China's food industry: From capturing past dividends to creating future value

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Summary

- China's food and agribusiness sector is moving from a growth model based on economic expansion, globalization and the ICT revolution toward one focused on creating new value. Having built world-class scale, productivity, digital platforms and consumer insight, Chinese companies are well-positioned to capture three emerging dividends.
- First, global food insecurity creates opportunities to export agricultural technology, expertise and integrated production systems, provided solutions are adapted through local partnerships.
- Second, the expanding middle class in Asia and emerging markets, offers growth for brands, products and digital business models already tested with sophisticated Chinese consumers.
- Third, reconfigured supply chains allow companies to combine domestic strength, regional integration and global networks to improve resilience and competitiveness. Success will require firms to choose whether to stay local, expand regionally or operate globally. They must build influence, create options and develop value pools rather than compete only for existing ones.

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China's food and agribusiness sector has undergone one of the most remarkable transformations of any industry over the past three decades. Fuelled by economic growth, globalization, and rapid technological advancement, the sector expanded production, modernized supply chains, improved productivity and built some of the world's most sophisticated consumer-facing digital ecosystems. What began as a system focused on feeding a growing population evolved into an industry capable of competing with leading global players.

Today, however, the industry finds itself at a crossroads.

The growth model that underpinned China's rise was largely built on capturing three powerful dividends: China's economic ascent, increasing globalization and the ICT revolution. These forces enabled companies to scale production, gain efficiency and participate in expanding global markets. Yet much of that dividend has now been captured. Economic growth is moderating, domestic demand is maturing, and competitive intensity is rising across many food categories. Simply becoming larger is no longer enough.

But slowing growth should not be mistaken for declining opportunities. Rather, the source of value creation is changing and three new global dividends are emerging: the need for greater food security, the rapid expansion of middle-class consumers across emerging markets, and the reconfiguration of global supply chains. Chinese food and agribusiness companies are particularly well placed to benefit from all three because of the capabilities they developed during the previous growth era. The question is therefore no longer whether opportunities exist, but how companies can position themselves to capture them.

The foundation: Scale, productivity and digital capability

Before looking at the future opportunities, it is important to understand why Chinese companies enter this new phase from a position of strength. Over the past thirty years, Chinese agrifood businesses have built enormous scale and operational expertise. Investments in agricultural productivity, processing capacity and logistics have created highly competitive production systems. In several key sectors, Chinese producers now compare favorably with global peers on productivity and cost competitiveness.

At the same time, China's digital transformation has reshaped how food is produced, marketed and consumed. Companies learned to operate in an intensely competitive environment where consumer preferences change rapidly and where digital platforms connect producers, retailers and consumers in real time. This accelerated the shift from imitation to innovation and helped create business models centred on consumer value rather than simply product volume.

These two strengths – productivity and digital capability – form the foundation from which Chinese companies can pursue the next generation of growth opportunities.

Food security: From domestic necessity to exportable capability

The first opportunity is food security. For decades, food security has been a central strategic priority in China. Improving agricultural productivity, increasing yields and strengthening domestic food systems were national objectives. But what was once a domestic challenge has now become a competitive advantage. Globally, approximately 2.3 billion people still experience moderate to severe food insecurity. Many countries in Asia, Africa and Latin America are looking to improve food production, increase resilience and strengthen supply chains.

This creates an opportunity that extends well beyond agricultural exports. Chinese companies increasingly have the ability to export productivity itself. Rather than simply selling commodities, they can provide technologies, production expertise, processing systems and integrated agricultural solutions. In effect, the opportunity is shifting from selling products to helping build food systems.

Success, however, will not come from transplanting Chinese models one-on-one. Agriculture remains highly localized because it intersects with food policy, employment, resource management and national security. Capturing this dividend therefore requires close cooperation with local governments, farmers and industry partners. Companies that build local partnerships and adapt to national priorities will be best positioned to succeed.

The global middle class: Turning consumer insight into growth

The second dividend stems from changing global income distribution. Around 500 million people are expected to join the global middle class by 2035, bringing the total to roughly 2.1 billion consumers[1], Much of this growth will be concentrated in Asia, particularly India and Southeast Asia. As incomes rise, food consumption evolves through predictable stages. Consumers move from basic staples towards protein-rich diets and processed foods, before eventually prioritizing convenience, health, wellness, premiumization and experience.

China has already lived through this transition. Over the past decade, Chinese consumers have increasingly embraced ready meals, premium beverages, fresh tea and coffee concepts, functional foods and wellness-oriented products. To serve these customers, Chinese companies developed sophisticated consumer brands, rapid product innovation capabilities and highly digital business models. Those capabilities are now increasingly transferable.

[1] according to BCG, Euromonitor, NBS, OECD, World Bank, RaboResearch 2026 estimates

The emerging middle classes of India, Southeast Asia and other developing markets are entering consumption stages that Chinese companies understand exceptionally well. Products, formats and business models that were developed for China's evolving consumers can often be adapted to serve these new markets.

This opportunity extends beyond food manufacturing. China's leading e-commerce, food delivery and social commerce platforms have created globally competitive digital ecosystems that increasingly support international brand expansion. The result is a powerful combination of food production capabilities and consumer engagement platforms that few countries can match. Growth, therefore, becomes less about selling more volume and more about creating consumer value through branding, innovation and experience.

Supply chains: From efficiency to strategic positioning

The third dividend comes from the reshaping of global supply chains. Historically, China's role in food supply chains was largely defined by manufacturing scale and cost efficiency. That role is evolving. Improvements in productivity and resource utilization are gradually reducing dependence on some imports, while slower domestic growth is encouraging companies to seek opportunities abroad.

Many Chinese agrifood firms have already begun building international production footprints through investments, acquisitions and overseas partnerships. Consumer-facing companies are following a similar path, particularly in sectors such as dairy, beverages, tea and coffee. The strategic challenge is no longer merely building supply chains but optimizing them. Companies must decide where remaining local creates a competitive advantage, where regional integration adds value, and where global supply networks become necessary. Rather than viewing these as mutually exclusive choices, successful businesses will combine all three approaches depending on market conditions and strategic objectives.

In this environment, supply chains become a source of competitive advantage in their own right, not simply a logistics function.

Stay local, go regional, steer global

Taken together, these three future dividends point towards a broader strategic shift. The capabilities built during China's previous growth era – world-class agricultural productivity, sophisticated consumer platforms and increasingly global supply networks – provide the foundation to capture future growth. The companies that succeed will be those able to transform these capabilities into new opportunities in food security, consumer business platforms and globally diversified supply-chain networks.

Some firms will remain primarily domestic champions. Others will expand regionally into neighboring markets. A smaller group may emerge as genuinely global players. The right path will differ by sector and company, but each strategy draws on the same underlying strengths that China has spent decades developing.

Thinking like a Go player

Success in this next phase requires a different mindset. We often compare the transition to the difference between the games of chess and Go. Chess is about direct competition and winning pieces from an opponent. Go is about building influence, creating options and strengthening positions over time.

For China's food and agribusiness sector, the future increasingly resembles a game of Go. The greatest opportunities will not come from competing for existing pools of value, but from creating new ones through productivity partnerships, consumer ecosystems and strategically positioned supply chains. The prize is substantial. China remains one of the world's largest and most sophisticated food markets, but it is also becoming a launchpad for international expansion. Companies that can leverage the returns of the past three decades to capture the dividends of the future in food security, the new middle-class and in the supply chains will be well positioned to shape the next chapter of the global food economy.

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