

China's Skypeople Juice

On 20 April, 2010, **SkyPeople** successfully transferred from **Amex** to **NASDAQ**, and is the only Chinese fruit juice enterprise listed in America.

Editor Claire Phoenix interviewed Managing Director Hongke Xue.

Beverage Innovation interview

What position does SkyPeople Juice have in the global market?

SkyPeople is a comprehensive fruit processing company. We are one of the few companies to not only produce fruit juice concentrates, but also fruit juice beverages. We also sell fresh fruits and other fruit related products in China under our own branded name.

we believe we are a leading specialty fruit juice producer in the PRC. Our concentrated fruit juices are exported to North America, Europe, Russia, South Korea and the Middle East. We sell fruit juice beverages under our brand name **'Hedetang'** in China, which is positioned as a high quality, healthy and nutritious product to Chinese consumers.

We are proud of our high quality production techniques and strong R&D capabilities. We currently possess seven proprietary technologies in fruit juice production. Among these seven technologies, we have obtained two patents in the PRC and are in the process of applying for patents for the other five technologies. The favourable economic and cultural dynamics of China, where we operate, gives us a huge advantage and increased market demand.

SkyPeople has a robust growth strategy, which includes capacity expansion, development of new products and broadening our distribution channel both internationally and domestically.

In what sort of volumes and formats do you sell?



Hongke Xue

In the 12 months before 30 September, 2010, we sold 42,000 tonnes of fruit juice concentrate, 40 million bottles of fruit juice beverages, 9,000 tonnes of fresh fruits and 179 tonnes other products. Through this we realised a revenue of \$85 million.

We market our products through three primary methods: direct contact with foreign businesses; attendance at international exhibitions; and sales made through trade websites. Our

marketing and sales team works closely to maintain a consistent message to our customers. The sales team is divided into three subdivisions, focusing on the sales of fruit juice concentrates, fruit beverage products and derivative products, respectively.

We sell our fruit juice concentrates both domestically and internationally, while we have only sold our fruit beverages domestically. We sell our products either



Nasdaq Listed - October 2010



Skypeople company celebrates Nasdaq listing

indirectly through distributors, substantially all of which we believe have good credit history, or directly to end-users. Our export business is primarily comprised of fruit juice concentrates. The export of our fruit juice concentrates is handled internally by our international trade department, which has 13 personnel.

Our fruit beverage sales are driven by the Chinese market. Most beverages are sold through provincial level, city level and county level agents. We also sell directly to hotels, supermarkets and similar outlets in smaller quantities. Fruit beverage sales are conducted by a team of 28 people.

Our kiwi fruit products are targeted at the European, Southeast Asian, South Korean, Japanese, Middle Eastern, mainland Chinese and Taiwanese markets. The growth of our kiwifruit concentrate and kiwifruit beverages has exceeded the growth rate of any other product we offer.

Which geographic sectors do you cover and where do you hope to expand?



Launched in January 2011, the Qian Mei Duo juice drinks

Our fruit juice concentrates are sold domestically and internationally. As we mainly sell our concentrates through distributors, we are not certain exactly where our exported fruit juice concentrated products are ultimately sold, though we estimate that our products are exported to North America, Europe, Russia, South Korea and the Middle East.

We sell our Hedetang branded bottled fruit beverages domestically primarily to supermarkets in the PRC. Historically, we have only sold our fruit beverages regionally in Shaanxi Province and some cities near it in the PRC. One of our strategies is to broaden the geographic presence of our brand-named fruit beverages and expand production and

sales of higher margin fruit beverages in the PRC.

In January 2010, we engaged a beverage distributor in Beijing to focus on the sales and marketing of our fruit beverages to food and beverage wholesalers and retailers in the Beijing area. We plan to engage more to sell our beverages to a broader geographic area in China.

In 2011, we will increase our beverage portfolio, and intend to move into other big cities in China aiming to expand our fruit juice network and cover all areas in the next three years.

What is your view of innovation?

Innovation is very important to us. It is one of the reasons for our success so far. We always consider R&D an integral part of our business. In the past few years, our R&D teams successfully introduced several products to the market, including kiwifruit concentrated juice, turn-jujube juice, persimmon juice, juice cider beverages, etc. Our most successful products are our kiwifruit related products. We believe that we play a very important part in kiwi



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The success of Skypeople is the combination of favourable climatic, geographical and human conditions

production internationally. We have two successful patents related to kiwifruit processing.

In future, we plan to continue focusing on high margin new products in both concentrated fruit juice and fruit juice beverages. In the first quarter of 2011, we are launching several new beverages in the Chinese market, some of which are new to Chinese consumers. Some of these new products are particularly rich in fibre, which can help to detoxify, maintain fitness, and stimulate digestion. We will continue our efforts in providing healthy, high quality products to our customers.

On what types of machines do you generally fill?

SkyPeople has adopted advanced production equipment, such as Presser from **Flottweg** and Evaporimeter from **Schmitt** of Germany, Ultra-filtration equipment from **KOCH** of the USA, fully automatic auto-sterile filling technologies from **ELPO** and equipment from **Belducci** of Italy. The concentrated fruit juice processing business has advanced production techniques,

complete testing items and excellent product quality. The company takes the lead in passing ISO9001:2000, HACCP, and Koher certification in quality and meeting their tough testing standards. In addition, we are also in possession of two innovative devices. One is a device for breaking up and separating fruit peel, and the other is a device for removing the dirt on fruit peel and fruit hairs.

These two devices were invented by our company's R&D team and accepted as patents, which ensure the incomparable high purity and good taste of

kiwi juice in comparison to our competitors.

Besides this, SkyPeople has improved on technologies used in other industries and combined them with juice production, such as technologies in cold breakdown, resin discolouring, low-temperature reverse osmosis membrane concentration, complete enzymolysis and membrane filtration.

What is the reason for Skypeople Juice Company's success?

As the traditional saying goes, the success of SkyPeople is the combination of favourable climatic, geographical and human conditions. A continuously expanded production capability, diversified product supply, professional production skills, a large research force, convenient raw material supply, increasing market demand, government support and an excellent management team all made possible the position that SkyPeople finds itself in the juice industry today. ■



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