

### I am investigating the potential of AFFCO, a meat processing company, exporting their products to China.

Currently AFFCO exports to many developed countries and has tried to develop relationships with countries that have already signed fair trade agreements (FTAs). AFFCO have particularly tried to develop contracts with the Asian markets as they see huge potential in exporting there as Asia, particularly China, has the largest emerging middle class in the world. This means that there is ever increasing disposable income among these economies and as a result the people are looking for better quality foods that have a greater protein source like meat products, as opposed to the traditional food sources such as rice.

2

#### *Cultural intelligence*

Cultural intelligence is very important when dealing with issues such as the one presented. Countries such as China with their heritage and beliefs, like to have personal connections with people they do business with. This is because it gives them the belief that they can trust and rely on their business partners. Many businesses have tried to become partners and/or supply to Asian businesses in the past but the underlying difference to the ones that have succeeded and the ones that have failed is the foundation of what their association with the business is based on. The businesses that have succeeded have allowed time to get to know their associates in the Asian country, developing trust and in most cases building a friendship that allows a personal connection between both them and the businesses. From my research I have been able to find similar businesses with the same barriers when trying to break into the Asian economies. ANZCO is a business in the same sector as AFFCO and have successfully managed to develop relationships with Chinese businesses allowing a far greater market than ever before. After talking to Sir Graeme Harrison, chair of the Board of ANZCO Foods, about the ways and techniques used to break into this market I have been able to develop some strategies for AFFCO to implement.

1

Firstly the most important aspect of developing business with a Chinese business is to develop a relationship between one of your sales representatives and one of their employees high up in the business. Sir Graeme talked about how ANZCO successfully did this and ways AFFCO could establish similar relationships. Firstly, one of AFFCO's sales representatives should be sent over to the country to meet face to face with their potential client. Sir Graeme said meeting face to face is much more personal and helps gain trust among the clients. The two parties should then get to know each other by learning the customs of the Chinese culture, as this can help further along if the two companies are in business as they know what is acceptable and what is not, as well as creating a stronger friendship. To help build a relationship between the two parties it is helpful to ... *detail omitted from this exemplar.*

#### *Opportunities*

The strategy of creating a mutual friendship between the two people in the separate businesses before approaching them about business plans is one that has been tried and proved that it is a successful way of creating business opportunities, as shown by the way ANZCO has and continues to grow. This strategy has many positives that can arise from AFFCO implementing the same tactic; these include:

- Increased business in the Asian countries that have the largest developing population of middle class customers; this can lead to huge increases in the profit made from the countries concerned, as it allows the greater market than the one AFFCO presently has the ability to supply to.
- Secondly, a huge increase in demand for AFFCO's products. This is because New Zealand has a sophisticated meat industry that produces outstanding, pasture-fed and naturally raised meat. The products are tender, flavoursome, healthy and customised for clients around the world. Our livestock's diet of fresh pasture, grass and nutrient-rich clover almost completely eliminates grain feeding and nutritional supplementation. And, with strict biosecurity and quality control processes, our animals' product is not only tasty but extremely healthy and safe meat. Combining this with an emerging middle class market in China means endless exporting possibilities for AFFCO as the Chinese consumers are demanding a product that is high in protein away from their traditional sources of rice-based meals and that is both tasty and safe. This means that there is a huge opportunity for AFFCO to develop a trusting relationship with this market and if done right can lead to huge financial gain.
- Thirdly, the FTA that was signed with China in 2008 has had a huge impact on the possible financial gains available to NZ countries. This opportunity came about through ... *detail omitted from this exemplar.*

2

#### *Risks*

There is a chance that the Chinese market is not looking to expand the businesses they work with, which has happened in the past as they are set in their ways and comfortable with only dealing with one business that supplies them with products that they can trust. If this is the case it can mean a small financial loss for the company as they

would have to allocate time and resource to try and expand into this market. I believe that the risk is worth the potential reward as there is a large market that is going to demand an ever increasing protein source and AFFCO has the chance to fulfil this demand.

I believe, from my research I carried out, that AFFCO have huge potential to succeed in the Chinese market as they are a company of high standards that have a proven track record of exporting that will assist them with negotiations. If AFFCO take the time to develop a relationship that is based on trust and communication I believe that they will have the chance to thrive in a market that is the largest growing middle class in the world, meaning never ending demand for their products as the consumers seek a tasty and safe protein source. (2)

*Transportation section omitted from this exemplar.*

#### *Regulations*

Regulations are another important issue that AFFCO has to comply with when exporting their products around the world. Regulations or trade barriers and taxes have to be paid and quotas met or else severe penalties can be incurred. (3)

New Zealand Trade and Enterprise (NZTE) told me about the specific regulations that AFFCO will need to abide by when exporting to China. (1)

One is the quota allowance that is put in place by importing countries. Quotas protect their producers against the competition that exporting countries cause. There are specific quotas allocated so that local producers are not as badly affected by the influx of imported goods. It is vital that AFFCO abide by these set quotas otherwise there are repercussions for them. The FTA which was signed in 2008 was a huge step in the development of a relationship with the country. NZ companies can now export to China without the quota taxes which has caused a huge change for many agricultural businesses. NZTE told me that for companies to keep this agreement going strong they just need to go through the correct processes such as completing all the necessary paperwork and labelling so the same incident which we saw earlier in the year with the meat sitting in a container ship at the port does not happen again. (3)

#### *Conclusion*

There is a growing middle class in China so a huge demand for the high quality products that New Zealand and AFFCO produce. Combined with the free trade between the two countries this has the potential to allow companies that handle business correctly to thrive as a result of the increased demand for their products in China.

As shown, I have researched and addressed three important issues faced by AFFCO – cultural intelligence, transportation and regulations. I have shown how other companies have dealt with similar issues. It seems to me that AFFCO would be in a strong position to start exporting their meat products to China and should be able to do this successfully.

*The student has provided evidence of correspondence with New Zealand Trade and Enterprise and a discussion with Sir Graeme Harrison.*