

A MELTING POT OF INNOVATION

Rice cooker brands in Zhanjiang upgrade product quality, cut costs and boost their global image to meet demand

By **LI WENFANG**
and **CHAI HUA**
in Zhanjiang, Guangdong

A culinary makeover is going on at the heart of the global rice cooker capital.

In the coastal city of Zhanjiang in South China's Guangdong province, an array of companies turn out 60 percent of one of the world's favorite kitchen appliances.

But in a move to increase high-end manufacturing, many have rolled out brand-building campaigns as they shift upmarket with a host of new products on a traditional theme.

"We sold more than one million sets of intelligent (digital) rice cookers to Russia last year," said Gu Chuanping, export manager at Guangdong Zhanjiang Household Electric Appliances Industrial Co.

"Rice is not the staple food in Russia, so we have made multi-functional cookers for that market, which can make bread or soup, and even make cakes," Gu added.

Household Electric Appliances is one of the largest rice cooker manufacturers in the city, as well as in China, and its ability to innovate is paying off.

Although costs are slightly higher for this new range of established products, sales figures have been impressive.

"They have gone up by about 25 percent this year," Gu said, without disclosing further detailed financial figures.

Set up in 1976, Household Electric Appliances now employs about 2,000 workers in factories across China and its Triangle brand is one of the most popular in the country.

Key overseas markets for its rice cookers are Southeast Asia, the Middle East, Europe, the United States and South America, according to the company's website.

In Brazil, its market share is more than 30 percent.



Shoppers look at rice cookers during a promotional event at a supermarket in Zhanjiang, Guangdong province. CHINA NEWS SERVICE



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Gu Chuanping, export manager at Guangdong Zhanjiang Household Electric Appliances Industrial Co

"The goal in the next five years is to further explore markets in the Belt and Road economies, especially high-end markets," said Gu.

Last year, Zhanjiang exported electric rice cookers worth 2.26 billion yuan (\$340 million). Annual output was around 100 million models.

Southeast Asia has always been a traditional overseas market. But now sales are increasing in Europe and the United States for high-end products.

This in turn has brought challenges for Household Electric Appliances and other Chinese companies as they grapple with upgrading products, while trying to cut production costs at the same time.

Even so, a blueprint to support the industry is gradually taking shape.

"The government plans to transform the sector by promoting the intelligent (high-tech) production line, establishing a platform for design and research, and organizing more marketing events in Europe and the US," said Zhi Haisen, deputy director of Zhanjiang's economic and information bureau.

The local authorities have also pledged to provide manu-

facturers with subsidies worth 4 million yuan for modernizing production lines.

In addition, European designers and exhibitors plan to promote Zhanjiang's small household appliances, including rice cookers, electric boilers and induction cookers.

During the summer, the city organized trips for companies to Russia and Belarus.

In June, Russian buyers signed contracts worth more than \$80 million, an increase of 10 percent compared to 2016.

Belarus companies also entered into initial agreements to purchase Zhanjiang products worth up to \$20 million.

Still, one of the key problems facing the city is low brand recognition in the home appliances market.

"Only 30 percent of the products exported are under our own brand names," Gu said.

Most are made for major global companies such as Panasonic Corp of Japan, Tatung Co of the US, Tefal of France and Redmond of Russia.

Deputy Director Zhi pointed out that there are only eight Zhanjiang local brands, including Triangle, Heng Guang, Weking and Halls-mart, while the rest are rolled out for overseas groups.

In a move to change this, the government plans to open up investment from other major domestic household appliances companies.

In July, China's Gree Electric Appliances announced that it would invest 2.2 billion yuan in Zhanjiang.

"In the future, the Zhanjiang (local) government will provide good services for investors so that we can all share the fruit of the city's progress," Zhanjiang Party chief Zheng Renhao told China Daily at the time.

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Prawns are harvested at a farm in Zhanjiang, South China's Guangdong province. XINHUA

Helping to keep prawns on the menu

By **LI WENFANG**
and **CHAI HUA**
in Zhanjiang, Guangdong

Known as the "city of prawns", Zhanjiang is determined to live up to its name.

Major aquaculture companies are developing new seafood farms to cater for rising demand in China and across the Belt and Road economies.

Prawn production in China is just 1.4 million tons annually, which means 800,000 tons are imported.

"The demand in China now stands at about 1.2 million metric tons a year, while the export volume is 1 million tons," said Cen Jian, secretary-general of the Zhanjiang Association of Aquatic Products Import and Export.

"Domestic demand for prawns has been increasing at 20 per cent annually in the past two years," he added. "Prawns are rich in proteins, but low in fat, making them much more nutritious than pork, chicken or even fish."

Zhanjiang produces about 178,000 tons of prawns annually with seafood farms covering an area of nearly 3,000 square kilometers.

Even so, Cen warned that prawn production in the city is in decline.

"We had about 430 prawn farms at their peak, but now we have only 250 in operation," he said.

Cen pointed out that environmental damage around the breeding farms had made production more difficult.

Rising labor costs posed another challenge to the industry, Yang Wenguang, director of the Zhanjiang Bureau of Commerce, stressed.

Yet prawn production has become Zhanjiang's flagship business. The industry has a supply chain from seeding to breeding and from feeding to marketing.

To help cope with growing domestic and international demand, many Chinese aquaculture companies are now looking to expand overseas,



The aim now is to double production capacity in order to meet the needs of global markets, especially in the Belt and Road economies."

Chen Shanghong, vice-president of Guangdong Evergreen Group Co

especially in the Belt and Road economies.

Guangdong Evergreen Group Co, one of the market leaders in the industry and based in Zhanjiang, has built a seafood processing factory in Vietnam.

A second plant will come online by the end of this year.

"The total investment for the new project is about \$14 million," said Chen Shanghong, the company's vice-president. "We expect to reach an annual production capacity of 80,000 tons."

Evergreen has already developed a global reputation.

The group helped build Egypt's first aquaculture industrial park, while new projects in Malaysia, Indonesia, Thailand, Saudi Arabia and Myanmar are in the pipeline.

Founded in 1992, Evergreen started off as an agricultural trading store with just six employees.

In the space of 25 years, it has grown into a diverse business with a 12,000-strong workforce and annual sales of 10 billion yuan (\$1.5 billion).

"The aim now is to double production capacity in order to meet the needs of global markets, especially in the Belt and Road economies," Chen said.

High-end steel manufacturer goes green after being in red

By **LI WENFANG**
and **CHAI HUA**
in Zhanjiang, Guangdong

A state-of-the-art steel mill in Zhanjiang has helped transform the industry in China after switching to high-end production.

Six years ago, one of the major players in the sector, Baosteel, rolled out the Zhanjiang Baosteel project, a long-term plan to boost profits.

It was designed to cope with rising demand for high-quality steel in South China and emerging markets in the Belt

and Road economies.

The decision was in line with the government's plans to reduce overcapacity in the industry amid supply-side reforms.

As part of the strategy, Baosteel cut production by about 20 million metric tons at its Shanghai and Guangdong mills.

The company then built a new 12.58-square-kilometer plant in Zhanjiang, which started production last year.

"Zhanjiang Baosteel is positioned to become the world's most efficient green produc-

tion base for carbon steel," said Sheng Genghong, vice-president of Baosteel and head of the Zhanjiang project.

The switch to producing high-quality carbon steel instead of crude steel is starting to pay off.

Carbon steel output for the automobile industry reached 800,000 tons in the first six months of this year as domestic demand soared, particularly for new energy vehicles or NEVs.

"They require thinner and stronger materials," Sheng said.



We are trying to build a steel factory with the least emissions and the highest efficiency in utilizing resources."

Sheng Genghong, head of the Baosteel Zhanjiang project

Market services company GF Securities Co Ltd expects demand for automotive steel in China to reach 63 million tons this year and 71 million tons in 2020.

By moving into the high-end marketplace, Zhanjiang Baosteel has tapped into a profitable part of the business.

In the first half of 2017, it bounced back into the black after recording a net profit of 1.35 billion yuan (\$203 million), the company revealed.

Last year, the steelmaker went into the red after making a loss of 700 million yuan,

according to the annual report.

Still, protecting the environment is just as crucial as generating profits, Zhanjiang Baosteel pointed out.

Nearly 5 billion yuan of the 50 billion invested in building the seaside plant was allocated for environmental protection — the largest amount by a domestic iron and steel manufacturer.

"We are trying to build a steel factory with the least emissions and the highest efficiency in utilizing resources in the world," Sheng said.

High-tech solutions have

been used to reduce harmful gases, while waste water is recycled to protect the environment. Technology is also being used to see if "steel slag", or waste from the production process, can be turned into artificial reefs to boost marine wildlife.

"The Zhanjiang plant is the world's best steel factory in terms of production quality and environmental protection," Wang Yingsheng, deputy secretary-general of the China Iron and Steel Association, told a forum in Shenzhen during the summer.