



China

Business trends, sustainability and food security

A report of the Business Forum
meeting on 24th January 2012

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About the Business Forum

Ethical questions around climate change, obesity and new technologies are becoming core concerns for food businesses. The Business Forum is a seminar series intended to help senior executives learn about these issues. Membership is by invitation only and numbers are strictly limited.

The Business Forum meets six times a year for in-depth discussion over an early dinner at a London restaurant.

To read reports of previous meetings, visit foodethicscouncil.org/businessforum.

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Introduction

China marks an increasingly bright blip on the radar of European food businesses and policy makers. The UK Food and Drink Federation aims to double trade with China to over £60 billion by 2015, while Tesco plans to supplement its 100-plus stores in the country with a further 25 per year.

Meanwhile, strategists in Westminster, Brussels and beyond scrutinise China's growing influence in global food security, trade and environmental issues. After all, this is a country that uses just 7% of the world's land to feed 22% of the population, yet is estimated to apply 35% of the world's nitrogen fertiliser to achieve this. China also leads the world in acquiring land overseas to secure its food supplies.

The January 2012 meeting of the Food Ethics Council Business Forum explored how China's size, diversity and political culture relate to its role in shaping the sustainability and security of UK and global food systems.

We are very grateful to our speakers, Vinh Sum Chau, Senior Lecturer in Strategy at Kent Business School; Richard Sanders, Professor of Contemporary Chinese Studies at Northampton University; and Yves Cabannes, Chair of Development Planning at UCL. The meeting was chaired by Michelle Harrison, CEO of TNS-BMRB and a member of the Food Ethics Council.

This report was prepared by Chris Ritson and Sue Dibb and outlines points raised during the meeting. Contributions are not attributed. The report does not represent the views of the Food Ethics Council, the Business Forum or their members.

Key points

- Food plays an **important cultural and social role** in China. '*How are you?*' in Chinese literally translates as '*Have you eaten rice?*'
- **Food security** is a priority for China given its history. The country is only a generation away from the 'Great Leap Forward' when at least 30 million Chinese died of starvation.
- Urbanisation has been accompanied by **radical changes in food consumption patterns**; more meat, more processed products, more western diets, more restaurant take-away food.
- There is **growing concern over diet and health** because of 'western' high fat and sugar consumption. Yet despite this growing concern, having a fat child has become a status symbol – a 'Little Emperor' – and a cultural norm.
- **Food safety and authenticity** are major problems, from pesticide use, food grown in polluted areas, poor hygiene standards in food preparation, fake foods, and cases of food poisoning.
- Pressures on domestic land and water shortages have led to **investment in land** and other food supply-related facilities overseas.
- China is supporting the growth of '**green**' agriculture with innovation focussing on reducing fertiliser and water use and developing new composting techniques.
- The development of **urban agriculture** in and around cities of crucial importance for food security.
- The Chinese Government sees **carbon reduction** as a priority, although rejecting outside monitoring.

Chinese food culture and the importance of food security

Food plays an important cultural and social role in China, underpinned by religious values stemming from Buddhism, Taoism and Confucianism. Central to this is the importance of rice as a staple food, particularly in the southern regions of China. *'How are you?'* in Chinese literally translates as *'Have you eaten rice?'*

China is the world's leading rice producer. While the area under cultivation is much less than in India, Chinese yields are more than double, while heavily dependent on chemical fertiliser.

China's current approach to food policy, particularly food security, is heavily influenced by its history. The country is only a generation away from the 'Great Leap Forward' when at least 30, some say 45, million Chinese died of starvation. This makes China very sensitive to the concept of food security. Today people are proud to be able to put food on the table.

The country is also sensitive to outside criticisms about its ability to feed itself. Reforms since the 1990s have brought in foreign capital and investment and new technology to increase food production. Despite its market reforms, China remains a communist state with the private sector beholden to Government.

Changing demographics

Changing demographics are adding to the challenge of feeding China's 1.35 billion people, nearly one-fifth of the world's population. The country is continuing to industrialise at great speed, with migration of mainly women from fields to factories. Its cities now include 280 million migrants – a

figure equal to the number of global migrants. As elsewhere in the world, providing cheap food for the working class is a priority to keep wages low.

The last thirty years have seen massive growth in incomes, rising at 10% per annum. There is now a growing, largely urban, wealthy middle class and growing inequalities with the rural and urban poor. Income inequalities in China are now higher than in the USA and increasing, creating a potential threat to China's desire to create a 'harmonious society'. With increasing expectations comes the need to deliver fast rates of economic growth to continue to satisfy people.

Impacts on diet and health

Urbanisation has been accompanied by radical changes in food consumption patterns: more meat; more processed products; more western diets; more restaurant and take-away food at the expense of home cooking.

The fast food industry has made major investment in the country, with the big three, KFC (over one thousand stores), McDonald's and Pizza Hut having an expanding presence.

Over the past 40 years meat and oil consumption has increased ten-fold, compared to two-fold elsewhere in the world. China is now facing the 'western' dietary problems of high fat, salt, sugar diets, with declining vegetable consumption and lifestyles that provide less exercise. Yet despite this growing concern, having a fat child has become a status symbol – a 'Little Emperor' – and a cultural norm. Given China's recent history, parents are proud to be able to put lots of different kinds of food on the table.

Environmental impacts and safety concerns

Rapid urban growth is eating up good agricultural land. Between 1986 and 1995, 40,000 hectares of agricultural land were lost around Beijing. Migration to cities also means that rural land, once closely cultivated, is now starting to fall into disrepair.

And there is growing scarcity of water with agriculture accounting for 40% of use. Beijing's groundwater is falling by one meter every year. Water pollution is a serious and growing problem, threatening the development of healthy cities.

Many ethical issues relate to food safety and authenticity, for example from pesticide use, food grown in polluted areas, poor hygiene standards of food stalls, fake foods, and cases of food poisoning driven by cost reduction.

There is a widespread fear of food safety in restaurants; dipping your spoon in tea is used as a sterilisation proxy. Such concerns are heightened by lack of regulation and enforcement, though numerous examples of unsafe or adulterated Chinese products do reach the media.

For the global food market, which is now dependent on Chinese supplies of additives and processing aids such as vitamin C, the biggest challenge is managing supply chains. Western brands are seen to provide trust and quality. All global brands have a presence in China.

China's strategy for addressing food security

China is serious about addressing its food security issues, and is taking an interventionist approach to ensure cheap

food supplies for the foreseeable future. It is investing both abroad and at home. As a major global investor – half the world's currency reserves are in China – food is seen as a secure place to invest.

Pressures on domestic land and water shortages have led to investment in land and other food supply-related facilities overseas. To date this includes over 3 million hectares, more than any other country, mainly in Africa and developing countries but also in New Zealand and Australia. While popularly known as 'land grabbing', the Chinese Government is buying land, rather than taking it as in earlier periods of global colonial history. The attempt to enjoy 'soft power' may well motivate such activity. Yet the impact in Africa is contributing to the destruction of small-scale production and pushing people into cities. China has also built the world's largest port at Acu in Brazil outside Rio de Janeiro. Known as the 'Highway to China', this has been built to transport soya and meat from Brazil to China. China has also purchased several of the biggest one-day sales of grain from the UK.

Within the country, China is investing in 'green food' and urban/peri-urban agriculture. This is driven by the need to reduce the level of chemicals and other inputs and recognition that the price of food and agricultural inputs is linked to the price of oil. Investing in shorter supply chains is seen as a means to reduce dependency on oil and fossil fuels.

Growth of organic agriculture

China is supporting the growth of 'green' agriculture. The Maoist period after the Great Leap Forward led to a dominance of grain monoculture in China reliant on heavy

use of nitrogen fertiliser. During this period other production, such as growing fruit or rearing ducks was not permitted in communes and skills and knowledge of non-intensive production was lost.

Since the 1980s there has been some development of 'sub-organic' agriculture. In 1994 the Organic Food Development Centre (OFDC) was established in Nanking. It attempts to reintroduce skills previously lost and also acts as an accreditation body, although international food processors and the EU are still sceptical of Chinese accreditation. Organic production only accounts for 0.8% of agricultural land but this is still the highest level among developing countries.

Organic certification remains an issue as standards are difficult for small farmers to achieve. Typically farms comprise very small strips of land, referred to by some scholars as 'noodle strips'. Market growth will require more collaboration and support.

'Green' food innovation is focussing on reducing fertiliser and water use and the development of new composting techniques. The growing middle class provides a market for 'green' food.

Urban agriculture

China is one of most innovative countries worldwide with regards to urban farming. China sees the development of urban agriculture in and around cities of crucial importance for its food security.

In and around Beijing, a city with a population twice that of London, there are approximately 2000 agro-complexes, supplying 40% of the city's non-grain food, primarily fruit and vegetables, including orchards and pick-your-own fruit, and fish-

your-own-fish. Market gardens are also setting up links to restaurants.

This development is intended to be 'multifunctional' in that it also provides recreation, tourism, education and cultural opportunities and a new market for the growing middle class. The value of this market is currently worth a huge £3 billion with unsaturated demand. People are prepared to pay more, no doubt linked to the trust and confidence in provenance that a connection between production and consumption provides.

The workforce in this type of agriculture is booming, though a big challenge is that it is heavily dependent on migrant labour typically with poor and exploitative working practices.

Agricultural biotechnology

During the 1980s and '90s China invested considerable expertise in agricultural biotechnology, and at one time GM was seen as a possible solution to ensuring its food security. But despite initial investment there has not been much commercialisation. Virtually all cotton produced in China is genetically modified Bt cotton, but overwhelmingly food crops are not GM. Early trials of GM rice led to predictions that it would be commercialised in 1990s but this didn't materialise. China has been exceedingly cautious, in part due to its pragmatism. It has good trading relations with Japan and the EU that GM production could compromise.

China and climate change

The Chinese Government sees carbon reduction as a priority, although rejecting outside monitoring. China has gone through stages of development very quickly – potentially it will be the first to develop the technologies to address climate change.

Speaker biographies



Dr Michelle Harrison is CEO of TNS-BMRB and the founding Chair of the Institute for Insight in the Public Services (a joint think tank between BMRB and the Futures Company). She has held numerous public appointments and is currently a Commissioner to the Green Fiscal Commission, and a Director of the charity Involve. As an academic, she worked with Professor Tim Lang on publications including 'Inconvenience food: the struggle to eat well on a low income' (Demos). She is a member of the Food Ethics Council.



Dr Vinh Sum Chau is Senior Lecturer in Strategy at the University of Kent. He is currently lead-guest-editing a special issue of the British Journal of Management on 'Managing Performance in Global Crisis' with eminent international colleagues from Asia and Australia, which will be published in April 2012. His research interests fall into the areas of strategy implementation, performance management, international business, cultural values and general Asia-Pacific management.



Professor Richard Sanders is Professor of Contemporary Chinese Studies at the University of Northampton and Director of the China Centre there. He has published widely in the field of the contemporary political economy of China, with particular reference to environmental protection, property rights and organic farming. He has worked closely with the Organic Food Development Centre (OFDC) in Nanjing, which operates under the auspices of the newly created Ministry of Environmental Protection in China. He is an international research fellow of the OFDC and has addressed many of their annual conferences over the last few years.



Professor Yves Cabannes is Professor and Chair of Development Planning at the Development Planning Unit (DPU), University College London. From 2004 to 2006 he was lecturer in Urban Planning at Harvard University Graduate School of Design. From 1997 to 2003, he was the Regional Coordinator of the UN Habitat/UNDP Urban Management Program for Latin America and the Caribbean. Prior to joining the UMP, he worked for ten years in Northeast Brazil, for various NGOs, grassroots and Local Governments on low-income housing, income-generating activities and slum improvement.



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