



Article by
Valérie Hoeks

Valérie studied Sinology and co-founded China Inroads. She has been active in China since 2000. Valérie creates a bridge between customer requirements and the implementation of their plans in China.

China Inroads supports innovative companies in their expansion to the Chinese market. "China belongs to the Chinese." This philosophy is the guidance for how we match companies with the right parties and markets in China, to create a successful and effective venture.



Another wonderful year of hard work and great accomplishments has ended. Our China Inroads team in Amsterdam, Beijing and Shanghai wishes you a merry christmas and a happy year of the goat! We thank you for your support this year and look forward to continue cooperation in 2015.

→ BUSINESS WITH IMPACT BY TACKLING FOOD LOSS AND WASTE IN CHINA

With 20% of the world's population, but only 9% of the farmland and 6% of the water resources, China has some serious challenges to produce sufficient food for its growing population. In the 2014 Number-One Document, which the Communist Party Central Committee publishes annually, one of the state's top priorities was to reform and modernize the rural countryside. As a result, it is now possible for farmers to transfer or mortgage their contracted land, turn rights into shares in large-scale farming entities and import foreign science and technology. Western companies can actively contribute to developing and implementing these innovations. In this article we will look at the cooperation between East and West in this industry, taking the need the challenge of food waste in China as an example.

Cooperation to find a solution

Large multinationals such as FrieslandCampina, Unilever and Nestlé have already been producing and selling their products in China for quite some years, often in cooperation with local people and companies. In this way, experts from Western companies can provide farmers with techniques and methods to yield more crops on less land or use less pesticides. Incotec is a Dutch company that is active in seed coating and prioritizes educating the farmer. Jan-Willem Breukink, senior executive member of the board at Incotec, says that "the Chinese seed industry is still in its start-up phase, but techniques for seed coating are rapidly being developed. We develop products to improve the farmer's wellbeing, but it is not our goal to educate all 700 million farmers in China separately. It is a top down development, we introduce our technologies to the more innovative seed companies and they share the knowledge with the other firms."

Thus, tackling food loss in China requires focus and patience. Breukink explains that "besides coating seeds, we can also pellet or encrust seeds. We can give the seed a smoother surface, a more uniform shape and increase its size or weight to maximize planting efficiency. Another technique is the priming of seeds, to obtain faster and more uniform germination resulting in a stronger crop stand. We also have some methods to disinfect and clean seeds, but we haven't introduced those yet. It is important not to overburden our local team with information, so we take things slow."

To prevent future food shortages, the Chinese government has also set a baseline that the total arable land should not amount to less than 120 million hectares.



To reach this goal it is necessary to decrease the amount of pesticides and fertilizer being used. The enormous amounts used at the moment not only contaminate the soil, but also the ground water. Nic Pannekeet, partner of flower nursery Van den Berg Roses, has seen the impact of the pollution himself. "Lakes turn green, often thought to be because of the large quantities of fertilizer in the water, so measures have been taken to protect the lakes. It is for instance not allowed to cultivate lands around lakes."

Van den Berg Roses has developed an environmental friendly way of growing flowers in Yunnan so as not to aggravate this problem. Pannekeet explains that "after a few years in China we built a state of the art greenhouse which recycles the used water. In this way, we don't pollute the soil or the surface water which is very important. The local people are also very interested in the technology we use and are eager to learn." The knowledge and technology that Pannekeet introduced in his flower greenhouse is also beneficial for food production and can contribute to the reduction of food loss, by protecting the soil and water sources.

Working with and on the Chinese market

Both Pannekeet and Breukink are active in markets that differ greatly from the Dutch situation. Pannekeet mentions that the Chinese flower market is very fragmented. "We have to compete with local farmers who have very small greenhouses and low prices. There are many flower producers on the market, but their quality is often inferior. Moreover, the market is not regulated at all, the farmers often just go to the market themselves to sell their flowers."

Since the flower market in China is still underdeveloped, Van den Berg Roses started small and focused on roses. Focus was also necessary because of the different climate they had to adjust to. Pannekeet explains that "after we got used to the climate, we started to broaden our range of products. We also set up our own distribution channel, because a lack of cooling caused great flower losses at the distribution stage."

"By using our own distributors we can take more control of this flow."

Regarding the development of the Chinese seed industry, Breukink emphasizes that it is necessary to improve the legal protection of farmers. "Seed breeding is a long and costly process which can take ten or twenty years. If you have then bred a high quality seed and other people can easily steal it, that is a real shame. It is thus necessary to have plant variety rights. This will

also stimulate the Chinese farmers to invest in the seeding business and attract foreign companies. We have had many talks with the government, but it is going very slow. It will of course be difficult to control and implement this in a country as large as China, but it is vital in developing the Chinese seed industry.”

Another challenge for Incotec are copycats. Breukink says: “We are a very knowledge-driven company and it took years to develop many of



our techniques which are often unique. In China, there is often the mentality that you can simply copy other people’s knowledge. We tend to think quite negatively about this in Holland, but it is not really useful to fuss about it as an entrepreneur. We have thus organized our company in such a way that we can keep our position. Certain recipes, for example, have a black box. Directly copying our techniques is quite difficult.”

Future developments and opportunities

Pannekeet sees rapid changes in the Chinese flower market: “I see changes in consumer patterns, especially for the new generations. With the rising incomes, rapid urbanization and bigger spending power there is also an increase in the consumption of flowers. The land is also limited in China and costs for labor are rising. Chinese farmers will have to find new ways of farming and production. Devising cooling cells and improving packaging will then follow naturally.”

Foreign competition is scarce in the flower industry, Pannekeet has seen companies come and go. “Without a local partner it is impossible. Moreover, the Dutch horticulture industry isn’t doing very well so many companies can’t afford to go abroad.” Breukink does foresee Chinese competition in the future. “Several local companies are now starting with coating seeds. But other techniques that we have such as encrusting seeds are only used by one or two international companies. These are quite unique techniques, but in the future there will surely be Chinese competitors. And that is not a problem at all, we just have to make sure we can provide better service and quality.”

Breukink also sees many opportunities for Western companies in China. “China is very eager to learn, the people are very driven and absorb the knowledge we provide.”

“Whether it’s building greenhouses, climate control or optimizing cultivation methods. We are sure to be of help to China.”

All in all, it is clear there are plenty of opportunities in China for Western companies. With recent changes to the IP law and high interest in Western knowledge and technology, China is becoming more accessible and a very attractive market. Besides gaining profit there, Western companies can also actively contribute to one of the world’s biggest sustainability challenges.

What China Inroads can do for you to increase your chances of success?

From our offices in Amsterdam, Beijing and Shanghai China Inroads supports innovative companies in their expansion to the Chinese market. We represent your company in China, creating a strong foothold on the Chinese market. We assist you in setting up a sound strategy and are – from start to finish – deeply involved in your China activities. What starts with detailed market research, often goes further with finding long-term reliable business partners; managing local relations and providing the necessary follow-up on daily activities.

You are welcome to visit us for a consultation at one of our offices.