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**CHINESE FOOD SUPPLY CHAIN AND FOOD SAFETY
ISSUES**

Huangtaiji, Sanlu Cases

Thesis

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ABSTRACT

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<p>The purpose of the thesis was to analyze the food safety problem that happened in different supply chains in China. In addition, the aim was to give a general view of why people do not trust food producers in China these days.</p> <p>In this thesis there were two different cases, Huangtaiji and Sanlu milk powder The purpose of these two cases was to show two types of food producers in China.</p>		

<p>Key words</p> <p>food safety, food supply chain, milk powder scandal, innovation, hygiene</p>

ABSTRACT

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PREFACE

This thesis is my first academic one; In the beginning, I was so afraid to start, as there was much research I needed to do, and also the limited time made me feel I could not even breathe. Fortunately, so far everything has gone rather well. After I concluded this thesis, it did not only help me to improve my English academic writing skills but also had a positive influence on my personality, giving me confidence to face all kinds of academic writing in the future.

There are many people who supported me when I was struggling with my topic and those times when I was stressed for doing such amount of research. Here, I would like to thank Daria Lisowska, Sergio Omar Chong Lugo, Kseniia Vlasova and Tianhao Song as they have brought me a much positive energy during these 4 years in Finland and have encouraged me to achieve my goals, have emotionally supported me when I felt down. Also many thanks to my tutor Ossi Päiväläinen, who helped me to solve the problems for my thesis and also for all these academic years, whenever I had a problem he was always very patient to help me solve it.

Thank you very much.

1 INTRODUCTION

From six hundred thousand years ago since archaeologists have found the first human fossil; From the ancient period till now, food has played a very important role in our life. Obviously, people cannot live without food. A simple kind of food cannot fulfill our satisfaction anymore because of increased pace of our life. These days, whether people trust their own food become a very important issue.

Firstly, this thesis gives a general view of the whole Chinese food market, especially the restaurant sector. In the first chapter there is basic information about how food supply chain works in China, also including a small case of food safety issues in a food supply chain. Then there is an analyze about the main reasons that have influenced Chinese food safety. In chapter 4, one of the most important cases in the Hunagtaiji restaurant, the reasons about huangtaiji is discussed trustfulness and the strategies from Huangtaiji. However, in Chapter 6, describe Sanlu Company example to explain why domestic and global consumers don't trust Chinese food. The rest of the chapter also play a pivotal role in this thesis, the chapter is about future prediction for Chinese food, and also to promote the development on offering safe food in China.

The reason why the author chose this subject was because the food safety issue not only happens in China but also in every country. According to the statistics and it can be seen in

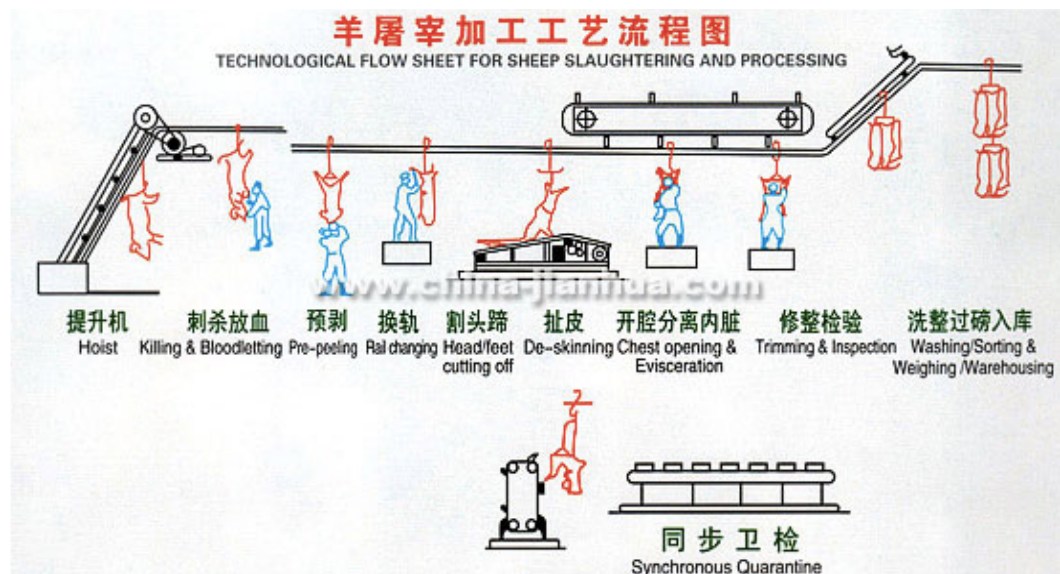
social media. As individuals we should be aware and also need to solve this global problem.

The rest of the chapters discuss some general food problems that have happened in different countries, and how they managed and how the supervisory system works in other countries.

In the end of the chapter there is some information from media and specialists how food safety in China and catering industry will develop in the future.

2 CHINESE FOOD SUPPLY CHAIN

China is one of the biggest exporter countries in the world. There are many food industries in China and the processes of the food industry usually have a big influence on food safety.



Picture 1. Sheep slaughtering and processing (adapted from Qin 2012)

The Picture 1 shows the process of a sheep meat producer. From the beginning to the end the process is semi-automatic, fast, and safe. In the end of the process all the meat goes to the final testing system. Even though the process seems very neat and safe, there are many food safe issues that happen in China everyday. One of the problems comes from the raw materials. For example, usually a food producer would like to decrease the cost, and thus they will try to find a cheaper raw materials supplier. Therefore, a meat producer might look for the cheapest sheep farmer, the cheap supplier usually offers raw materials with very low

quality. Sometimes it is even very harmful for human health. Additionally, the low quality meat is only sold to the domestic market, because there are very strict testing systems in food safety for export.

2.1 Raw materials safety

One of the most serious problems in China is whether a raw material is safe. There are many cases, which have happened in China that show how bad raw materials have been used in the food supply chain. With the booming of Chinese economy, recently, there are many new raw material suppliers in China. Most of them are famers. They have their own family factory without paying taxes, and no hygiene certificates, which is not allowed in China. However most of these family businesses are growing today. The main reason is because the raw materials that they offer are even two times cheaper than others. Food retailers who want to decrease the cost usually come to the family factory to buy raw materials, even though they know the risk. However, this is also because the lack of ethics of the manager. There was a famous case of the current food scandal from Shuanghui Ltd., which controls the country's largest meat processing company. A case from the year of 2013 is an example. China's Shuanghui International decided to buy US Meat Company for \$4.7 billion. (Kavilanz 2013.)

According to CNN news, a woman bought a pack of sausages from Shuanghui, and she found several dead maggots inside. The manager's lack of ethics caused the scandal to happen in Shuanghui. Suddenly the scandal of Shuanghui was published in every popular international newspaper, and that led Chinese people to start to doubt the safety of their domestic food. They have been concerned that the food industry should be much more transparent to help the public know what really happens in their food. (Inocencio&Ke 2013.)

The 15th of March in China is a customer day, the aim is to help customers in solving their unsafe food problems. However, it is also very important that the authorities need to establish a new system to scrutinize the food producer. Otherwise all companies will be like Shuanghui to easily avoid the food quality test.

2.2 Situation in Chinese catering industry

According to the statistics from the Chinese catering industry investment data analysis reports in 2014, 2.5% of the population own a restaurant in the Jiangsu Province. In other provinces, the people who own restaurants has slightly increased and the income from the catering industry increased 8% compared with the previous year. On the other hand, cafés and homemade street food stands played a very important role in Chinese catering industries. Restaurant investment has also become one of the most promising businesses in China. After investors establish a restaurant, how to be a good manager also have a significant effect on the restaurant business.

Catering Investment Analysis Education

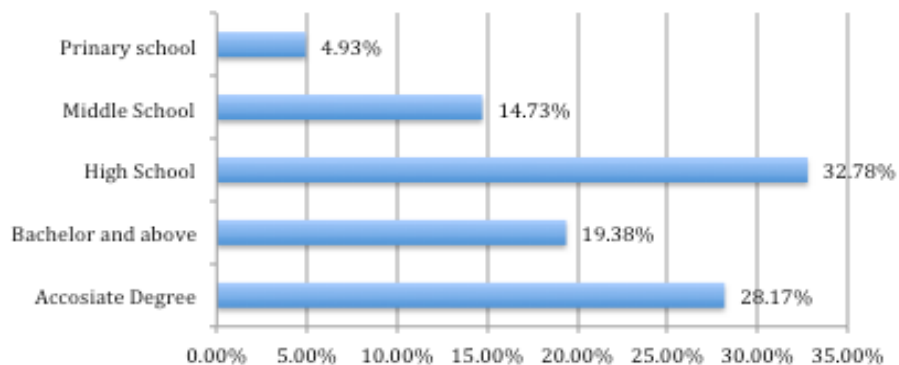


Chart 1. Catering Investment Analysis Education (adapted from Chinese catering industry investment data analysis reports 2014)

The Chart 1 the Catering Investment Analysis Education shows that the majority of people investing in restaurants have graduated from a high school. Usually there are several students who together open a restaurant. Students who have a bachelor's degree prefer working in a company instead of having their own business. For the people who graduate from primary school, 4.93% own a restaurant. In summary, the age of restaurant investors becomes younger and younger in China. That is the main reason of the increasing domestic demands and the growing economy.

2.3 CHINESE RESTAURANT HYGIENE PROBLEM

There are so many regulations to comply with that people don't want to open a restaurant in Western countries. For example, in Finland according to Evira, if a person would like to work in a restaurant as a waitress, they must pass the hygiene test before they start to work in a restaurant. (Evira 2012.)

In China, with a large number of restaurants, if a person would like to open a restaurant, they must have a health certificate instead of a hygiene exam. The aim is to prove that the public cooks do not have any diseases. It is very important to know the part of Chinese business culture called "guanxi" if you would like to start up a business in China. Guanxi is about building a relationship between business partners or even between the company and the government. The aim is to gain common interests from business. It is a very typical Chinese way of doing business (Business Insider 2011.)

Based on the Chinese business culture guanxi, doing business in China has become more complicated. When people open a restaurant, it is easy to get a hygiene certificate instead of going to the health check. It is also hard to control food safety in restaurants in China. For instance, when the food safety inspector goes to check the restaurant, and even though the owner has a health certificate, the problem is that the real certificate might be created by a doctor who has a good relationship with the owner. That is how guanxi works in China. There are always some food safety issues happening in restaurant every day in China.

These four steps give the reader a general view about Chinese restaurant supply chain.

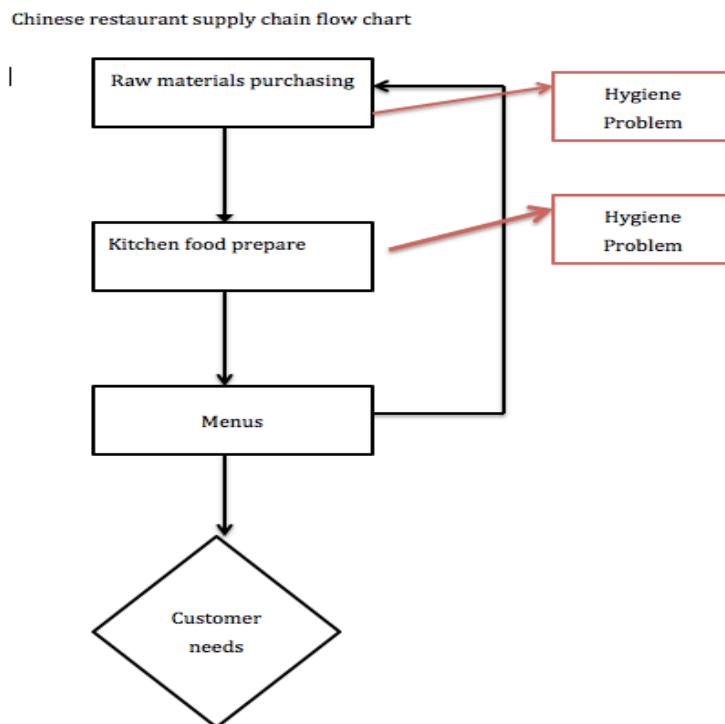


Chart 2. Chinese restaurant supply chain

The Chart 2 presents the Chinese restaurant supply chain. It shows a very simple way how the supply chain works in restaurants in general. Food hygiene problems usually happen in the raw material being prepared and in the kitchen. Business ethics is the basic element for doing business, but people often forget how to follow the business ethics when they would like to gain some extra benefits. The owner usually chooses the cheapest raw materials and they even do not care about the quality, nor the consequence. Another problem in restaurants is whether the cook has the hygiene certificate, It is very easy to harm the the customer if the kitchen is dirty or the cook has diseases. This chart only shows the very simple food problem for restaurants. There are more food safety problems happening in China every day.

3 HUANGTAIJI RESTAURANTCASE

There must be some reasons why Huangtaiji succeeded in the domestic fast food restaurant field. They started their business by selling Chinese style pancakes. It opened in the year of 2012 in Beijing. At the beginning it was a very small restaurant where there was only a 20 square meter room with a few employees, However, in only three years, Huangtaiji grew to be a well-known restaurant which has 5 chain stores in 5 different cities in China. It is hard to achieve this among many competitors such as KFC and McDonald. These fast food restaurants are especially for people who live in the fast pace of life, but usually Asian people would rather have healthy normal food than unhealthy fast food, Innovation plays a very significant role at Huangtaiji. This tool helped Hunagtaiji develop their business very fast. The owner of Huangtaiji, He Chang is a 30 years old Chinese man, who started to be his own boss after he quit his job at Google. That is why he has so many innovation ideas for his restaurant. He is not the first person in China that does marketing by using Internet social network, such as Chinese twitter and Facebook, but he is the only one who has made such a big success. On the other hand, he is also very familiar with Chinese customer needs. Another strategy from Huangtaiji is that if they receive a big order, Huangtaiji usually delivery their food by a luxury car, like Ferrari or Porsche. They created a new way to delivery food.

Delivering food by luxury cars was one of the methods to become popular. Some people

think it is a very innovative way for business promotion, some people think it does not make any sense to spend so much money on food deliveries. All in all, it is always good to start with an innovative and unique promotional way in business. (Wang 2013.)

3.1 Business Plan

As I have mentioned, Huangtaiji become the best example by using social media as a marketing tool. It created a new way instead of using traditional social media, for instance the owner usually posts some journeys instead of events. The most interesting post was when he went to the U.S to explore mysterious U.F.O events. However, those things are probably not related to his business, but it makes Huangtaiji famous. The aim of using Chinese twitter in that way is to gain a good reputation, followers, and also to sell their brand. That is the reason Huantaiji is well known, on the other hand, they create a new method to find customers' needs, and to use the innovative delivery to develop the market. Detail orientated is also the secret that made Huangtaiji successful in the market. Usually companies use Facebook or Twitter only for promotion, they rarely reply to customer's comments. On the contrary, Huangtaiji focuses on the followers, and the owner usually replies to most of the followers and accepts good feedbacks. (Wu 2013.)

3.2 Huangtaiji SWOT analysis

Here is the SWOT analysis for Huangtaiji. The aim of the analysis is to show how Huangtaiji became successful in the market, what are their strategies and what they probably should improve in the future.

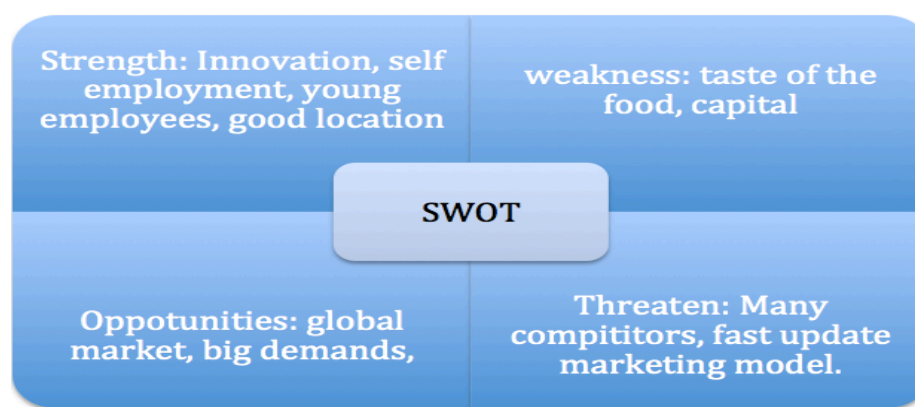


Table 1. SWOT analysis Huangtaiji (modified from perfectly Makos 2015)

3.2.1 Strengths

Innovation is the symbol of Huangtaiji, they use luxury cars to delivery food, and started to become well known by customers, but self-employment is also what made Huangtaiji successful. Currently self-employment is becoming popular all over the world, most of the countries have started to support self-employment, For example, usually the government lowers the taxation for small companies such as self-employment, so in this point Huangtaiji benefits from being a small business. The owner of Huangtaiji decided to generate

employment opportunities based on this reasoning. All of the employees are young, some of them have recently graduated from the university, some lack working experiences, and all of them are under 28 years old. The aim of Huangtaiji is to create a relaxing working environment with young teams. The good location can be one of the major advantages for Huangtaiji, as the restaurant is located at the CBD (Central Business District) where there are many white collar workers who are very busy to finish their lunch, Huangtaiji is the one that provides fast healthy Chinese food to fulfill their needs.

3.2.2 Weaknesses

According to the feedback from the Internet users, there are some customers who are not very satisfied with the taste of Huangtaiji's food. They believe that Huangtaiji puts too much effort in doing their innovation and marketing and that they totally forget that the taste of food is the most important element for a restaurant. Zhenghedao, which is a business review website, said, "customer experiences in the restaurant is the first thing to be concerned about in a restaurant, but the basic thing is the taste. If the food in the restaurant is not that good as their innovation, then it will not be running well in the future" (Weibo 2014.)

In summary, the most significant problem for Huangtaiji is the taste, if they could start to improve the taste of food; they would still have a chance to become the best Chinese fast food restaurant. Another problem for Huangtaiji is equity, Huangtaiji started as a small restaurant which only had 20 employees, but with its growth, the more chain restaurants they open, the more capital they need. Recently, Huangtaiji has opened already several chain restaurants in Beijing and Shanghai. If they would like to open restaurants in another country, the capital would be a major problem which needs to be managed well.

3.2.3 Opportunities

With the growth of fast food industry, Chinese fast food is not only fast but also healthy compared with the classic fast food restaurants such as McDonald and KFC. The most significant advantage of Chinese fast food is that it is delicious and healthy. For Huangtaiji, the goal is not simply to be the best selling Chinese fast food restaurant, but the mission of Huangtaiji is to increase the value of the brand. When the brand becomes famous all over the world, it is time for Huangtaiji to go abroad. For example, Panda express is a famous Chinese fast food restaurant, and people could find the chain restaurants all over the U.S. Because the increasing demand of fast food, Huangtaiji believes they will open a new restaurant in the U.S in the near future

3.2.4 Threats

Nowadays, the biggest competitor for Huangtaiji is Zhen Gongfu restaurant which is the first Chinese fast food restaurant. It opened in the year of 1994 and is it a very well known restaurant all over China. There are many other Chinese fast food restaurants in China, which provide delicious, and cheaper food than Huangtaiji. On the other hand, if Huangtaiji does business abroad, there are even more competitors abroad as well. There are hundreds of thousands of Chinese restaurants in the United States, If Huangtaiji wants to open a restaurant in the U.S, the market would be even harder than in domestic China. The updated marketing model could also be a barriers for Huangtaiji, for instance , O2O (Online To Offline) model which is used by Huangtaiji. However, it is not the newest model for marketing anymore. There are many companies that have started to use Twitter, Facebook to sell their products. When they turn to be more creativite, then Huangtaiji's O2O model is not unique anymore.

4 REASONS OF CHINESE FOOD NOT BEING RELIABLE

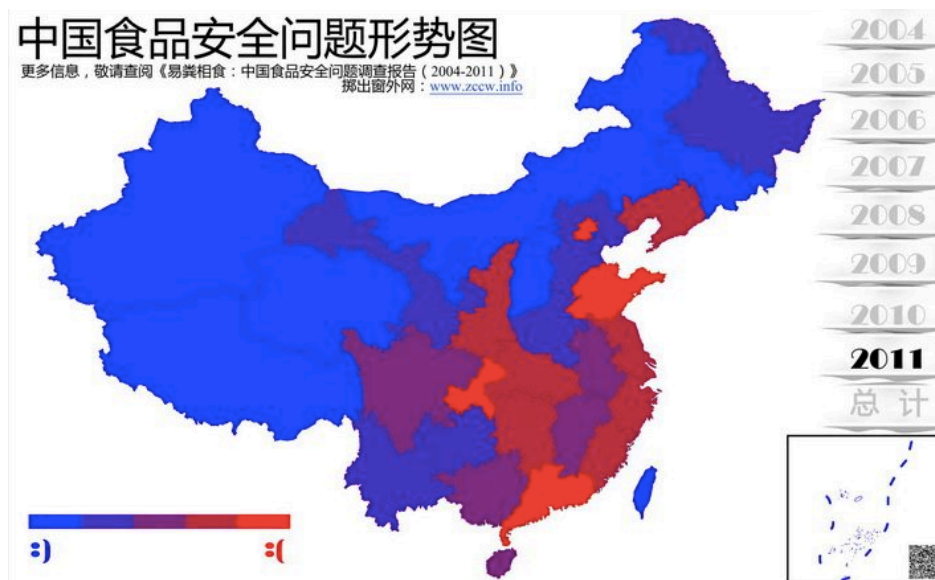
Currently it is not only the harmful situation in milk powder and restaurants, but also the problems for other foods in China. The Chinese have started to buy everything from abroad to avoid dangerous domestic food. In the year of 2010, Chinese overseas purchasing market transactions reached 12 billion yuan. In 2011 overseas purchasing market transactions reached 26.5 billion yuan, representing an increase of 120 percent over previous year. The center expects overseas purchasing transaction size in 2012 to reach 48 billion yuan. The growing number shows that the Chinese spend more money on overseas purchase, but it is not only the reason of a big booming Chinese economic, but a sign of local people starting to doubt the quality and safety about domestic products.(China Electronic Commerce Research Center monitoring 2013.)

4.1 Destruction of arable land and the environment

However, it is also one of the issue which Chinese people are getting disappointed about and distrusted in their own products. It is not only moral decline from producer nor special interests but there is another very serious reason, which is usually ignored by people, It is pollution and environmental degradation in food production, One side effect of China's rapid economic growth is serious environmental pollution caused by industrialization. The water

quality in 39% of the main river systems in of monitored waters and 57.5% of major lakes in of monitored waters are very poor (MEP 2012.)

Up to 10 percent of arable land is reported of having some degree of heavy metal pollution, and because of long-term excessive use of agricultural chemicals , soil has been severely depleted (Chen 2013.)



Picture 2. Food safety situation in China (adapted from Wei 2012)

The Picture 2 shows that different provinces have different levels of food safety. Obviously, according to the picture, the worst areas are the developed cities such as Beijing, Shanghai and the other coastal areas. Without doubt as it was mentioned earlier, for the various interests, there are many entrepreneurs who begin to become unethical. Furthermore, owing to the fact that most of those developed provinces have over million populations, compared

with other provinces there is usually a higher demand of food. To produce higher efficiency of agricultural suppliers, they had to start using illegal chemicals to speed up production and it led to the destruction of cultivated land. This is one of the reason why food safety issues are under more control in those larger cities.

4.2 Lack of awareness of the food business integrity

Lack of awareness of the integrity in the food business and corporate social responsibility is an important reason for the direct cause of food safety problems. In 2004 China Consumer Association survey showed that, for China's special rice, wheat flour, meat, beverages, and canned food companies in 15 categories, 60% of food production companies did not have the necessary production conditions (Li 2012.)

In addition, food poisoning also happens very frequently. Producers and sellers driven by interests become unscrupulous and unethical, and work in illegal ways in the production process. Extensive use of food additives, shoddy, fake, expired products or and reworked products into the market, is common to hide the dangers further. Beverages are also reworked by adding color and sweetness, adding some uneatable chemicals into the food just to make it looks and taste better. In the absence of honesty and trust, this happens in food production, processing and marketing and distribution. In the food production process to save costs, in the procurement of raw materials from producers, the substandard materials

and the addition of toxic substances are used. Secondly, the producers do not follow the national food standards for production and use a small home factory. The factories are poorly equipped, have poor disinfection systems, lack production control and management and legal consciousness. In the process, excessive food additives and even illegal non-food additives are used. Furthermore, most of the production enterprises lack quality control inspection systems. There is also the presence of substandard food packaging. Because the ignorance of the food inspector, it is very common that substandard products are sold in the market, in addition, people who sell expired food is also the problem and have a bad influence on the food market in China. Last but not least, due to the long distance transportation, it could also make the food may also spoil fast.

5 SANLU GROUP MILK POWDER SCANDAL

SanLu Ltd. which established their company in the year of 1983, is one of the oldest milk powder producers company in China, it is one of the first milk powder producer companies, it got ISO 9001 ISO 14001 certification at a very early time. From the beginning until 2006 SanLu group had the reputation of one with the best milk powder in China. In the same year Sanlu group decided to cooperate with FonterraCo-operativeGroup which is one of the most famous milk powder producer companies in New Zealand. Sunlu became well known, not because of the good quality, on the contrary in the year of 2008, they had been reported of adding Melamine to some of milk powder, which caused 6 infants' death. (Baidubaike 2008.)

5.1 Melamine

Melamine (2, 4, 6- triamino- 1,3,5-triazine) Melamine is an industrial chemical compound usually used in painting, plastic, even for papermaking. Melamine is non-toxic in low doses, In Europe the tolerance for daily use is 30 mg melamine per day for an adult of 60 kg, and 2.5 mg melamine for an infant of 5 kg. (European food information). According to the report from WHO (World Health organization) the maximum tolerance is 2mg/kg per day. According to the Bizzari&Yokose, Melamine is a chemical and it is not allowed to add over 2kg in food per day. Melamine is usually used in filters, glues or adhesives, and molding

compounds especially for dishware and kitchenware. (Bizzari&Yokose 2008.)

In the year of 2008 in China, Sanlu milk power Ltd. was reported of adding Melamine much more than needed to some of powdered milk and to make it appear to be rich in protein and make their milk power much more nutritional. It was said by Desh Kappor

The main reason to add melamine into milk powder is to lower the cost of capitalization, so businessman could earn more profit! (Kappor 2008.)



Picture 3. Melamine (Dawley 2011)

So from the picture 3, obviously, it looks like milk powder. It looks like milk, it does not have any smell, and it is even impossible to detected. It was very hard to distinguish by eyes, that is why it was very easy for the producer to enter the market. (Kappor 2008.)

5.2 The scandal

In the year of 2008, media reported that their infants having kidney stones who had used

Sanlu milk powder, Melamine was found in their milk powder. According to China's official figures, as of September 21, 2008, due to the use of infant formula and outpatient counseling and treatment of infants and young children a total of 39,965 infants have recovered, 12,892 people are hospitalized, 1,579 infants discharged and have been cured and it also caused the the death of four infants in China, five infants in Hong Kong, and in Macao 1 person was diagnosed with illness (Baidubaike 2008.)

After the year of 2000, with the growing economy of China, the milk powder product market turn into a very big market in China, because of high demands. Usually milk powder has different prices, which can be divided into three price categories, cheap, affordable and expensive. The most expensive one is imported from Japan and New Zealand. The target market is the high social level and rich people in China. The domestic milk power is for minorities. However, Sanlu Ltd, seized the opportunity and they rolled out a milk powder, which sells for only 18RMB, approximately 3 dollars, which is half price of the import milk powder. So almost everyone could afford it. (Vause 2009.)

There are several reasons why Sanlu managers should be punished in the scandal. Firstly, the CEO of SanluLtd is the culprit who should be arrested, in addition it is the problem of management of the company, for example, a detailed and thorough investigation of each aspect of the responsibility of the parties should be carried out. This includes the milk procurement staff, people in charge of quality control laboratory, engineering and technical. The “poisoning” could have happened in one of those steps because of the ignorance of the

managers. Secondly, it is also because entrepreneurs lack moral value, they have been driven by special interests. Another reason is why are they not afraid of they being arrested if they are making illegal products? It is also because bureaucratic connivance, in China “relations (guanxi)” play a very important role between company and government. Due to the common interests of both of them, local government usually ignore criminal acts.

6 HOW TO SOLVE FOOD SAFETY PROBLEM

It has been mentioned in the 4th chapter that there are several elements causing unsafe food in China, for example, at the legal level it is the imperfect law; at the moral value level, there is the lack of entrepreneur ethics, and lack of monitors in the food supply chain. Nowadays, Chinese people prefer import food more than domestic food; how can the government and public social media change this harmful situation, for it has already become a big issue in China.

6.1 How do the other countries solve unsafe food problems

The U.S government always treats food safety issued very seriously. In the year of 2011, a new law was signed by president Obama aimed to ensure the safety of the food supply chain. This was one of the first big changes in U.S food safety law after 70 years. According to the new law, they can recall products if related to food security risks, but also the right to inspect food-processing plants, as well as to develop more stringent standards on imported food and try to eliminate food safety risks (U.S food and drug administration 2010.)

In most of the EU countries, companies offer traceable food to ensure food safety, for example, when people buy a pack of eggs in an EU country, the customer can obviously see there are red numbers on the shell. At the beginning you might think it is the date of produce,

but actually there was a new law, which was published by the EU commission in the year of 2007. The aim was to have a standard for eggs sold in the EU market. People could easily find out where the egg was produced, what kind of cage the hens had etc. (Hanson 2015.)

In Japan, most of the food products have tracing number, people could even find how many times fertilizer was used (Cai 2011.)

In those countries they have very strict laws, or have open and transparent detail information about the food and the product, but in China, there is a lack of law to monitor food processing, I believe this is what China should improve in the future.

6.2 Processes of solve food safety problem

As the food safety problem starts getting more and more serious, it is very necessary to find a way to solve the problem and to get the Chinese people to trust and believe their food suppliers again. Then eventually earn a good reputation in the global market. First of all, the enterprise should complete a structured legal liability system, and improve the standard system as soon as possible. It is also very important to enhance a comprehensive quality system for safety, food hygiene, food quality standards and industry standards for edible agricultural products. Furthermore, the government should also start to advance the development of product safety and regulatory requirements for the production processes.

Improving testing methods, developing enterprise standards that are stricter than national and local standards cannot be either ignore. Second of all, the government should also take action to amend the law, for instance, the government should establish and improve the food science standards, improve inspection skills, technology and equipment as well as to improve grassroots food safety standards, with rigorous high-tech testing. Moreover, punishment should be stricter, for the one who breaks food safety law. Those breaking the law should be put into prison with huge fines.

There was an food unsafe food case in the U.S as well, in October 2006. Starbucks announced a voluntary recall about 73,000 sets of the stainless steal, 8 cup coffee brewer. The circuit defect may have caused a fire. That is the way how U.S solved the problem. China still need to learn from Western countries to amend the law, and make much more improvements in their food safety field. (Sina economy news 2006.)

7 CHINESE FOOD SAFETY FUTURE DEVELOPMENT

There are many methods present by authorities to help the Chinese solve food safety problems. It has already become a very serious issues that needs to be discussed. In conclusion there are several ways which are presented by authorities to help China develop safety food in the future.

“Market forces will dictate the future integrity of China’s food industry,” so author of China Food Regulatory Analyst, Paul O’Brien suggested. Chinese people should start to consider certified foods like: certified organic foods, usually the food that is certified is mostly for the upper and middle class customers. Because food safety issues usually happen in the raw materials section of the supply chain, the organic certified food could guarantee that raw materials are safe and green. These days, in China, organic food is usually tagged a higher price than other common products, but I believe with the popularity of the product, the price in the future will be much more affordable. Another suggestion from Paul O’Brien is to build us a private sector integrated traceability and authentication of foodstuffs system. To achieve this goal, the Central Testing International (CTI - the parent company of REACH24H) is spearheading a ground breaking new food safety authentication and traceability system utilizing advanced state of the art stable isotope analysis. (O’Brien 2014.)

For example, as Paul suggested, fingerprint identification could be used in the Centre testing system if in the case such food scandals like Sanlu would happen again, using this system it would be easier and faster to find out the problem. Paul believes that high technology will play an important role in Chinese food safety development in the future.

Another method which was published by food safety pioneer Liu Xiumei, suggests the clean up of the China's food safety system is the first thing that should be developed in the future. Xiumei Liu, who is the author of Future food 2050 said

We need to put public health first and then the health of the food industry. Right now it is the opposite. (Liu 2015.)

She suggested enhancing the monitoring of the beginning of the supply chain is very important. Managers and authorities need to publish a new system in order to control the illegal raw material supply in food supply chain. Another suggestion from Liu is "What we should focus on the future is to increase people's awareness of producing safe food and to educate the younger generation how to distinguish unsafe food" Most of the food safety issues happened in unclean home factories, that is why Liu suggested the need to solve the hygiene problem, China should learn from the western countries, how to have hygiene exam before someone would like to open a restaurant. There is also another method that was discussed by experts, for instance relying on public mass media to monitor food producers, or to prepare a strict law to give strong punishment for those who break the law.

8. CONCLUSIONS

With the developing global food market, it is very necessary to guarantee good quality of raw materials in the food supply chain. However, after the unsafe food issues happened in China, the government and authorities must start to find ways to solve the problems. Related with food safety, is the issue of how to manage a restaurant among millions of competitors is also a big challenge in China.

In my thesis, first I give a general point of view of the Chinese food supply chain and also the common problems in the supply chain, like unsafe raw materials and hygiene problems. Secondly, I give one important Huangtaiji case about how a Chinese restaurant operates in China. Using SWOT analysis, moreover, how Huangtaiji works in their domestic market. For instance, the new way to deliver Chinese fast food, the O2O method is used to attract the customers. Another case I have given in my thesis is the Sanlu scandal case to present the seriousness of the unsafe food situation in China, and to analyze the reason why the scandal happened. Last but not least, in my thesis I give development methods by two experts for the future of the Chinese food industry.

In summary, in China, which has a large and increasing economy, would like to take part in the global market, I believe the first crucial step is to develop a new method, a new way to guarantee the quality and safety of food in the domestic market.

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