

Historic distiller embraces sustainability

China's most famous *baijiu* is writing new chapter with major industrial park

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The main Moutai factory complex is located in a valley surrounded by fertile hills, the steep slopes carved into terraces covered in green crops, nestled in an early morning mist the day we visit. The soil looks rich and loamy, its dark color hinting at a volcanic lushness I recognize from my homeland of New Zealand. The Chishui River, which flows through the town of Maotai, a different spelling from the historic liquor brand, passes by a plaza with fountains and children's play equipment, filled with locals enjoying the early spring temperatures and the company of their neighbors.

The aroma of China's most famous *baijiu*, or distilled white liquor, permeates the town in Guizhou province, which our hosts, the Kweichow Moutai Group, assure us receives ample rainfall and sunshine to allow for lush year-round growth.

That aroma is part of an often-told story of Moutai's introduction to Western palates in 1915 at the Panama-Pacific International Exposition in San Francisco. Legend has it, as portrayed in a film shown on constant rotation at the town's National Liquor Culture Museum, that a Moutai representative at the fair, frustrated at his product being ignored by participants, deliberately smashed a jar of the alcohol to release its pungent scent.

The aroma attracted the judges, the story goes, and Moutai left the expo with a gold medal and much-wanted international recognition.

There are many such myths associated with the liquor often referred to as "the essence of China" — that it was used to treat the Red Army's wounded during the Long March in the 1930s, that the "morning after" a night of overindulging will not result in a hangover (untrue, a fellow guest on the distillery trip confides) and that it protects the stomach and liver from the ill-effects caused by the over-appreciation of other alcohols.

Moutai has also become expected at the numerous diplomatic events involving China, and has been sampled by rulers and regents around the world. Perhaps fittingly, the latest

chapter in this rich and chaptered history is taking place in the city of Zunyi, an important location in the history of Mao Zedong and the Communist Party of China. Here, the residue from producing the high-priced liquor is used as another resource. It is distilled three more times and sold as a lower-grade liquor targeted at less wealthy consumers, as well as being converted into methane and then natural gas, and used to make organic fertilizer.

There is an industrial park, a joint venture between the Moutai Group and partners. It aims to create a circular economy using waste water and residue to extract and purify water, while providing some of its own energy needs, creating new brands of *baijiu* and lighter wines and producing fertilizer that can be used to grow more wheat and red sorghum — the main ingredients of Moutai.

"The purpose is to take from the soil and return to the soil again," said Yang Mingkai, deputy manager of the plant.

The first phase, which includes a distillery, fertilizer and natural gas plant, is complete, although finishing touches are still being applied, with the second phase scheduled to be done by 2018.

Labor intensity

Part of what makes the traditional Moutai so expensive (800 yuan and up for 500 milliliters of the 53-percent proof version, a little more than \$122) is the labor intensity of its production. Liu Qinghang, manager of the packaging factory at the Moutai distillery, tells his guests several times that there are nine separate steps involved in simply adding the resplendent red ribbon to the Moutai bottles, and it is not possible to do without the many staff we watch from a walkway above the packaging lines.

The young women packers, and most are young as the older women have moved on to less physical jobs, are surreal to watch because of their speed. It feels as if a movie has been filmed and sped up for our viewing, as they place bottles in boxes, add a pair of official tasting glasses in its own box, then instantly reach for the next grouping.

Further down the line, we



Located in the scenic Maotai town, Kweichow Moutai Group produces one of the best liquors in China. ZHANG WEI / CHINA DAILY

watch as men spread the mash of boiled wheat and red sorghum, adding in yeast for fermentation as they work barefoot on the vast stone floor.

We are told at the museum that another legend says an emperor from the Han Dynasties (206 BC-AD 220) discovered the town and liquor and was much pleased by both. In keeping with such a long tradition, the jobs are segregated by gender — women work in the packaging factory and as tasters, because they are thought to have a softer touch and a more discerning palate, while men do the shoveling of the mash and are the brewmasters, overseeing the fermentation and blending of the final product.

Liu tells us that Moutai is a highly sought-after employer, paying more than most jobs in the region. Everyone on the packaging floor has graduated at least from high school, and many have university degrees. At the industrial park, where

the liquor products are priced at a much-reduced 50 yuan to 100 yuan, most processes are automated, with huge steel vats for fermentation rather than the clay pots at the traditional factory.

The aroma is the same, a heady scent, but there are few employees to be seen. What does impress, especially for this writer from an organic farm in south New Zealand, are the preparations to place solar panels on the distillery roofs, and a thriving hydroponic farming operation covering another roof. The second phase will include greenhouses and the cultivation of even more produce, as well as the planting of fruit trees throughout the park, with the crops to be used in the cafeterias that feed the workers.

I breathe in deeply as I walk through the crops, feeling positive that such a historic group is investing heavily in sustainability.



An organic farm in Moutai's industrial park in Zunyi uses residue from the distillery as crop fertilizer. JIANG DONG / CHINA DAILY

Moutai diversifies portfolio, expands online strategy

By EMMA GONZÁLEZ
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A mere half-hour bus ride from the charming city of Renhuai in Guizhou province, where China's most iconic traditional *baijiu* brand Moutai was born, lies a new, highly industrialized production facility that will manufacture a new line of affordable white spirits.

Kweichow Moutai Co Ltd, the producer of China's national spirit Moutai, started the construction of its recycling industrial park in 2014 in a move to popularize a product that was perceived as too expensive for the average Chinese consumer.

A joint venture between the *baijiu* producer and its partners, this eco-friendly industrial park is due to be fully completed in 2018.

The first phase of the project, which includes the mass-made liquor facility, has already been completed and put into production.

Moutai expects to produce an average of 40 million bottles here of the mid-end *baijiu* every year.

The new line of affordable white spirits will use the same ingredients of the company's signature product, the Flying Fairy.

"The wastewater from the Moutai distillery is being used in the new plant for the fermentation process," said Yang Mingkai, deputy manager of the Moutai recycling project. "It is the same production process, including the same sorghum and wheat used in the premium Moutai liquor. The only difference is that the process is more industrial to increase production."

Founded in Guizhou province, Moutai is one of China's largest *baijiu* makers with a strong brand heritage.

Traditionally, Chinese consumers have associated the Moutai brand with special celebrations such as weddings and national holidays. The high-end liquor is also a favorite at State banquets and other celebrations.

"Chinese people like the brand but not everyone can afford our products," Yang said.

Priced between 50 yuan (\$7.7) and 100 yuan, the new line of affordable spirits will complement Moutai's core portfolio of premium strong sorghum-based drinks, generally sold above 800 yuan a bottle in the market, the company said.

In 2013, the Chinese government launched an anti-corruption campaign aimed at counteracting the wasteful spending of local officials by banning the drink at government banquets.

The implementation of the austerity measures has had a lasting impact on the sales growth of China's largest spirits maker.

In 2014, at the peak of the anti-extravagance campaign, total retail sales of Chinese spirits reached 488.7 billion yuan, a decline of 1.7 percent from 2013, according to market research firm Mintel.

New adjustment

Nowadays, *baijiu* brands are actively working on strategies to increase their turnover, particularly the launch of mid-priced products and a focus on online distribution channels to appeal to a wider audience.

"Our marketing practice is continuously changing," said a spokesperson for Moutai. "We have responded to market changes by cutting prices and concentrating on the quick turnover strategy of low-margin products."

Moutai said the change in strategy has helped improve profitability and increase sales. In January, the company posted a 25-percent rise in sales from the same period last year.

"The slowdown of market growth has forced major players to focus more on the mass consumer market," said Hao Qiu, a research analyst at Mintel. "They have taken a more conservative approach in production to reduce inventory



We attach great importance to distribution network development through e-commerce channels."

Yang Daiyong, vice-president of Moutai Group

and lower the average retail price to reach more consumers."

This market readjustment is expected to lead to an overall recovery of the Chinese spirits industry following the weak period triggered by the anti-graft campaign.

The retail sales value of Chinese spirits is expected to grow from 508 billion yuan in 2015 to 661 billion yuan in 2019, driven by stable demand for mid-end spirits, according to Mintel.

The expansion of channels of distribution is also expected to play an important role in the sector's recovery.

Offline retail channels currently dominate *baijiu*

purchasing, with spirits and tobacco stores, supermarkets and shopping malls being the preferred places to buy the fiery alcohol.

Nonetheless, online retail is emerging rapidly as an alternative option for buying alcoholic drinks.

In fact, Moutai already plans to start selling its new affordable line of white spirits in online stores from May.

With the rising popularity of e-commerce, Moutai said it will keep spending heavily to expand its presence in online shopping distribution channels and improve its sales network to reach a higher number of consumers.

"We attach great importance to distribution network development through e-commerce channels," said Yang Daiyong, vice-president of Kweichow Moutai Group.

"Trust me when I say that you will be able to buy Moutai online in New York in the next years," he said.

Moutai currently cooperates with more than 10 e-commerce platforms in China, including JD.com, Alibaba Group's Tmall and Goms and does not rule out expanding into other online stores.

Moutai also said the use of big data and cloud technology is helping it understand customer needs and preferences to improve its marketing strategy and reach more potential consumers.



A Moutai executive at the company's joint venture industrial park introduces the white spirit to foreign journalists. The company's new products, using the same ingredients as its high-end *baijiu* that sells for about 800 yuan (\$123) a bottle, range in price between 50 yuan and 100 yuan.

PANG XIAOQIAO / CHINA DAILY