

The
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Bottled water in China

Spring tide

Pollution fears are driving the Chinese towards expensive branded waters

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Changbaishan

The fresh, clean, premium-priced waters of

BENEATH the frozen flanks of East Asia's most revered mountain, in China's north-eastern Jilin province, a huddle of sleek new processing plants will soon be packaging its precious essence: spring water. Known to the Chinese as Changbaishan, the mountain and its premium mineral water are the stars of the country's frothing bottled-water market.

In a country with just 7% of the world's freshwater supplies but 20% of its population, cheaper bottles of water taken from river basins, lakes and underground, and of purified tap water, are even more popular than expensive mineral waters. In the past five years China's guzzling of bottled water has almost doubled, according to Euromonitor, a research firm, from 19 billion to 37 billion litres. It has also more than doubled its share of global consumption since 2006. In 2013 the country overtook America as the biggest market for bottled water by volume, according to Canadean, another research group.

Hygiene and health concerns among China's rising middle class have stoked demand as more migrate to cities, where water is more polluted and the bottled sort more common (typically, 19-litre barrels installed in homes). In 2009 the World Bank said water problems cost the country over 2% of GDP every year—mostly due to damage to health. In 2013 thousands of rotting pigs' carcasses

were found in the Huangpu river, which supplies four-fifths of tap water to Shanghai, China's most populous city. Last April, in the industrial city of Lanzhou in the north-west, a leak from an oil company's pipeline poisoned tap water for 2.4m locals with carcinogenic benzene. And even if water meets drinking standards at source, it can be harmful by the time it reaches the tap after coursing through decaying pipelines.

Little wonder, then, that among China's ten wealthiest people is Zong Qinghou, the founder of Hangzhou Wahaha, one of its best-selling bottled-water firms. The country's three biggest brands—Master Kong (Taiwanese-owned), Nongfu Spring and C'estbon—are all based in China, and together account for a third of sales. They are among the few sold nationally; there are also about 1,500 smaller, mostly local brands. According to Abigail Barnes, a legal expert at Yale University and one of the authors of a report on the industry, 220 new bottled-water firms have appeared since 2012 in Inner Mongolia, a Chinese region notorious for its poor water quality.

In rich countries purveyors of bottled water often make dubious claims about its health benefits. But at least the product they are peddling is safe. In China, where regulation has been lax and the most popular single-serving bottles sell at around 1 yuan (16 cents), few bottlers are likely to be using the sophisticated filtration technology that would rid their water of nasty metals and bugs.

Some of the largest brands have come under scrutiny: last December the authorities in Shanghai found that a quarter of bottled water sold locally—including by Hangzhou Wahaha—was contaminated with bacteria. National regulators have raised concerns about bottlers complying with laxer local standards (which allow higher levels of such contaminants as arsenic and cadmium) rather than their own, stricter standards.

But even national health inspectors are not required, for example, to check levels of mercury, silver or acidity, according to a report in 2013 by *Beijing News*. The tests they carry out on tap water are far more stringent. Bottlers do not need to specify their source, and those extracting water from groundwater reserves can, by law, avoid treating it altogether. Yet these sources are increasingly polluted. False branding (rife among distributors of barrels, which are often reused up to a few dozen times) muddies the waters further.

The government will implement a single national standard in May. A new pricing system, introduced to Beijing last year, makes the biggest users of water sources pay higher extraction fees. That should, in practice, help to weed out the most unscrupulous bottlers. Yet much groundwater extraction goes unchecked.

All this adds up to a giant opportunity for premium waters. Although the foreign firms now produce most of their water locally, their market share is still small. Coca-Cola's waters (including Ice Dew, China's biggest foreign-owned brand) have 5.6%. Danone of France, which used to be in a joint venture with Hangzhou Wahaha but now operates alone, is close behind with 5.5%. Nestlé of Switzerland has 1.8%.

The foreign-owned brands typically sell at premium prices of around 16-18 yuan for a single-serving bottle. But consumers' growing worries about what they are drinking are making them more prepared to pay such prices. Nongshim, a South Korean food firm, is building a second bottled-water plant in Jilin province (it cut its deal before China tightened extraction rules for foreigners). The factory will produce 1m tonnes of bottled water annually, mostly for sales in China.

It faces stiff local competition. Tibet 5100, the first Chinese-owned premium brand of spring water, has sold well since it set up in 2006, with the help of a big contract to supply the main national train operator. And Nongfu Spring this month launched three new pricey bottled waters, at a sleek event in the forest near Changbaishan—each aimed at a different group (babies, schoolchildren and grown-ups), but all of them well-heeled.

Most Chinese, if they are reluctant to drink out of the tap, are still making do with cheaper bottles of filtered mains or groundwater. But as incomes rise, pollution worsens, sources of groundwater dry up and awareness grows about the risks of contaminated supplies, they will keep trading up.

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