Last year, Alibaba Group Holding Ltd's Tmall, JD.com Inc and Pinduoduo Inc hit a combined 578.4 billion yuan (\$85.89 billion) worth of 618 sales, up 26.5% from the year earlier, showed data from Syntun.

But the world's second-largest economy has in the last three months been hobbled by government efforts to combat repeated waves of COVID-19 that has seen dozens of cities impose lockdown measures of varying intensity, in turn curtailing spending, impacting livelihoods and heavily disrupting supply chains.

Many cities eased curbs in June and have said they want to stimulate consumption to revive the economy, with incentives including vouchers, subsidies for car buyers and digital yuan payments.

Acknowledging that brands have been hit by the pandemic, Alibaba and JD.com are offering merchant support measures, such as pledging to speed up transfers of pre-sale deposits to help merchants' liquidity.

They are also encouraging brands to offer their biggest-ever discounts in hope of spurring spending, with JD.com stipulating that shoppers can get 50 yuan off for every 299 yuan they spend. Alibaba has a similar offer. Vendors foot the bill for these discounts.

Some companies and agents told Reuters, however, they planned to participate less in discounting this year, because they or their clients were unable to afford it.

Fang Jianhua, founder and chairman of IDG Capital and Alibaba-backed clothing brand Inman Apparel, penned an article on WeChat last month lamenting how retailers especially in Shanghai were suffering in the current environment from lost sales and that he planned to "lie flat" for 618 - a Chinese expression of inaction.

Rather than discounts, Fang plans to "concentrate on how to use our products and services to build up emotional connections with millions of customers," he said without elaborating.

Still, the event is seeing a trend of retailers from pasta maker Barilla to shampoo brand Ryo offering "stock up" packages, containing what would constitute bulk orders of their products.

Many shoppers in cities such as Shanghai and Beijing which have experienced pandemic lockdown measures have rushed to stock up on food and daily necessities even after movement restrictions eased due to fear of lockdown happening again.

The 618 event was conceived by JD.com in 2004 to celebrate its anniversary.

Beyond Meat Hones In On Chinese Consumers With New Pork Sauces Launch

Beyond Meat has announced it has moved into a new-to-it product category. It has launched two Beyond Pork sauces, to gain traction in the meal prep sector. Classic Bolognese and Savory Black Pepper are confirmed and are now available through the company's online Tmall store.

The sauces have been specifically developed for the Chinese market and both contain the company's plant-based Beyond Pork and have been designed to act as heat-and-serve food items. Each sauce is slated to be suitable for multiple applications while delivering a protein hit. The products are not vegan-both contain animal ingredients in the form of added oyster sauce and chicken powder.

Beyond claims its bolognese sauce can be used in a variety of ways. In addition to pasta, it can be used in soups, pizzas and even seafood stews. It contains 4.8 grams of protein per 100-gram serving. Similarly, the black pepper option is listed as a gravy alternative that can be used in noodle, rice, or vegetable dishes.

The idea was to create products that would appeal to Chinese tastes while being versatile enough to be used in more than one dish.

In March, Beyond launched a store on the Chinese agricultural platform Pinduoduo with pork developed specifically for the Chinese market. The distribution partnership represented a step forward for both parties. For Beyond, a bigger footprint on the Chinese market was guaranteed through the partnership. For Pinduoduo, the addition of Beyond represented the first global plant-based brand coming on board.

Prior to working with Pinduoduo, Beyond was already looking to gain a meaningful foothold in Asia. It began with a Starbucks launch back in 2020 and

the announcement of a domestic production plant the same year. The facility confirmed Beyond as the first non-local plant-based company to have a significant manufacturing presence in China.

Various distribution opportunities have followed through Alibaba Group and Metro supermarkets, followed by JD.com last year.

Investing in China could prove to be the right move for Beyond, as the country begins to warm up to the alternative protein sector. In January, cultivated meats and future foods were included in China's five-year agricultural plan, for the first time in history. Acknowledging that these are areas to be involved in, the plan opens up the possibility of a diversified protein industry, both domestic and internationally supplied. This was seemingly supported two months later, by President Xi positively referencing alternative protein in a speech.

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➤ ***Activities & Achievement***

This month's activity is mainly related to trader contact for Mainland China and Hong Kong markets.

Thank You!

Submitted by SMH, China/Hong Kong In-market Representative

