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Sector Report

The Food & Beverage Market in China





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China continues to be the world's largest consumer market for food and beverage (F&B) products, surpassing the United States in 2011. This makes the Chinese market increasingly appealing for foreign brands, especially as Chinese consumer behaviour shifts. Despite a fragmented distribution infrastructure and growing local competition, opportunities for European SMEs to sell products in China will likely grow further. In the first quarter of 2015, F&B exports from Spain to China increased year-on-year by 48%. In 2014, exports of dairy products (milk powder not included) from France grew by 11%. Growth of imported F&B products is driven by rising disposable incomes, limited arable land, water scarcity issues, urbanisation, improving logistics systems, growing concerns for food safety, the depreciation of the euro versus the Chinese yuan, as well as a growing taste for foreign foodstuffs. In particular, opportunities for European SMEs in this sector exist for the following products: wine, dairy, pasta, pasta sauces, tomato products, olive oil, beer, chocolate and high-end confectionery, pre-packaged biscuits and snacks, breakfast cereal, coffee and meats, as well as baby food/infant formula.

Leading import F&B categories in 2014 included dairy products, oil and oil seeds, aquatic products, meat, grain and associated products, sugar, alcohol and other beverages, processed foods and canned foods.

This report, updated in July 2015, outlines the new regulations put in place from July 2011 to 2013 and accounts for the most recent trends in the market since earlier editions of this report were published. New regulations include: Registration of Food and Drink Exporters and new regulations in the 2014 edition of Dairy Exports to China. Further, new registration requirements are under consideration for imported infant formula. To address rising concerns regarding food safety, a topic of widespread attention in recent years, the government has restructured its mechanisms to supervise food production and distribution, overseen by one new ministry, the China Food and Drug Association (CFDA; 国家食品药品监督管理总局). Moreover, this report also highlights the latest marketing and joint promotional activities between China and EU government organisations.

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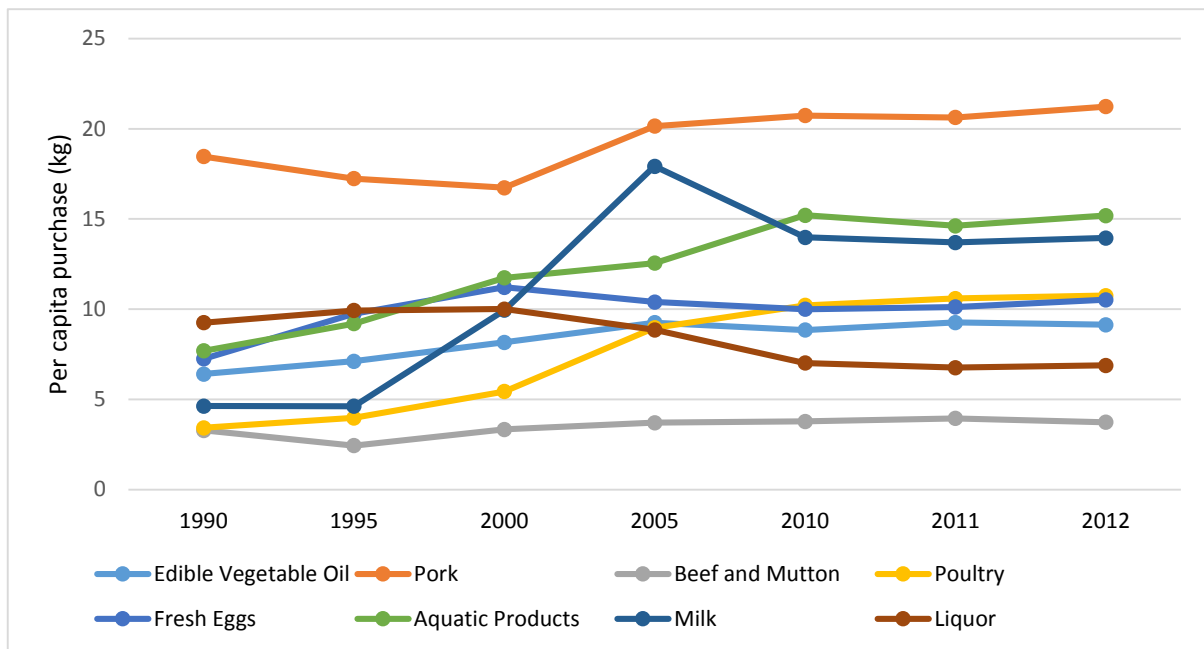
1. Market Overview

1.1. Market Size

China is the second-fastest growing F&B market in Asia (stated in a study conducted by *The Economist*), with an average annual growth rate of 30% between 2009 and 2014.¹ According to Euromonitor, the Chinese food service sector is the largest worldwide with EUR 440 billion turnover in 2014 and 7.3 million outlets.

Grains and vegetables are the most consumed F&B products in China, with Chinese citizens consuming around 80kg of grains and over 100kg of fresh vegetables, respectively, per household in 2012. Notwithstanding their significance, the consumption of these two F&B categories has declined since 1990. In contrast, as seen in the following graph, meat and poultry products (pork, beef and mutton, poultry), aquatic products, milk and fresh fruit grew in popularity between 1990 and 2012, albeit at a modest rate.²

Chart 1: Per Capita Major Food Consumption Urban Household



As for foreign trade, quantities of China's F&B imports have increased greatly. Widely acknowledged, the recent rise in household disposable income and scandals over food safety have been key drivers that have boosted rapid growth in China's F&B import market.

In fact, data released by the Chinese National Bureau of Statistics show that the average annual income per capita in China's urban households rose from EUR 308 in 1990 to EUR 3,791 in 2012,³ allowing Chinese consumers to spend more on food (including imported products) and dining out.

¹ <http://www.chinainternetwork.com/13206/total-retail-sales-exceeded-2-27-trillion-yuan-mar-2015>; http://sbrchina.com/sbr/2014-06-15/premier_li_confident_china_will_achieve_7.5_growth.html.

² <http://www.stats.gov.cn/tjsj/ndsj/2014/indexch.htm>.

³ Exchange rate as of 7th May 2015, USD 100 = EUR 88.13, CNY 100 = EUR 14.2 (Yahoo Finance).

Food safety scandals include the 2008 tainted milk scandal, the 2013 discovery of 15,000 dead farm animals in the Huangpu River and, more recently, scandals in fast food chains. These incidents have substantially undermined Chinese consumers' confidence and trust in domestic food production processes and standards. Food safety has a significant influence on consumers' purchasing decisions.

1.2. Market Growth Drivers

A key growth driver in the Chinese economy has been the rapid rise in average household incomes. Over the past ten years, China has experienced an average GDP growth of approximately 10%, which has created a new middle-income group with much higher disposable incomes. In addition, Chinese urban populations have increased by an estimated 153 million over the past ten years (2005-2015); by 2025, it is expected that urban areas will grow from 607 million to 822 million people.⁴ China's major cities – Beijing and Shanghai – will continue to be leading consumer hubs. Beyond Beijing and Shanghai, McKinsey predicts that by 2015, nine large Chinese markets will account for 30% of luxury consumption in China: Chongqing, Dongguan, Foshan, Guangzhou, Hangzhou, Nanjing, Shenzhen, Tianjin and Wenzhou.⁵ Luxury consumption will clearly include luxury F&B products, as well as consumer goods.

At the same time, rapid developments in transportation (including major rail improvements and road arteries) are expanding the economic potential of second- and third-tier cities. In terms of F&B, infrastructure improvements are speeding up distribution times, efficiency and costs, thereby stimulating local economies by raising consumer demand for higher value products. Cold-chain infrastructure remains poor, greatly affecting distribution of frozen foods.

Due to China's rapid urbanisation, the number of urban residents is expected to reach one billion by 2030.⁶ Urban residents' steady consumption growth of basic ingredients over the last 20 years reflects the rising proportion of income spent on food and eating out.

1.3. Future Outlook and Forecasts

With a population of over 1.3 billion, China has emerged as the world's largest consumer market for F&B, surpassing the United States. By 2018, the Association of Food Industries predicts that China will be the world's largest consumer of imported food. According to Euromonitor, the Chinese food service sector is now the largest in the world, with a EUR 440 billion turnover in 2014 and 7.3 million outlets. China has an increasing demand for protein, dairy and meat products, including chicken and offal.

⁴ *USDA China Retail Report 2014*, http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Chengdu%20ATO_China%20-%20Peoples%20Republic%20of_12-31-2014.pdf.

⁵ <http://www.mckinseychina.com/a-pocket-guide-to-doing-business-in-china/>.

⁶ <http://www.csstoday.net/xueshuzixun/guoneixinwen/84137.html>.

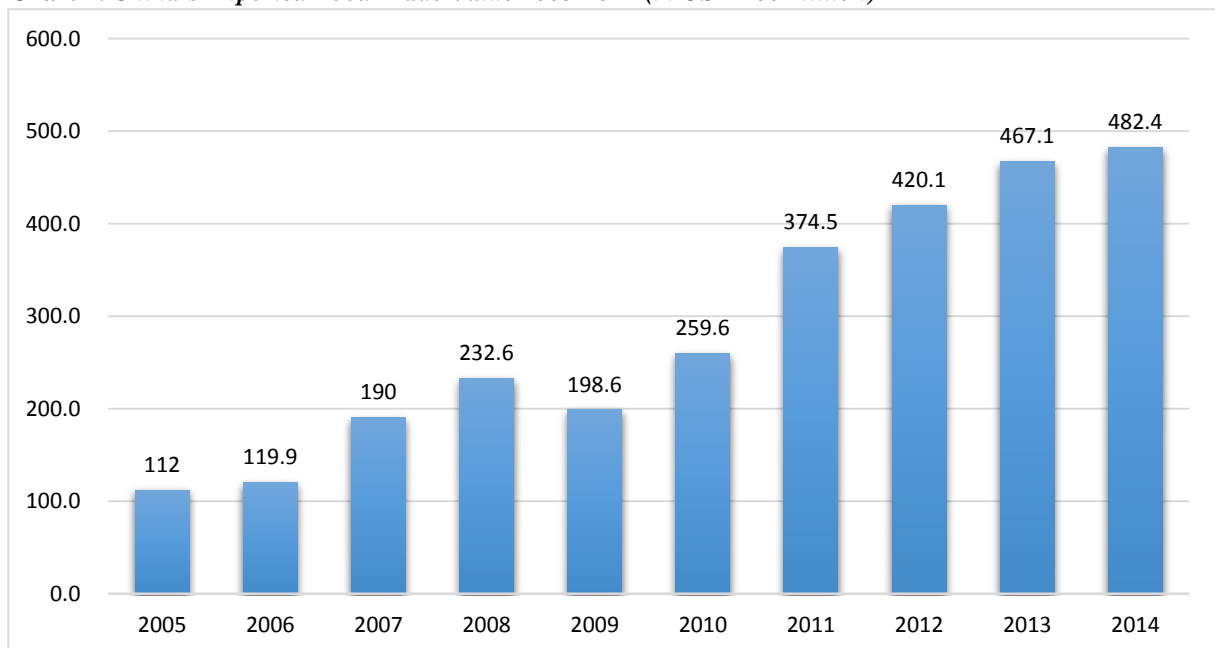
2. Imported Food and Beverages

2.1. Imported F&B Market Size

China's import quantity of F&B products has increased greatly; according to statistics from the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ; 中华人民共和国国家质量监督检验检疫总局), 35.141 million tonnes (USD 48 billion) of import food was inspected and quarantined in China, representing year-on-year growth of 7.3% (amount) and 3.3% (value).

As seen in the chart below, in 2005 imported food trade was valued at over EUR 8.7 billion (USD 10 billion) and by 2014 this has more than quadrupled to EUR 42.0 billion (USD 48 billion).

Chart 2: China's Imported Food Trade Value 2005-2014 (in USD 100 million)



2.2. Top 10 Exporters (Country) by Value

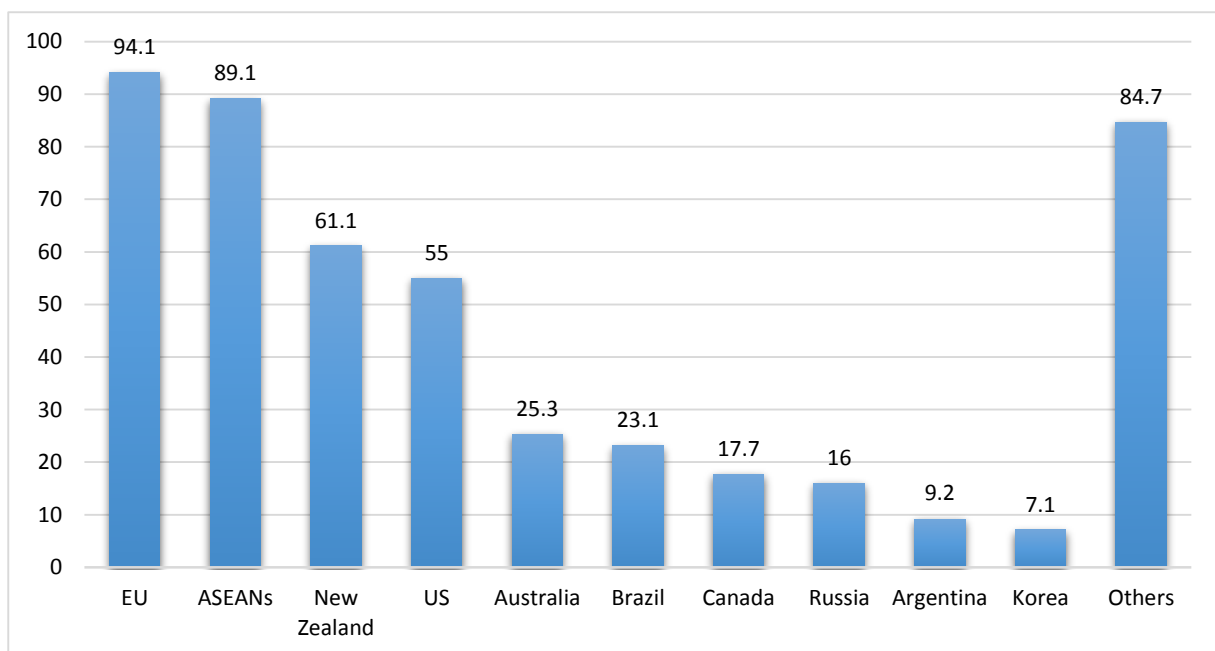
In recent years, China's imported food source has become increasingly international. In 2014, China's imported food products came from 192 countries and regions. The top 10 importing sources in terms of import value were:

- The European Union
- The Association of South-East Asian Nations (ASEAN)
- New Zealand
- United States
- Australia
- Brazil

- Canada
- Russia
- Argentina
- South Korea

In 2014, these areas accounted for over 82% of China's imported food trade. The EU was the largest importer, with F&B imports to China worth EUR 8.2 billion (USD 9.4 billion).⁷

Chart 3: Country/Region of Origin of Import of F&B products in 2014 (in USD 100 million)

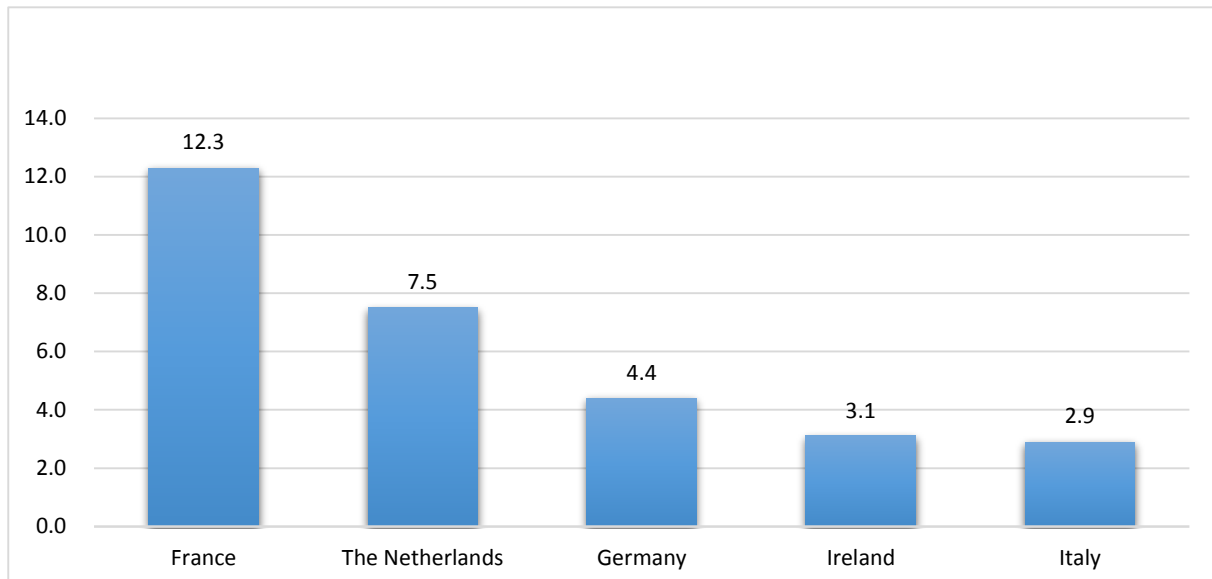


2.3. Top EU Exporters (country) by Value

In 2014, the top 5 EU countries importing to China (prepared foodstuffs, beverages, spirits and vinegar, tobacco - Hs codes 16 to 24. Source: China MOFCOM) were France, The Netherlands, Germany, Ireland, and Italy, with total amount of EUR 1,237 million, 756 million, 441 million, 316 million and 298 million, respectively.⁸

⁷ http://www.aqsiq.gov.cn/zjxw/zjxw/zjftpxw/201504/t20150407_436001.htm.

⁸ http://countryreport.mofcom.gov.cn/record/view110209.asp?news_id=43362 (Accessed on July 15th, 2015); http://countryreport.mofcom.gov.cn/record/view110209.asp?news_id=42887 (Accessed on July 15th, 2015); http://countryreport.mofcom.gov.cn/record/view110209.asp?news_id=43546 (Accessed on July 15th, 2015); http://countryreport.mofcom.gov.cn/record/view110209.asp?news_id=43818 (Accessed on July 15th, 2015); http://countryreport.mofcom.gov.cn/record/view110209.asp?news_id=43566 (Accessed on July 15th, 2015).

Chart 4: Top EU Exporters to China by Value (US 100 million)

2.4. Import Drivers

In addition to the previously mentioned disposable income increase for Chinese households, other key growth drivers for the F&B sector include the following categories:

2.4.1. Food Safety Scandals

Food safety scandals in China remain prevalent; incidents such as the ‘cooking oil scandal’ (where ‘gutter waste’ was sold as ‘cooking oil’) are still fresh in consumers’ memories. In 2015, Fonterra (New Zealand’s largest dairy products producer) discovered bacteria that causes botulism in 38 tonnes of whey protein used to make baby formula. Nearly one-fifth of New Zealand’s dairy exports go to China. According to local Chinese authorities, 420 tonnes of baby milk in China were affected by the scandal.

Previous scandals involving locally produced milk powder brands allowed foreign companies to gain market share. It is estimated that foreign producers control 80% of the milk powder market in China’s largest cities.⁹

These scandals have damaged confidence and trust in food production processes and standards. According to Reuters, on April 25th 2015, The Standing Committee of China’s National People’s Congress (NPC; 全国人民代表大会常务委员会) China’s top legislative body voted to amend its food safety law to include tougher punishments for those who violate infant milk formula standards. Consumers of imported food in China are generally upper- or middle-income locals and expatriates. These consumers can afford higher prices for food and are motivated to do so because of increasing concerns about food safety and health. Imported Western-style products have a good reputation for being high quality and for being nutritious and safe.

A 2012 Pew survey found that 41% of Chinese people were deeply concerned about food safety, compared to just 12% four years earlier.¹⁰ A 2014 survey of 4,258 Chinese people from 59 cities showed

⁹ <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/10222807/Fonterra-moves-to-curb-China-baby-milk-scandal.html>.

¹⁰ <http://www.echinacities.com/news/Food-Safety-in-China-From-the-Field-to-Your-Dinner-Plate>.

that 47.8% of participants were unsatisfied with food safety; a similar poll in 2012 showed only 18.8% dissatisfaction.¹¹

These food safety incidents have had a great impact on consumers' purchasing decisions; in the Pew survey, more than 70% of consumers admitted that they would consider boycotting a brand if it were involved in an incident. However, not only domestic companies have come under fire from regulators over safety concerns.

2.4.2. Dining Out – Hotels, Restaurants, Cafés & Bars

According to research conducted by Mintel, the retail market value for China's full-service restaurants (excluding fast food restaurants)¹² reached EUR 265 billion (CNY 1,865 billion) in 2014; Mintel predicts that by 2019, the retail market value will reach EUR 390 billion (CNY 2,724 billion). Despite marked growth, competition among players remains strong, and the choice of cuisine remains limited.

In China, imported F&B products are generally consumed in bars, cafés, restaurants and hotels in urban settings, and Chinese consumers are increasingly choosing 'Western food' when they dine out. Many Western-style restaurants that were originally targeted at expatriates now have predominantly Chinese clientele, and generic Western-style chain restaurants are widespread. Many social occasions and family celebrations now take place in Western restaurants, boosting traffic in these venues.

2.4.3. Online Shopping

Chinese online retailer Taobao¹³ is a market leader in the e-commerce sector, and online shopping is a daily routine for 65% of Chinese consumers. In 2014 alone, Taobao's total sales reached EUR 170 billion, with Tmall¹⁴ achieving EUR 73 billion in annual sales the same year. According to the annual financial report compiled by the Alibaba Group, year-on-year sales in the e-commerce sector reached 394% in 2014. Taobao, Tmall, JD¹⁵ and Yihaodian¹⁶ were the largest F&B importers to China in 2014-2015.¹⁷ Online shopping in China is not only about buying things consumers need or want but also about information sharing, communicating and a keeping up with trends. The Chinese are the world's largest consumers of online products, with one in seven consumers purchasing online every day. The surge in e-commerce is not necessarily bad news for brick-and-mortar stores since consumers seek more than just 'products' when they shop; instead, they want and expect a more integrated and personalised experience.¹⁸

For more information on the Chinese e-commerce market, please download the EU SME Centre report *Selling Online in China*, available at <http://www.eusmecentre.org.cn/report/selling-online-china>.

¹¹ <http://www.ecns.cn/2015/03-30/159828.shtml>.

¹² Mintel's definition of 'full-service restaurants' are those that 'usually provide food prepared on-site, along with beverages and table service'. Mintel's report does not cover fast food restaurants (Mintel, Full-Service Restaurants - China, January 2015).

¹³ Alibaba's C2C e-commerce platform: <http://www.taobao.com/>.

¹⁴ Alibaba's B2C e-commerce platform: <http://www.tmall.com/>.

¹⁵ Second largest B2C e-commerce platform in China: <http://www.jd.com/>.

¹⁶ F&B focused B2C e-commerce platform: <http://www.yhd.com/?type=2>.

¹⁷ <http://www.statista.com/statistics/225614/net-revenue-of-alibaba/>.

¹⁸ <http://www.giiresearch.com/report/ysta226469-china-b2c-e-commerce-report-2011.html>.

2.4.4. Gifts & Packaging

Imported food and beverages remain a status symbol in China, perceived as having higher value than Chinese goods. These products are often used for display purposes rather than for consumption. As a result, branding and packaging are extremely important.

Gift giving remains an important custom in the Chinese culture, despite recent spending cuts imposed for government officials. Wine industry sales are dominated by gift-giving purchases. Such wines are usually presented individually in elegant wooden boxes and are often accompanied by complementary gifts, such as a pair of appropriate wine glasses.

2.5. Chinese Consumer Preferences

Food consumption patterns in China have changed significantly with improved standards of living. More consumers are exposed to a greater diversity of consumer products, both locally and when travelling abroad. Chinese consumers are increasingly discerning, and many now seek the following qualities when making purchases:

- Confidence in food safety and ingredients' integrity*
- High quality*
- Excellent nutritional value
- Better lifestyle through a variety of food and beverages
- Modern packaging
- Freshness
- Convenience^{19–20}

**Confidence in food safety, ingredients' integrity and high quality products are the key reasons that Chinese consumers purchase imported F&B products.* As a result, many mainland consumers are choosing safe, pollution-free, quality food items. Moreover, with increased spending power, consumers have shown a higher demand for F&B products imported from overseas. These reasons far outweigh other factors, such as better nutritional value, better lifestyle through more variety, modern packaging, freshness and convenience.

2.6. Demand for EU F&B in China

“China’s potential as a food-importing country is vast, and it will continue to grow as the Chinese middle-income market becomes larger. There are more people who want to try more different foods,” said Brendan Jennings, general manager of China International Exhibition Ltd,²¹ an organiser of food and wine events in Asia. China has limited arable land, only 11% compared to 17% in Ireland, 24% in Italy and 25% in Spain.²² China is also facing a crisis of water scarcity; therefore an issue in north China,

¹⁹ http://cn.chinagate.cn/economics/2015-04/08/content_35265734.htm.

²⁰ *USDA China Retail Report 2014*,

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Chengdu%20ATO_China%20-%20Peoples%20Republic%20of_12-31-2014.pdf.

²¹ <http://en.people.cn/90001/90778/90860/7194139.html>

²² Figures from 2012: <http://data.worldbank.org/indicator/AG.LND.ARBL.ZS>.

²² Figures from 2012: <http://data.worldbank.org/indicator/AG.LND.ARBL.ZS>.

with shortages correlating to the country's economic development.²³ Although the government is taking steps to divert water to northern China from areas of rich water resources, this will take time and require massive engineering. Water pollution is also a key concern in North China and shortages have increased in correlation with the country's economic development.²⁴ China is home to 1.3 billion people; the country is unable to produce enough to feed its population and is therefore obliged to import F&B products.

China's market for imported food products is growing with the expansion of the middle class. The following statistics show that the size of China's packaged food and beverage market soared from EUR 127 billion in 2008 to EUR 224 billion in 2012. China's F&B import market is expected to increase more than 15% annually, and its projected valued by 2018 will be EUR 66 billion.²⁵

In the first quarter of 2015, F&B exports from Spain to China rose 48% and were worth over EUR 160 million; olive oil exports from Spain to China increased by 53% in the same period. In 2014, Spanish wine and food exports to China were worth EUR 500 million, a year-on-year increase of 18%. Exports of pork from Spain to China continued to grow in 2014 and, in the first quarter of 2015, exports increased by 53% year-on-year.²⁶

Exports of agricultural goods from Germany to China reached over EUR 900 million in 2013, a year-on-year increase of 37%.²⁷ In 2014, nearly half of all beer imported to China came from Germany.²⁸

In 2014, French dairy products exports to China (milk powder not included) grew by 11% to over EUR 215 million.²⁹

²³ http://www.nytimes.com/2013/03/29/opinion/global/chinas-massive-water-problem.html?_r=0.

²⁴ http://www.nytimes.com/2013/03/29/opinion/global/chinas-massive-water-problem.html?_r=0.

²⁵ http://news.ifeng.com/a/20150508/43712735_0.shtml.

²⁶ <http://www.tech-food.com/news/2015-5-10/n1203699.htm>.

²⁷ <http://www.bmel.de/EN/Agriculture/Market-Trade-Export/Texte/Zahlen-Fakten-Agrarexport.html>.

²⁸ https://www.just-drinks.com/analysis/just-the-facts-chinas-beer-flavoured-alcoholic-beverage-market_id116931.aspx.

²⁹ http://www.ccpit.org/Contents/Channel_3590/2015/0508/460071/content_460071.htm.

2.7. Retail Channels

The following section outlines popular retail channels in China.

Hotel and Restaurant Industry Wholesalers

The high-end hotel and restaurant industry is an important channel for imported foods. Metro,³⁰ which targets small- and medium-sized restaurants, has the widest selection of imported products of any key international retailer. In 2012, around 10% of its total sales revenue came from imported products.³¹ According to Walmart's website in May 2015, the value of its import sales saw a year-on-year increase of 200% from 2014.³²

Wholesalers and retailers pay close attention to supply chain development, and cold management is a prominent discussion topic. Yihaodian³³ mainly targets packaged foods; in 2014, news reports revealed that cold fresh delivery is a major challenge, and Yihaodian expects higher sales revenues with the recent addition of fresh fruit delivery services launched in Shanghai (still on a trial basis). After the trial, Yihaodian will expand its cold delivery services (transporting fresh foods) to southern and northern China.³⁴

Online Shopping

From January to March 2015, China's national online retail sales totalled EUR 110 billion – an increase of 41.3% year-on-year – of which online retail sales of goods, specifically, reached EUR 90 billion, accounting for 8.9% of China's total retail sales of consumer goods. Of China's total online retail sales, e-sales of food increased by 51.0% in 2014. China's growing diversity of distribution channels (including e-sales) removes geographical barriers from the development of China's imported F&B industry. Due to transportation and infrastructure issues, historically, big cities such as Beijing and Shanghai have consumed most of China's imported F&B products. However, this situation is changing: Many middle- and small-sized cities that are a significant distance from the coast are now better connected and providing opportunities for imported food sellers.³⁵

Since 2012, e-commerce has become almost a daily routine for individual consumers. China's e-commerce continues to develop rapidly and is predicted to account for 18% of total retail sales in 2018, up from 8% in 2013.³⁶

Leading players within the e-commerce market include Taobao, Yihaodian and Tmall. Furthermore, other platforms are being developed, including those specialising in products. For instance, TooFarm sells organic high-quality food.

³⁰ www.metro.com.cn.

³¹ *USDA China Retail Report 2012*.

³² <http://www.wal-martchina.com/news/2015/20150205.htm>.

³³ B2C eCommerce platform with a focus on food and beverages: <http://www.yhd.com/>

³⁴ *USDA China Retail Report 2014*,

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Chengdu%20ATO_China%20-%20Peoples%20Republic%20of_12-31-2014.pdf.

³⁵ <http://www.chinainternetwatch.com/11542/online-retail-market-expected-to-increased-by-25-yoy/>.

³⁶ <http://www.chinainternetwatch.com/11542/online-retail-market-expected-to-increased-by-25-yoy/>.

Hypermarkets

International hypermarkets are major sales venues for imported food products. These international retailers are familiar with imported products and have superior management and organisational skills. Despite this, imports rarely constitute more than 5% of total SKUs, even in high profile stores.³⁷

International hypermarket retailers generally have high awareness of imported brands and products, and they recognise the value of introducing new products to the market. However, in the past, hypermarkets in China have favoured distributors and dislike working with unfamiliar companies unless offered strong market support, large numbers of products and other incentives.

Specialty Supermarket Stores and Boutiques

Specialty supermarkets and boutiques are designed to attract foreign residents in particular areas. In these stores, the proportion of imported products on shelves is approximately 50-80%.

Some high-end and specialty products first entered the Chinese market through these types of outlets before moving on to larger venues such as hypermarkets. These companies also include import/distribution operations and can assist exporters with issues such as labelling and product registration. The import/distribution teams can source products directly from foreign suppliers.

Supermarkets

Dominated by local players, the supermarket sector is fragmented; companies can be successful in one region and non-existent in another. Beijing Hualian Group Lianhua (BHG), China Resources Vanguard, Park'n'shop and Yonghui are some of China's most well known supermarkets. Imported food is relatively scarce in most local supermarkets. Their consumer base of price-sensitive working-class shoppers are less inclined to try new products than are customers who frequent hypermarkets, upscale speciality supermarkets and boutiques.

Imported products that do well in this sector tend to be standard products already widely available, such as pasta, pasta sauces, dairy products, edible oils, jams and spreads. Most stores are owned by local companies and rely on wholesale markets and local manufacturers or distributors, rarely importing or buying directly from importers.

Convenience Stores

The penetration of imported foods among convenience store chains has tended to be relatively low. However, this is slowly changing, and now it is common to find imported alcoholic beverages – including wine, beer and whisky – on sale in convenience stores. Well-known convenience stores including 7-Eleven, Family Mart and Lawson; these chains have speeded up the opening of new stores to expand their market share in China. Local giant retail groups, such as CR Vanguard and Hualian, have established sales networks through convenience stores. Moreover, large online retailers – JD.com, Tencent, Amazon.cn and Alibaba – have started to use convenience stores as part of their marketing strategy. These stores are becoming increasingly important distribution channels, not only in first-tier cities but also in cities in inland areas.³⁸

³⁷ *USDA China Retail Report 2014*,

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Chengdu%20ATOhttp://www.kjt.com/China%20-%20Peoples%20Republic%20of%2012-31-2014.pdf.

³⁸ http://www.chinadaily.com.cn/hqcj/gcj/2014-12-04/content_12833517.html.

Due to limited shelf and storage space, convenience stores typically require small or single-serve packaging and regular restocking. However, foreign players in this sector (such as 7-Eleven and Family-Mart) are introducing an increasing variety of imported food products in their retail outlets.

Total sales revenues for convenience stores reached EUR 387 million in 2012. However, in a survey of 25 cities in 2013, convenience store sales had grown 19.5%, higher than that of other traditional brick-and-mortar outlets. In 2012, 64.7% of convenience stores' revenue was generated from selling food, 34.6% from non-food items and less than 1% was derived from other value-added services.³⁹

In a report covering the development of China's convenience stores (2013-2014) published by the China Chain Store & Franchise Association (CCFA; 中国连锁经营协会), 64.7% of convenience stores' revenue was from selling food, with fast food accounting for 7.0%. Non-food items totalled 34.5%, and 0.8% came from value-added services.⁴⁰

Smaller, privately owned convenience stores often carry imported wine, packaged snacks and confectionery. These stores are more likely to see the value of high-margin imports and tend to have better integrated distribution systems.

2.8. Import & Distribution Channels

Import and distribution channels are complex and change frequently. Import procedures must be handled by licenced importers who sometimes act as distributors as well. However, most food distributors and traders are unlikely to hold import licences. Hong Kong traders offer the least risk as importers and distributors; they can arrange payments in foreign currencies and have a wide distribution network. Chinese traders can be reluctant to open lines of credit and sometimes lack a thorough understanding of international trading practices.

The Ministry of Commerce of the People's Republic of China (MofCom; 中华人民共和国商务部) maintains a searchable platform of importers called the World Importer Net. Although it is not necessarily complete, its website places food and beverage importers into nine large categories and in more specific categories by the HS code of each importer's foods and beverages. Users can search in a specific category for a given geographical area. For example, in the category 'beverages, spirits and vinegar, beer made from malt (HS code 220300)' there are currently 12 importers in Beijing and 19 in Shanghai. In addition, for each importer, the country of origin of their imports and their major import products are listed.

Inside China, there is a contradiction between the upscale and affluent appearance of many shopping precincts and the underlying retail distribution network that remains localised and fragmented. This disparity can impact the success of both importers and retailers. There is no nationwide network of trucks, highways or cold storage warehouses to efficiently deliver supplies from the manufacturer or importer to the store shelf.

³⁹ *USDA China Retail Report 2014*, http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Chengdu%20ATOhttp://www.kjt.com/China%20-%20Peoples%20Republic%20of_12-31-2014.pdf.

⁴⁰ <http://www.ccfa.org.cn/portal/cn/hangybzhu.jsp?lt=33&pn=5&pg=1>.

Major retailers, including Carrefour and Tesco, are building a highly efficient distribution network through a central distribution centre. However these retailers have no large distribution centres regionally, and the infrastructure of these centres cannot meet the demand to efficiently deliver supplies from the manufacturer or importer to the store shelf. Distribution is generally handled on a store-by-store or city-by-city basis, with stores receiving most imports through a series of local distributors. This creates a fragmented distribution process and relatively high costs.

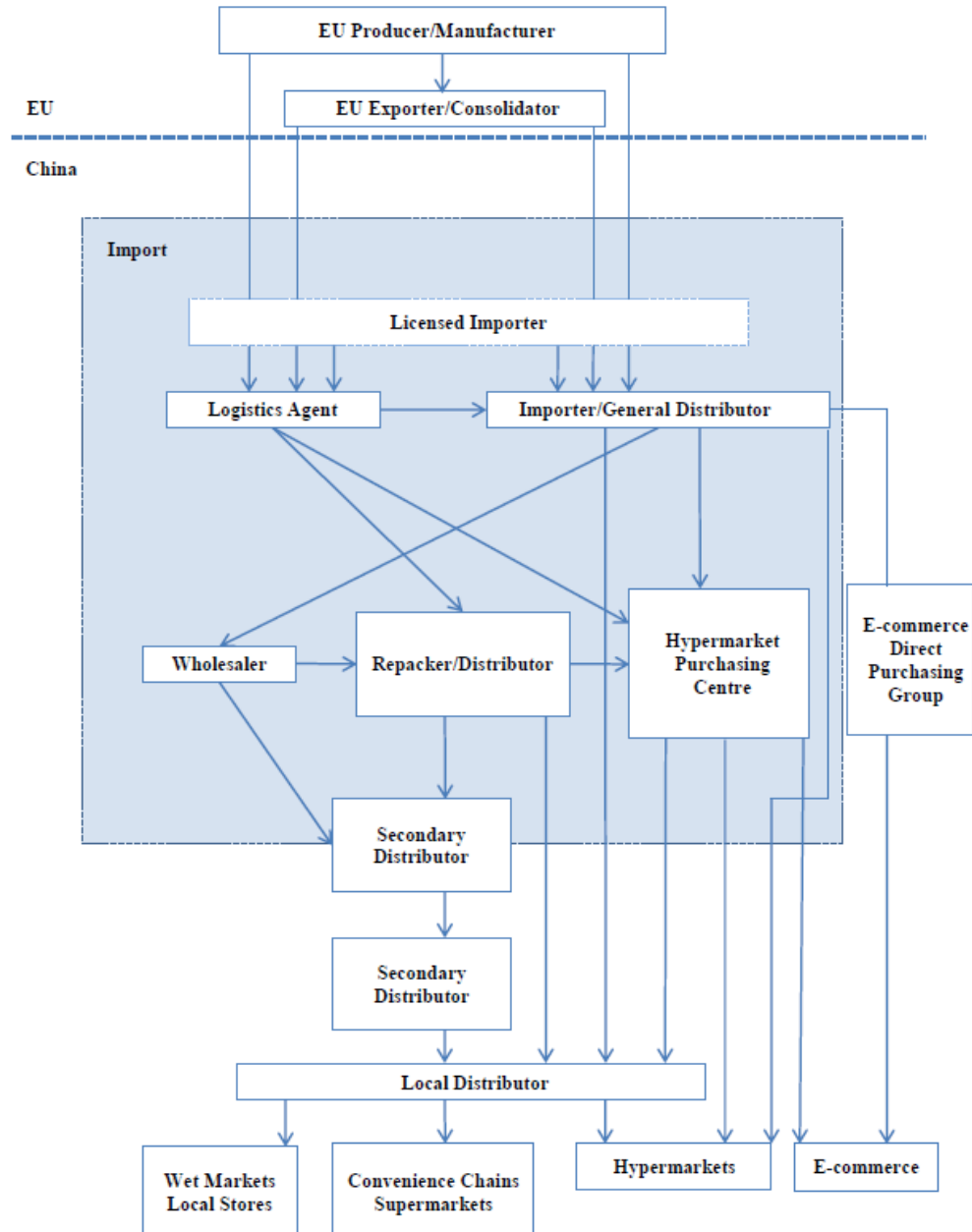
Major online retailers in China include Taobao, Tmall, Jindong, Yihaodian and Womai. Chinese consumers spent over EUR 400 billion (CNY 2.8 trillion) in 2014. Online F&B platform stores supply European goods, as well as wine and snacks.

The Online to Offline (O2O) channel has also seen rapid development in China with Alibaba, JD and others opening distribution points to deliver parcels, and opening offline stores in mall locations. Methods and technologies – including indoor mapping linked to offers, pop-up stores promoted through social networks and QR code links to stores' WeChat accounts – are being combined with O2O cinema advertisements and opening e-commerce offline stores, directly linking the online platforms with offline retail and entertainment experiences. In 2014, major mall developer Wanda led a joint venture with two of the largest technology companies, Baidu and Tencent, to drive this trend. Baidu is China's main online search/mapping/data tool that recently invested EUR 8.8 million (USD 10 million) in the Finnish magnetic-positioning technology company IndoorAtlas, boosting its indoor mapping capability.⁴¹ Tencent is now the main online social media platform in China and provides an online link to shoppers for advertising and e-payments.

⁴¹ <http://www.einpresswire.com/article/269162670/baidu-rolls-out-indoor-location-services-powered-by-indooratlas>.

The following chart represents the complexity of distribution channels in the food and beverage sector in China.

Chart 5 Distribution channels. Source: Adapted from USDA China Retail Report 2014⁴²



⁴² USDA China 2014 Retail Report, http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Chengdu%20ATOhttp://www.kjt.com/China%20-%20Peoples%20Republic%20of_12-31-2014.pdf.

3. Barriers to Entry

3.1. Legal and Regulatory Barriers

The Chinese F&B market is compelling due to the market's size, but many opportunities remain difficult for European SMEs to exploit. There are various reasons for this, including high entry barriers related to the legal and regulatory environment, the characteristics of the market and the operating environment for both exports and investments entering China. More recently, China has put new regulations in place regarding certain industries, such as dairy, due to recent food safety scandals in the market.

Since joining the World Trade Organisation (WTO) in 2001, China has reduced tariffs on a wide range of imported products, but sanitary and phytosanitary restrictions (and, to some extent, labelling) continue to limit access to the market. Meanwhile, the new Food Safety Law will take effect in October 2015, requiring stricter monitoring and supervision methods, tougher safety standards, and the recall of substandard products with severe punishments for offenders. Enforcement of regulations is often haphazard, creating confusion for exporters.

3.1.1. *New Food Safety Law*

The new Food Safety Law regulates:

- Production and trading of food and food additives
- Packing materials, vessels, detergents and disinfectants for food and equipment used in food production
- Food additives and food-related products used by food producers and traders
- Safety management of food, food additives and food-related products
- All imported food products, subject to the national food safety standards in China

3.1.2. *Standards & Certifications*

There are high market-entry costs when entering China – both in terms of fees involved in mandatory certification and the resources required. Product registration, labelling and product expiry dates are particularly high concerns in this area. To enter the Chinese retail market, food products must receive a hygiene certificate from the local government where the product will be sold. Inconsistencies in the interpretation of regulations among officials at different entry locations and whether they loosely or more severely apply fines/penalties are also problems. Regulations change with some frequency and without warning. Adjusting and accommodating these regulations can be time-consuming and expensive.

3.1.3. *Registration of Food & Drink Exporters*

Since October 1st 2012, food and beverage exporters to China have been required to register through AQSIQ. Registration can also be achieved through import companies. Both options can be accessed through <http://ire.eciq.cn>. This website includes guidance in both English and Chinese, enabling foreign suppliers to register themselves. It is important to note that Chinese importers' information must be filled out in Chinese before passing the registration process; therefore, companies are advised to work closely with their agents or importers to complete this process. AQSIQ recently formulated and announced the "imported food poor records management implementation details" that are effective as of 1st July 2014.

3.1.4. New Regulations on Exports of Dairy Products to China

AQSIQ also introduced new administrative measures for the inspection, quarantine and supervision of imports and exports of dairy products, which have been in effect since 1st May 2013. Details of these new measures can be found at: www.defra.gov.uk/animal-trade/2013/cin-2013049/.

3.1.5. New Regulations/Requirements for Importing Infant Milk Formula Products to China

Companies exporting baby formula products to Mainland China must register with the authorities before 1st May 2014, according to AQSIQ; registration details are yet to be confirmed.

For more information on the import of dairy products into China, please download the EU SME Centre guideline *Importing Dairy Products into China*, available at <http://www.eusmecentre.org.cn/guideline/importing-dairy-products-china>

3.1.6. Organic Food Certification

Chinese certification systems and foreign organic certification systems have not been mutually recognised. Hence, internationally recognised organic products that have not been certified in China or have been certified only by an overseas organic certifying body cannot be labelled as “organic” or “in-conversion to organic” or any other misleading labelling terms purporting to be organic when marketed in Mainland China.

To ensure the quality of imported organic products and reinforce regulations on organic produce, Chinese authorities have advised that they will verify consignments in accordance with the Regulation on Certification and Accreditation and the Administrative Measures on Organic Product Certification.

Certification costs can vary, as cost is determined by the process of inspection. For example, if a variety of lab tests is required, it will increase the cost of certification. On average, inspection can cost up to EUR 2,870 per product. However, there will be added costs if more tests are required. In addition to this cost, companies wishing to seek organic certification will have to pay travel and accommodation expenses of Chinese inspectors visiting to inspect suitability.

Organic certification needs to be renewed each year. Fees, however, are reduced by nearly one-third during the recertification procedure.

3.1.7. Food Labelling

Since joining the WTO in December 2001, China has introduced or modified hundreds of food and agricultural-related regulations and standards. These have included changes in food laws, labelling requirements, packaging and container requirements, food additive regulations, multiple commodity regulations, commodity-specific regulations and specific procedures. Following are the key regulations that must be met by products imported to China.

To comply with China’s food labelling regulations, all imported foods and beverages have to show a white label attached to individual bottles, cans or packets in simplified Chinese, as used in Mainland China. Labels must be approved by the Chinese Inspection and Quarantine Service (CIQS). The regulation requests that products are labelled before shipping, but as this can be difficult to carry out, CIQS allows labelling to take place in bonded warehouses in China.

The following is the minimum requirement of information to be listed:

- Standard name of foodstuffs
- List of ingredients
- Quantitative labelling of ingredients (percentage of ingredients)⁴³
- Net weight and configuration
- Name, address and contact information of manufacturer and local agent or distributor
- Production date, use by date in YY/MM/DD format and guidance for storing
- Generic name of the food additives as per the national standard
- Quality grade⁴⁴
- Food production licence number⁴⁵
- Code of the product standard
- Special contents if there are any (e.g. irradiated food, genetically modified, nutrition list for baby food or diet food)

Customer Information Quality (CIQ) requirements often change and can be complex to interpret. European exporters are encouraged to reconfirm labelling requirements and other product certification with the Chinese importers (or relevant departments), prior to dispatching goods. Tighter and stricter regulations are being passed across food and beverage categories in response to food safety concerns. Before importing, EU SMEs must register with the Chinese MOFCOM and are well advised to check with the Chinese Certification and Accreditation Administration (CNCA; 中华人民共和国国家认证认可监督管理局) if products also require producer registration. To clear customs, an EU SME's first shipment of pre-packaged goods will need to:

- Acquire a CIQ certificate of import food labelling verification for the product's Chinese label
- Meet declaration requirements at customs
- Acquire a CIQ sanitary certificate

The following documentation is required:

- Documentation providing permission to manufacture and sell in the country or region of origin
- Documentation to support the label verification application, which includes the following items:

First time-importers, in addition to regular label verification application materials, are also required to submit:

- The original label sample along with a Chinese translation
- The Chinese label sample of pre-packaged food and beverage
- The business licence copy of importers, distributors or agents that are listed in tags

⁴³ http://www.sda.gov.cn/WS01/CL1196/118041_3.html.

⁴⁴ Food Safety Law of PRC, Chapter 6 - Food Import & Export article 97 - imported food label should be in conformity with this law that indicates information of manufacture is needed on the label.

http://www.sda.gov.cn/WS01/CL1196/118041_4.html.

⁴⁵ http://www.aqsiq.gov.cn/zwgk/jlgg/zjgg/2011_1/201203/t20120305_210390.htm.

When pre-packaged food labels state that a product is award winning, certified, from a certain geographical region, or that it contains a special ingredient, corresponding materials showing proof should be provided. This information can be found in the following document: “Import and export of pre-packaged food label inspection supervision and management regulations” No. 27 Notice of 2012.

On the label, ingredients such as herbs or sugar must state specific types. Label verification from CIQS usually takes one to two weeks. This process is generally handled in conjunction with the importer or distributor, due to language issues and the need for cooperation with CIQS.

3.1.8. IPR Protection Issues

Counterfeiting is prevalent in many markets in China. In the food and beverage sector, well-known international brand names experience more problems than do smaller importers, although vigilance is always necessary. Recent serious cases of wine adulteration and counterfeiting have highlighted the issue across the broader wine sector.⁴⁶ The sheer amount of European ‘liquor’ in China’s market alone raises concerns regarding where it originates.

For further guidance on IPR-related issues, the **China IPR SME Helpdesk** can provide you with free-of-charge, confidential, business-focused IPR advice.

Reach their experts at: <http://www.china-iprhelpdesk.eu/>

3.1.9. Bureaucracy

In systems that have a transparent set of well-understood procedures, it is relatively easy to place a product on the market. However, in China, personal relationships with importers, distributors, agents, officials and clients are important to help overcome unexpected hurdles. This is due to the legal system, which is developing but remains inconsistently applied. Hence, enforceability of contracts varies widely but is generally weak.

Business in China relies heavily on personal contacts and influence (*guanxi*). Therefore, no investment will be more important to European SMEs’ success than the network of relationships they establish in China.

3.2. Market Barriers

3.2.1. Distribution

The F&B market remains somewhat decentralised in China and is characterised by free growth and competition. There are few large distributors that are dedicated to imported food and beverages. The varieties of products are limited, as there are few distributors or importers with more than 1,000 imported food and beverage products.

Most Chinese distributors in this market tend to be primarily interested in wholesaling and do not put a lot of emphasis on brand development. They tend to be conservative in introducing new products. They are chiefly interested in products that are already in the market but are sold through “grey” (unofficial) channels or sub-distributors. Exporters with a limited product range need to simultaneously work both

⁴⁶ http://www.chinadaily.com.cn/xinhua/2012-03-28/content_5537573.html.

ends of the supply chain, identifying retailers interested in the product and distributors who can work with the retailers.

Due to growing disposable income and domestic food scandals, the extraordinary growth in online shopping has been a key driver in stimulating the boom of the imported F&B industry. The e-commerce market has expanded dramatically since 2012; this has resulted in the closure of several retail stores due to the increasing preference of consumers purchasing online.⁴⁷

According to Ebrun, an e-commerce news portal in China, companies should be aware of the following when considering e-commerce channels as a distribution channel in China:

- Traditional consumption habits are different from e-consumption habits, especially for snack foods
- Distribution costs are high
- High brand promotion costs are associated with using e-commerce platforms
- There are requirements for warehousing and logistics
- It is easy to create conflicts of interest among distribution channels⁴⁸

3.2.2. Infrastructure and Logistics

Beijing, Shanghai and Guangzhou are the key entry points to China from Europe. Improvements in the national highway system have greatly eased trucking directly out of Shanghai or Guangzhou compared to just a few years ago. High-speed rail has reduced travel time across the country; for example, in the Yangtze River Delta, trains from Shanghai to Hangzhou (Zhejiang) now take thirty minutes and, to Nanjing (Jiangsu), one hour. The government is continuing to support the rail network with further investment, as increasing high-speed rail is an important distribution network. China's container ports are the largest in the world, with Shanghai holding the world's top spot since 2010. In the Guangzhou region, Hong Kong's and Shenzhen's container ports are placed at numbers three and four in the world, respectively, and China has three other ports among the world's ten largest.

Ports in satellite cities offer a growing array of services, including bonded storage with temperature-controlled services, online inventory tracking, and duty-free industrial zones where goods can be repackaged or further processed, with duty paid only on the original import value and only after products leave the zone.

However, further inland logistics services are local, fragmented and inefficient, making it difficult to transport products directly from the coast to cities deeper inland. Importers are not yet confident in cold-chain transportation.

3.2.3. Economies of Scale

China's gross domestic product (GDP) growth has been, on average, 8% per year over the past four years, and GDP per capita reached CNY 41,908 (EUR 6,123) in 2013 (8.9% growth).⁴⁹

Organic producers, especially those with a geographical indication (GI) mark, face the challenge of scaling up their production capacity to meet Chinese demand, as well as produce sufficient volume to

⁴⁷ *USDA China Retail Report 2014*,

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Chengdu%20ATOhttp://www.kjt.com/China%20-%20Peoples%20Republic%20of%2012-31-2014.pdf.

⁴⁸ <http://www.ebrun.com/tc/trade/shipin.shtml#moshi>.

⁴⁹ <http://www.stats.gov.cn/tjsj/ndsj/2014/indexeh.htm>.

make a profit. At the same time, the quality of their products and their GI status depend on their small production capacity; that said, China is a large market, and if a product is successful, demand will grow beyond capacity. Given the costs involved and difficulties of entry, it can be a challenge to make a profitable market entry.

Local production can make production and selling at quantity more affordable. Hungarian and Dutch companies have had some success by breeding geese and producing goose liver locally in partnership with Chinese producers. A local company has established an Italian-style meat processing company that employs Italian processes and is marketed as Italian.

3.2.4. Increasing Local Competition

EU products are regarded as high quality and produced to high safety standards, but they are often more costly than their local equivalents. In terms of international competition, the United States remains the largest single exporter of consumer-oriented food to China, and it is the only exporter with a presence in most categories.

Local manufacturers, therefore, tend to push imported products out of the price-driven mass market and into niche markets, where quality and novelty are more important than price. In the past, restaurants and bars were often obliged to import all of their speciality European products; however, they are now able to turn to local producers. For example, Le Fromager de Pékin sells cheese directly to restaurants and hotels, and local producers are making European-style cured meats and other delicacies.

Some companies express concern that increasing local production threatens sales of their imported goods. However, the two can work in tandem – increasing consumer exposure to new products and allowing consumers with more discerning tastes to access better quality original products.

3.3. Operational Challenges

3.3.1. Working with Chinese Partners

One of the most common causes of business failure in China is deteriorating partnerships. Therefore, it is important to recognise cultural differences and spend time understanding how your Chinese partner operates. New entrants to China's market frequently become frustrated because they perceive that their Chinese partners are neither frank nor forthcoming. They find that agreements viewed as binding by the EU partner are more flexible or negotiable from the perspective of the Chinese partner.

Formal business meetings and informal social occasions are opportunities to build understanding and trust, as well as to receive advice and secure business deals. Ensuring that a company representative is present at all transactions will reduce misunderstandings and errors. It also offers the opportunity to adapt suitable portion sizes, alter ingredients (for example, reduced sugar content), and design packaging that appeals to Chinese consumers.

4. Opportunities for European SMEs

4.1. Niche Markets

The F&B market in China is growing at a fast rate, but it is chiefly driven by price, and dominated by low-cost local producers. Apart from the buoyant wine market, other imported food (especially pre-packaged products) can expect to occupy only a small segment of the market, where quality and novelty win out over price.

As noted earlier, the top ten F&B import categories included dairy products, meat, aquatic products, alcohol, other beverages and grains.

Potential Niche Markets

High-end Gifts: In this segment, packaging is paramount and margins are high. Gifts might be tailored to Chinese holiday celebrations or special events given by those who demonstrate refinement through presenting foreign gifts at traditional Chinese holidays. Gifts include wine, chocolates and high-end packaged baked goods and confectionery.

Imported Organic and Natural Products: This segment has been developed into a popular lifestyle choice for health-conscious young parents who are willing to buy imported organic and natural products for their babies and for family meals.

Imported Organic Milk Powder: China has become the fourth-largest country for consumption of organic milk powder. Chinese parents are increasingly turning to organic products to feed their children. Popular organic milk powder from Europe and imported to China includes Angi's Land (France), Topfer (German), Ausnutria (The Netherlands), Rosalo (Austria) and Gittis (Austria).⁵⁰

Baskets of Specialty EU goods: Suitable goods for this segment include cheese and wine baskets, savoury biscuits, preserved vegetables, and pre-packaged European snack foods.

Gourmet Foods: This segment is a niche but also a rapidly expanding market in China. The concept of "gourmet" sometimes corresponds to products considered standard supermarket fare in Europe. The recent closure in Beijing of expensive specialty French and Italian food stores indicates that first-tier urban consumers have not yet developed a taste (or a wallet) for high-end gourmet food. Olé and BHG, the upmarket supermarkets pitched at the white-collar Chinese middle-class, stock few high-end specialty goods but have a good selection of standard European products.

Many of the Western foods in China's market are from the United States. They benefit from product placement in TV and films and the ubiquity of American culture. Nevertheless, even these products often require extensive branding and marketing. EU products are much less easily recognised and understood, and because consumers lack knowledge on how to prepare them properly, they are hesitant to buy the products. Hence, a possible niche market exists for well-selected and attractive 'baskets' of goods – together with preparation and cooking instructions.

⁵⁰ http://union.china.com.cn/zfgl/2014-10/16/content_7301127.htm.

Promotion Strategies

Women have become a specific target group for many retailers, particularly in first- and second-tier cities. This consumer tends to seek out and follow lifestyle and nutritional information accessed through the internet. Meanwhile, traditional media – such as television, newspapers, magazines, public transportation, advertising and direct mail – continue to play a significant role in reaching female consumers.

E-commerce is the primary method of promoting EU imported F&B. Online retailing and search engine optimisation is potentially a fruitful avenue to reach this market segment and promote European products. For example, e-commerce sites Taobao, Jingdong and Yihaodian have become the major retailing distributors in China market.

Media advertising, particularly TV and radio, can be expensive and may not target the intended audience, but local organic growers with foreign connections and foreign boutique producers have found it relatively easy to generate excitement about their products through editorial features in magazines and other free advertising.

Major trade shows, such as FHC and SIAL, provide good opportunities for individual companies to test the interest and potential demand for their products among registrants at the shows, as well as the ability to meet with potential importers and distributors. At the SIAL shows the last couple of years, most European countries organised national pavilions to display their products for exporters.

In addition to advertising, some major companies and even government organisations have promoted and increased the awareness of foreign food and beverage products through festivals and sales promotions – within supermarkets, shopping malls, hotels and food festivals. For example, the Agricultural Trade Office (ATO) of the United States Consulate General in Shanghai co-organised an American Food Festival from August 23rd to September 27th 2012 in Suzhou, Hangzhou and Xincheng. Promotions were held in four 5-star hotels to promote US pork, snow crabs, oysters, yellowfin sole, potatoes, cheese, almonds, raisins and other food ingredients. A celebrity chef was also present in Suzhou and Hangzhou to host cooking demonstrations and seminars with local chefs. In September 2013, British Consulate General Chongqing organised the British Food and Drink Festival with Olé high-end supermarkets and Intercontinental Hotel. The Trade Promotion Bureau under MOFCOM has also been working with foreign embassies and trade associations in Beijing to organise food and drink and consumer brand festivals in high-end shopping centres, such as Shin Kong Place and Zhuozhan. Canadian, Italian and British festivals have been planned, and these events provide good opportunities for countries and companies to showcase products to increasingly affluent consumers.

4.2. Opportunities by Sub-sector

European SMEs can expect to find opportunities in a variety of areas: wine, cheese, dairy products and premium ice cream, pasta, spaghetti sauce and other tomato products, olive oil, beer, chocolate, high-end confectionery, pre-packaged biscuits and snacks, breakfast cereal, coffee, and baby food/infant formula, as well as frozen meat and seafood.

4.2.1. Food

Frozen Meat & Seafood

Market Size & Trends

In 2014, China imported 1.37 million tonnes of pork and pigs; pork accounted for 560,000 tonnes, a year-on-year decrease of 3.4%. Most imported pork is frozen, and the key import countries include the United States, Germany, Spain and Denmark.

From January to July 2014, China imported 183,110 tonnes of chilled beef. Australia was the largest imported of chilled beef to China and saw its exports increase by 32.5% during that time. Uruguay was the second-largest exporter of chilled beef to China, and its exports increased by 33.4% year-on-year. While New Zealand's exports of chilled beef to China increased by 11.7% year-on-year, Canada's dramatically decrease by 18.2%.⁵¹

Pork, beef and lamb are the three main meats consumed in China, with pork being the most consumed. Although pork is still the most widely produced meat, its share has decreased significantly from 79.8% in 1990 to 63.7% in 2013. The market shares of beef and lamb have increased, as these meats add variety to Chinese consumers' diets. Moreover, because beef and lamb use different feeding methods than pork, they are perceived as safer and more nutritious to Chinese consumers.⁵²

Distribution Channels

- Boutique stores
- Restaurants and hotels
- Hypermarkets
- Supermarkets
- Online retailers

Opportunity

China imports large quantities of meat (mainly offal or fifth quarters) that Europeans do not eat. China also imports seafood, which goes mainly into processing facilities and the food services sector. Salmon from Norway and Scotland dominate the market in China, and there are opportunities for EU companies to supply other species and varieties.

Challenge

Quarantine and protocol requirements for frozen meat and seafood exports to China act as hurdles to the market. Therefore, Hong Kong has often been the point of entry for meat and seafood products into the China market via the so-called "grey" channel. Chinese authorities have added measures that clamp down on this illegal importation, and importers are more interested in products that can be exported officially into China's main ports.

Exporters are encouraged to confirm their products' eligibility to enter the market before engaging in commercial activities with customers or directly investing in Chinese business opportunities. Exporters can make initial enquiries to agriculture and quarantine authorities in their own countries.

⁵¹ <http://www.chinairr.org/view/V08/201410/22-168327.html>.

⁵² <http://www.stats.gov.cn/tjsj/ndsj/2013/indexch.htm>.

Chocolate, High-end Confectionery, Pre-packaged Biscuits & Snacks

Market Size & Trends

As China's GDP and the urbanisation increases, consumers are looking to upgrade their living standards. Imported food that offers high quality, health benefits, new tastes, variety and promotions are often welcomed by younger Chinese consumers. Imported chocolate, confectionery, biscuits, snacks, juice, coffee, dry nuts and oats tend to sell well in first- and second-tier cities. According to AQSIQ, in 2014, there were more than 10,000 import snacks, primarily from 140 countries and regions, including the United States, Europe, Korea, Japan and Southeast Asian countries.⁵³

As consumers in China are gradually asking for nutritious, healthy and tasty food, imported snacks have entered the urban dwellers' life. These snacks are consumed daily.

The main production bases for chocolate and confectionery products are located in Guangdong, Shandong, Fujian, Jiangsu and Zhejiang. In 2013, it was reported that China's chocolate and confectionery market has seen on-average growth of 10% in the years proceeding.

The per capita consumption of confectionery is 0.8kg in China, which is only one-tenth of the consumption in developed countries. As the income and consumption capability of Chinese consumers increases, there is great potential need in the confectionery and chocolate market in China.⁵⁴

Distribution Channels

Distribution channels for chocolate and confectionery products in China include:

- Supermarket/hypermarket
- Retailer store, convenience store
- E-commerce platforms
- Restaurant, coffee shops, hotels
- Group purchases by companies

Opportunity

The chocolate and high-end confectionery, pre-packaged biscuits and snacks market is growing rapidly as incomes continue to increase. Pre-packaged snack foods and confectionery are popular for social occasions and occupy extensive shelf space in Chinese supermarkets. For example, French chocolate truffles are sought after on Taobao and Jingdong.

Challenge

Japanese and Korean snacks already occupy a significant sector of the packaged snack food market. However, as in most international markets, China's market is dominated by US confectionery products at the upper end and local products at the lower end.

Imported products from both the United States and other Asian countries already have high brand recognition in the market.

⁵³ http://baike.baidu.com/link?url=ul0IMfVUwsUh10UXBIaVE-PJHTB_zYEQg6fLv9ZMbWII9WW_5AhrU7XqTH9Lna5U7nAM6a6lzx0_YKH2sPPq#3.

⁵⁴ <http://www.chyxx.com/industry/201407/263604.html>.

Dairy**Market Size & Trends**

According to Ministry of Commerce, China imported 296,321 tonnes of milk in 2014, a year-on-year increase of 55.9%. Milk imported to China is typically ultra-heat treated (UHT) milk, and sales channels have expanded to second- and third-tier cities.⁵⁵ In recent years, Chinese companies have turned to overseas companies to provide OEM services for production of dairy products. Imports are expected to increase further in 2015.

On 1st January 2015, the EU reduced the milk production quota so that EU dairy enterprises could take advantage of opportunities to expand their markets into China. Milk powder/formula may present opportunities for EU enterprises. Chinese infant milk formula enterprises have focused on the EU as an OEM production-based product, therefore presenting opportunities for EU enterprises.⁵⁶

Distribution Channels

Distribution channels for dairy products include:

- Supermarket/hypermarket
- Retailer stores, convenience stores, specific department/floor in department stores (baby store)
- E-commerce platforms

Opportunity

There are 20 million babies born in China every year. The total value of the parenting market in China exceeds EUR 63 billion. With rising family incomes and stronger consumption awareness among parents, along with the food safety concerns, China's baby food market is growing. The food industry has seen an annual growth of about 25% due to baby food purchases, especially powdered milk.

In 2013, the total cumulative output of dairy products in China was 29.6 million tonnes, a year-on-year increase of 5.15%. In 2014, output was 26.5 million tonnes, a year-on-year decrease of 1.7%.⁵⁷ Outputs in Hebei, Inner Mongolia, Heilongjiang and Shandong exceeded 2 million tonnes.

The dairy product consumption of urban residents has remained stable, while the rural market continues to grow slowly each year. However, the per capita consumption of liquid milk is only 18.8kg in China, even among urban residents. This is far lower than consumption levels in Europe, the United States, Japan, India, Brazil and Russia. Low per capita consumption of dairy products indicates that the growth space for dairy products in China is huge. China customs' data shows that the import of milk powder and liquid milk has been growing at a steady pace; sales of powdered milk increased by 49% last year, and liquid milk increased by 92%.

The Chinese dairy products market is expected to grow 80.3% from 2011 to 2016. The subcategories of cheese and baby/infant milk formula are projected to achieve the largest growth rates in retail value from 2011 to 2016, at 152.5% and 132.5%, respectively.

⁵⁵ <http://www.21food.cn/html/news/39/2208074.htm>.

⁵⁶ <http://www.chinairn.com/news/20150127/152505689.shtml>.

⁵⁷ <http://dac.org.cn/index/gnnyqg-15021314381453610088.jhtm>;
<http://www.askci.com/chanye/2015/02/04/162644c10o.shtml>.

Domestic food safety crises and continuing concern about the domestic dairy industry have created a rapidly increasing demand for high-quality, reliable dairy foods, particularly from overseas markets.

Challenge

Cold-chain distribution networks remain undeveloped across China. Mistrust of local dairy products due to quality concerns has encouraged the use of non-tariff barriers – including rigorous sanitary requirements – in an attempt to protect local production.

Pasta, Pasta Sauces & Olive Oil

Olive oil is one example (data for pasta and pasta sauces are not available).

Market Size & Trends

Imports of olive oil to China increased from 4,000 tonnes in 2004 to 45,000 tonnes in 2012, with an average year-on-year increase of 10% during this period. In 2013, annual production in China reached 1,700 tonnes.⁵⁸

Olive oil imported to China comes mainly from Spain, Greece and Italy. Between 30-50 brands of olive oil can be found in Beijing, Shanghai, Guangdong and other major cities in east China.⁵⁹

It is estimated that China will consume 30 million tonnes of edible oil in 2020, with 900,000 tonnes being olive oil. China has started to promote the use of olive oil and vegetable seed oils instead of other cooking oils due to their perceived health benefits. The International Olive Oil Council (IOOC) expects that China will be the largest consumption country of olive oil in the coming years, thereby presenting opportunities to EU companies.⁶⁰

Distribution Channels

- Supermarkets/hypermarkets
- Retailer stores
- E-commerce platforms
- Grain and oil stores

Opportunity

These are foods that resonate with Chinese consumers from their own cooking styles. Since the European versions have been present in fast food chains for some decades now, Chinese consumers are more familiar with these foods than with other novelty “gourmet” foods, and they are gradually entering Chinese pantry cupboards.

Challenge

Despite their familiarity, the market is still small for these items. This means that even small profit margins require high volume sales.

⁵⁸ <http://www.feedtrade.com.cn/oil/edible/2026331.html>.

⁵⁹ <http://www.chinabgao.com/k/ganlanyou/16915.html>.

⁶⁰ <http://www.docin.com/p-955568678.html>.

4.2.2. Beverages

Beer

Market Size & Trends

In 2014, China consumed 54 billion litres of beer. Domestic production was approximately 50 billion litres, a year-on-year decrease of 0.96%. China imported over 335 million litres of beer, a year-on-year increase of 85.4%.⁶¹

The import of beer increased by 426% from 2012 to 2014. It is estimated that during the period 2015-2018, the demand for imported beer will continue to increase.⁶²

Distribution Channels

Distribution channels for beer in China include:

- Supermarkets/hypermarkets
- Retailer stores
- E-commerce platforms
- Specific liquor/wine stores
- Restaurants, coffee shops, hotels, bars

Opportunity

China is set to overtake the United States as the world's largest beer market in value by 2017, according to a Euromonitor International report.

The world's second economy is already the largest beer market globally in terms of volume, serving up more than double the pints in 2014 as compared with the United States. China is now heading toward the No. 1 crown in terms of value as well. Last year, the Chinese beer market's value was 79% the size of the United States in fixed USD exchange rate. Euromonitor forecasts that this figure will grow by 45% by 2017, making China the world leader in terms of value sales. According to the report, disposable incomes in China are forecast to grow by double digits from 2013 to 2018, meaning that more people will be able to afford beer, while the legal drinking age population will see more rapid growth than in the United States during this same period,

Opportunities for boutique beers from SME producers are currently available through local distribution to speciality stores and bars in large cities. For the dedicated beer enthusiast, micro-breweries are developing, and opportunities may exist in second-tier cities, although it must be taken into consideration that this requires residency in China.

Light beers are preferred, and some European brewers have developed beers specifically for the Chinese market. Oktoberfest celebrations are popular and offer opportunities to promote boutique beers to Chinese consumers.

⁶¹ <http://www.9998.tv/news/106973.html>; <http://www.chinabgao.com/stat/stats/40348.html>; <http://www.haicent.com/List.asp?ID=58781>.

⁶² <http://www.chinabgao.com/freereport/66360.html>; <http://www.21food.cn/html/news/35/2438895.htm>.

Challenge

The Chinese beer market may be the biggest in the world, but even large international brands have found it difficult to survive, as others compete in a continuing search for economies of scale, with production based in China.

Quality control, hygiene and distribution are the major challenges in this market. Due to relative price elasticity (compared with the Chinese wine market and the low price of local beer), competition is high.

Wine**Market Size & Trends**

In 2014, China's production, importation and consumption of wine totalled 1.16 billion litres, 383 million litres and 1.58 billion litres, respectively.⁶³

It is estimated that the demand for wine in China will increase by 10% annually in the coming years. Market penetration will spread from coastal areas to inland areas.⁶⁴

Distribution Channels

The sales channel of wine varies from restaurants, bars, supermarkets, speciality stores, group buying and e-commerce platforms.

Opportunity

China will be the largest wine importing country in Asia by 2017.⁶⁵

Wine exporting countries – such as France, Australia, Italy, Spain, the United States, Chile and South Africa – have had a strong presence in China for years. New brands from differing origins are finding ways into Chinese homes each year.

Wine constitutes the largest EU export to China by a large margin. Wine is successfully marketed in China as a healthy alternative to Chinese white spirit (*baijiu*). In China, premium wine is not only a luxury, it is also a way of portraying social status. Red wine is generally preferred, mainly due to its colour but also its proclaimed health benefits. However, women tend to favour white wine. Sparkling wines are particularly popular. Local production need not be seen as a threat since increased production increases the opportunities for consumers to try wine, and local wine is mistrusted at this time due to quality concerns. Market saturation is not yet considered a problem, as there is still significant potential in second- and third-tier cities.

Challenge

Competition is high, and good distributors and outlets are limited. Distributors are reluctant to take on additional labels unless they receive significant market (and financial) support from wineries.

⁶³ <http://wine.tjcx.com/detail/1010020.htm>; <http://www.askci.com/chanye/2015/05/09/84756y9a5.shtml>;
<http://www.winechina.cn/new/viewnews.asp?id=50621>.

⁶⁴ <http://www.chinairn.com/print/3626614.html>.

⁶⁵ <http://www.asiaperspective.net/chinas-increasing-appetite-imported-food-beverage/>.

The Shanghai Customs District reported imports of 22.39 million litres of wine in January and February 2015, a 23.2% increase compared to the same period in 2014. The average price of wine dropped to EUR 5.50 (CNY 39) per litre, a 22.9% decrease compared to the same period in 2014. Seventy percent of imported wine during this period came from the EU.

Few effective government supervision measures mean that genuine wine sellers are obliged to police the market themselves. For example, one large European wine and spirit producer mounts legal challenges by employing staff exclusively to identify counterfeits.

Very cheap wine (CNY 28-58) and wine for the high-end gift market (CNY 1,500) have a reasonably ready market, but mid-range quality wines (CNY 100-300) are difficult to sell to the Chinese consumer market without relatively expensive wine-tastings and other marketing events.

4.2.3. Current Exports from Smaller EU Producers, Growth Strategies

EU member states that have small export volumes to China will concentrate on the non-SPS protocol food and beverage products. These are sectors where they might continue to focus and expand. Chinese consumers respond to strong branding – small member states and their producers (funds withstanding) might consider developing a marketing strategy that draws on their history and heritage.

4.2.4. Branding in the Chinese Market

For many companies intent on launching in China, a key market entry barrier is low brand awareness in the local market. A food and beverage brand may be well known in Europe, but it is very important for the business to position itself suitably for the Chinese market. To become a more recognisable brand, some companies have completely redesigned their corporate identity; for example, the Spanish San Gines logo was amended with the addition of a chef and a translation of the brand name. This was done to ensure that the brand could be read, pronounced and remembered by Chinese consumers. Chinese customers place a strong emphasis on branding. They prefer brands they have heard of and those well established within the marketplace. Therefore, building brand recognition is very important for food and beverage newcomers in China.

4.2.5. Social Media and Digital Marketing in China

In assisting with building brand value in China and marketing, many companies are increasingly using digital marketing through China's social media platform. China's traditional media landscape is fragmented, with traditional advertisements often reaching only a region or city through regional TV and local papers. Nonetheless, China's social networking scene covers the whole of China. Western social media such as Twitter, Facebook and YouTube are blocked in China, but the local equivalents such as RenRen (similar to Facebook), Weibo (micro-blogging site akin to Twitter), WeChat (a cross between an instant messaging service and Facebook) and Youku (similar to YouTube) are widely used both through the internet and mobile phones/tablet devices. Chinese social media sites are used by most Chinese consumers, enabling baby food and milk powder to be marketed in addition to other food and beverage products, such as potato- and chocolate-based snack products. Successful marketing campaigns often rely on micro-blogs to spread the word; often a key influence leader will be engaged by companies to post positive reviews on their behalf. A positive word-of-mouth recommendation spread through these media can make or break the launch of a new product. If these tools are utilised

correctly and effectively, they can be a low-cost alternative to traditional advertising and brand enhancement.

4.3. Opportunities by Chinese Regions

China is not a single market but a jigsaw puzzle of overlapping markets separated by geography, culture, cuisine, demographics and dialects. One temptation is to pursue explosive growth by focusing on geographic penetration rather than sustainability. This may produce impressive short-term results, but exporters with limited means may find themselves quickly over-extended and battling untrustworthy local distributors and copycat products. It is best to choose a region that best suits the product and develop the brand slowly but sustainably.

Opportunities in the food and beverage market lie in China's urban centres rather than rural areas:

First-tier Cities: First-tier cities (such as Beijing, Shanghai, Guangzhou, Shenzhen, and increasingly Chongqing and Chengdu) have seen the greatest exposure to imported food and beverages. Multinational retail expansion has intensified competition in the richer coastal areas, but opportunities still remain.

Second- and Third-tier Cities: Incomes are growing rapidly in second- and third-tier cities, creating a new range of opportunities, but distribution and logistics remain underdeveloped outside the largest urban centres, making distribution of imported products to interior cities difficult.

The following table indicates some of the opportunities in urban centres by region:

Opportunities in the Food & Beverage Sector in Selected Urban Centres			
Region	Tier	City	Comment
East	2nd	Hangzhou & Suzhou	Among the key and richest cities in China, these retail markets are well developed, with the presence of both international retailers and boutique stores.
	2nd	Nanjing	Consumption of imported food products has increased substantially. Major retailers (such as Metro, Walmart and Carrefour) indicate that the higher the percentage of imported food items in their stores, the better their sales.
	2nd	Wenzhou	One of the richest cities in China, but its foreign import market is still relatively underdeveloped.
	2nd	Wuhan	Mid-range prospect and a reasonably developed retail sector. Great range of imported products in high-end retail stores, such as Wushang.
North	2nd	Tianjin	The Binhai New Area is an increasingly profitable location to sell imported products to the large number of white-collar workers employed by multinational companies and expatriates. Compared with customers in inland cities, Qingdao consumers are more receptive to new food products and flavours.
	2nd	Qingdao	
	2nd	Yantai	
3rd	Weihai		
	2nd	Zhengzhou	Due to its geographical location and large population, the retail sector has developed rapidly. The majority of the imported food products are from Korea and Southeast Asia.
	2nd	Shijiazhuang	Shijiazhuang is a challenging market area for international retailers because of its mature and well-managed local retail outlets, which have prime locations and consumer loyalty. However, it is easy to source Western food products in this city.

	2nd 3rd	Tangshan Qinhuangdao	There is a small range of foreign food imports in these cities, which are chiefly limited to sweet biscuits and snack food from Korea and Southeast Asia. International retailers, such as Carrefour and Tesco, have been present since 2010.
Northeast	2nd	Shenyang	The fourth-largest city in the country with a population of 8.1 million. Its retail sales have been growing rapidly, increasing by 10% per year over the last few years. International retailers have a presence in the major residential areas and high-end supermarkets. Olé and Yoo Hoo stock over 60% of their stores with imported products.
	2nd	Dalian	Dalian is the major city and seaport in Liaoning Province. The retail sector is well developed: Tesco, Carrefour and Walmart all have a presence there and the local retailer, Dashang Group, is the largest retailer in northeast China.
	2nd	Changchun	Changchun is the largest city in Jilin Province and the centre for China's automotive industry. Competition is fierce in Changchun, and Tesco and Carrefour have closed some of their stores in this area over the last few years. A small range of imported food products is available in supermarkets within major shopping centres.
	2nd	Harbin	Leading international retailers operating retail stores in the city, and supermarkets in major shopping centres carry approximately 20% imported food in their stores.
	2nd	Xi'an	Major retail players in China are keenly aware of the market opportunities in Xi'an and are rushing to open high-end stores in the market. CRV opened its first Xi'an Olé store in 2012. However, logistics remain a barrier to growth.
South	2nd 2nd 3rd 3rd 3rd 3rd	Pearl River Delta: Dongguan Foshan Zhuhai Zhongshan Huiyang Zhanjian Shantou	Guangdong has the highest GDP of any province in China and has ranked first in per capita annual food consumption expenditure for five consecutive years. South China continues to have a dynamic processed food consumption market with huge growth potential. Guangdong continues to be a pioneer in retail development. In the past five years, rivalry with an anchor tenant status in new shopping malls. To avoid high rental fees and operation costs in first-tier cities, many retailers have already aggressively opened up outlets in other cities in the Pearl River Delta, including Foshan, Zhuhai, Zhongshan and Huiyang.
	2nd	Changsha	Changsha is a dynamic consumption market with the presence of both multinational retailers and many established local players. Locals prefer hot, spicy, sour and heavy flavours in their food, but increasing consumer awareness of healthy lifestyles is fuelling a growing demand for high-quality imported food.

			<p>Popular imported foods in this city include biscuits, chocolate, olive oil, wine, cheese and fresh milk.</p> <p>Local consumers have larger disposable incomes and are aware of safety concerns associated with domestic F&B items since many aspire to live healthy lifestyles. Consumer demand for high-quality imported F&B items are on the rise, especially imported fruits, dairy products and snack foods.</p>
	2nd	Fuzhou	<p>Fuzhou is one of the key markets for imported foods, as many residents have relatives living abroad and are more open to Western lifestyles.</p> <p>Fuzhou and Xiamen are two leading markets in the retail food sector as well as for imported food distribution. Fuzhou, the capital city of Fujian Province, has a population of over 6.6 million. In 2014, Fuzhou's GDP per capita was EUR 2,050 (CNY 14,287).⁶⁶</p>
	2nd	Xiamen	<p>Xiamen is gaining competitiveness. Select groups are willing to pay a 10-20% premium to try imported products, but those products are chiefly limited to fresh fruit, Thai rice and Italian olive oil. Imported alcoholic beverages and selected snack foods have good potential in this market.</p>
	2nd	Nanning	<p>High volume liquidity in Nanning has driven greater demand. The Hunan-Guangxi railway to Vietnam makes the city the regional headquarters for trade with southeast Asian countries.</p> <p>Nanning is in the centre of south and west China and serves as an important trade, logistics and distribution hub. It has recently attracted significant foreign and domestic investment since the signing of China's free trade agreement with the ASEAN countries.⁶⁷</p>
	3rd	Guilin	<p>Tourism has accelerated opportunities in Guilin. Japanese retailer Niki Niko Do is currently the market leader in this city, and its stores stock a whole range of imported Western food.</p>
Southwest	1st	Chengdu	<p>Chengdu was considered as the most dynamic city in China by <i>Fortune</i> magazine. As an emerging city market in China's heartland, Chengdu is a prime target for EU food and beverage exports. It is the wealthiest and most advanced city in southwest China. In 2014, the GDP in Sichuan Province was EUR 410 billion (CNY 2.85 trillion). Chengdu's GDP in 2014 was EUR 114 billion, accounting for 35% of Sichuan Province's GDP.⁶⁸</p> <p>Chengdu residents are very open-minded and like to try new foods. They are willing to pay a premium for quality, reliable and safe food products.⁶⁹</p>
	2nd	Chongqing	

⁶⁶ <http://www.mnw.cn/news/fj/885225.html>.

⁶⁷ <http://www.cnwinenews.com/html/201204/12/20120412161910131568.htm>;
<http://c.360webcache.com/c?m=899dfe4c7a7fb30b7f1f329fb78f22f6&q=ASEAN+countries&u=http%3A%2F%2Fwww.mapsofworld.com%2Fworld-aseanmember-map.htm>.

⁶⁸ http://news.chengdu.cn/content/2015-02/12/content_1710494.htm?node=583.

⁶⁹ *USDA China Retail Report 2014*,
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods_Chengdu%20ATOhttp://www.kjt.com/China%20-%20Peoples%20Republic%20of_12-31-2014.pdf

5. Report Summary

	Food			Beverages	
	Chocolate, high-end confectionery, pre-packaged biscuits and snacks	Dairy	Pasta, Pasta Sauces and Olive Oil	Wine	Beer
Opportunities across the board	<ul style="list-style-type: none"> • Growing urban middle-class • Dining out at hotels, restaurants, cafés and bars – a huge growth area • Propensity for using Western F&B products as gifts • Continued market potential in first-tier cities and growing markets in second and third tiers. 				
Opportunities	<ul style="list-style-type: none"> • Demand growing as incomes increase • Pre-packaged snack foods and confectionery are popular for entertaining 	<ul style="list-style-type: none"> • Among the most popular imported products • Food safety crises leading to preference for foreign products 	<ul style="list-style-type: none"> • Has resonance with Chinese consumers 	<ul style="list-style-type: none"> • The largest EU export to China • Potential in second- and third-tier cities 	<ul style="list-style-type: none"> • Opportunities for boutique beers • Opportunities in second-tier cities
Challenges across the board	<ul style="list-style-type: none"> • Cultural hurdles: On the whole, Chinese tastes and kitchens not yet ready for full adoption of Western foods • Increasing local competition • Fragmented localised distribution channels • Cold-chain storage underdeveloped 				
Challenges	<ul style="list-style-type: none"> • Strong Japanese and Korean competition in snacks industry • US confectionery dominant at the upper and lower ends 	<ul style="list-style-type: none"> • Cold-chain distribution networks • Non-tariff barriers 	<ul style="list-style-type: none"> • Small profit margins require high volume sales 	<ul style="list-style-type: none"> • Counterfeit wines flush the market • Lack of consumer wine experience • Mid-range quality wines are difficult to sell 	<ul style="list-style-type: none"> • Quality control, hygiene and distribution

<p>Legal barriers</p>	<ul style="list-style-type: none"> • Distribution of food is subject to the licensing system in China. Companies engaged in food distribution have to apply for the food distribution licence. • Manufacturers of certain imported food (for instance, meat products) have to be registered with the Certification and Accreditation Administration (CNCA). 	<ul style="list-style-type: none"> • Distribution of beverages is subject to the licensing system in China. Companies engaging in distribution of beverage have to apply for the food distribution licence. • Distributors of alcohol products must be filed with the local bureau of commerce.
<p>Taxes</p>	<ul style="list-style-type: none"> • Corporation tax 25% • VAT 17%, 13% • City Maintenance and Construction Tax 1-7% of the VAT, depending on location • Education surcharge 3% of the VAT 	
<p>Standards, certification and labelling requirements</p>	<ul style="list-style-type: none"> • Sanitary certification is issued by the local quarantine bureau (CIQ) and based on product sample inspection • Chinese national (GB) standards and professional standards covering the technical quality and safety (hygiene) requirements, including food additives • Labelling requirements for food, beverages and food for special dietary needs must be provided in Chinese; label must be verified by the local quarantine bureau. 	

6. Resources

6.1. Further Reading

Further reading
<p>Global food and beverage survey 2013-2014</p> <p>http://www.docin.com/p-640463955.html</p> <p>Published by: Cannadean 2013</p> <p>Accessed on: April 15th 2014</p>
<p>Global Agricultural Information Network Report: China – People’s Republic of: Food and Agricultural Import Regulations and Standards – Certification</p> <p>http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Certification%20Beijing%20China%20-%20Peoples%20Republic%20of%2012-31-2012.pdf</p> <p>Published by: USDA Foreign Agricultural Service, December 31st 2012</p> <p>Accessed on: April 30th 2015</p>
<p>Global Agricultural Information Network Report: China – People’s Republic of: China Retail Annual Report</p> <p>http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods%20Chengdu%20ATO%20China%20-%20Peoples%20Republic%20of%2012-31-2014.pdf</p> <p>Published by: USDA Foreign Agricultural Service, December 31st 2014</p> <p>Accessed on: April 30th 2015</p>
<p>Food and Beverage to China</p> <p>http://wenku.baidu.com/view/7413cfd2b14e852458fb57cd.html</p> <p>Published by: New Zealand Trade & Enterprise, January 2012</p> <p>Accessed on: April 20th 2015</p>
<p>China’s Food and Agriculture: Issues for the 21st Century</p> <p>http://www.mckinseychina.com/preparing-for-chinas-middle-class-challenge-part-1/</p> <p>Published by: McKinsey China, March 31st 2014</p> <p>Accessed on: April 16th 2015</p>
<p>Exporting to China</p> <p>https://www.gov.uk/government/publications/exporting-to-china</p> <p>Published by: UK Trade & Investment, March 26th 2015</p> <p>Accessed on: April 20th 2015</p>

Study on the Future Opportunities and Challenges in EU-China Trade and Investment Relations 2006-2010

http://trade.ec.europa.eu/doclib/docs/2007/february/tradoc_133300.pdf

Published by: Institute for Food and Resource Economics, Department of Agricultural and Food Market Research, University of Bonn, February 2007 (Emerging Markets Group & Development Solutions)

Accessed on: March 22nd 2011

Global Agricultural Information Network Report: China – People’s Republic of: Food and Agricultural Import Regulations and Standards – Certification

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Certification_Beijing_China%20-%20Peoples%20Republic%20of_12-31-2012.pdf

Published by: USDA Foreign Agricultural Service, December 31st 2012

Accessed on: April 30th 2015

6.2. Exhibitions

Exhibitions

FHC China 2015, Shanghai New International Centre (SNIEC)

www.fhcchina.com/en/index.asp

This is one of China’s premier business events for the global food and hospitality sector. Companies from food, drink, hospitality, food service, bakery and retail industries all participate in this event.

November 11th-13th 2015

Tel: +86 21 6209 5209

Email: fhc@chinaallworld.com

SIAL China 2015, Shanghai New International Centre (SNIEC)

<http://www.sialchina.com>

This is one of Asia’s leading professional food & beverage exhibition, held annually in Shanghai in May.

May 6th-8th 2015

Tel: +33 1 76 77 13 30

Email: exhibit-sial-china@comexpodium.com

Carrefour Wine Fair 2015

<http://www.carrefour.com.cn/redwine/Index.aspx>

The Carrefour Wine Fair is one of Beijing's main wine events. Visitors can sample more than 800 wines from around the world. Additionally, all bottles of imported wine are on sale at a 20% discount during the fair in Carrefour Shanghai Gubei, Shanghai Lianyang and Beijing Shuangjing.

April 2015, Beijing, Shanghai, Chengdu, Hangzhou

Tel: +86-10-5190-9508 / 09

Shanghai International Wine & Spirits Exhibition 2015

<http://www.winefair.com.cn/en/autumn/>

Shanghai Winexpo has been successful a few times in Shanghai with an exhibition area of more than 50,000 square metres. In this process, the event has accumulated resources of 0.1 million domestic and overseas excellent suppliers and buyers. The fair attracted a total of nearly 1,000 top suppliers, coming from more than 40 countries and regions around the world to exhibit with thousands of wines and spirits.

December 4th-6th 2015

Tel: +86-21-6439-6190, 5013-1760

E-mail: info@goldenexpo.com.cn

Top Wine China, Beijing 2015

<http://www.eventseye.com/fairs/f-top-wine-china-14361-1.html>

Top Wine China premiered in 2010, offering trade professionals the opportunity to engage in direct exchanges with distributors and producers to develop exclusive commercial relationships with players in the wine market. The show puts products and services in front of quality buyers at a low cost per contact.

June 4th-6th 2015

Tel: +31 (0)547 27 15 66

Email: joyce@ipi-bv.nl

Restaurant and Bar Hong Kong 2015, Hong Kong Convention and Exhibition Centre

<http://www.restaurantandbarhk.com/en/index.html>

This is an upmarket exhibition of major international food and beverage providers. It also features restaurant supplies and all necessities for the industry.

September 8th-10th 2015

Mr Jim Sugarman

Tel: +852 3958 0502

Email: info@restaurantandbarhk.com

Food and Beverage Online

<http://www.21food.com/>

This global food e-marketplace is an opportunity for buyers and suppliers to find partners or products for online businesses.

Email: service19_21food@hotmail.com; service10_21food@hotmail.com

6.3. Useful Websites

Useful websites

Administration of Quality Supervision, Inspection and Quarantine (AQSIQ)

A ministerial-level department under the State Council of the People's Republic of China that is in charge of national quality, metrology, entry-exit commodity inspection, entry-exit health quarantine, entry-exit animal and plant quarantine, import-export food safety, certification and accreditation, standardisation, and administrative law enforcement.

www.aqsiq.gov.cn

Chinese Academy of Inspection and Quarantine

A national scientific research body. Carries out research on the application of science and technology in inspection and quarantine.

<http://www.cnca.gov.cn/jky/>

China Dairy Information

This website contains information in both Chinese and English on the dairy industry and market in China.

www.chinadairy.net

CFDA Administration

China elevated the status of the existing State Food and Drug Administration to a general administration in early 2013 to strengthen regulations and boost consumer confidence in food and drug products. The new organization combined the State Council's Food Safety Office, the food supervision duties from AQSIQ and State Administration for Industry and Commerce and will be responsible for supervising food and drug safety in the process of production, circulation and consumption.

www.sfda.gov.cn

Certification and Accreditation Administration of the People's Republic of China (CNCA)

An institution directly under the General Administration of Quality Supervision, Inspection and Quarantine. Coordinates certification and accreditation activities across the country.

www.cnca.gov.cn

EU Commission: DG Trade

A large number of guides, research reports and policy documents for all sectors and trading partners.

<http://trade.ec.europa.eu/doclib>

Food and Agriculture Organization of the United Nations (FAO)

A specialised agency of the United Nations that leads international efforts to defeat hunger.

www.fao.org

General Administration of Customs

An administrative agency within the government of the People's Republic of China. Responsible for the collection of value added tax (VAT), customs duties, excise duties, and other indirect fees. Also responsible for managing the import and export of goods and services into China.

www.customs.gov.cn

Ministry of Agriculture

A component of the State Council in charge of agriculture and rural economic development.

www.agri.gov.cn

Ministry of Commerce (MOFCOM)

An executive agency of the State Council of China. Responsible for formulating policy on foreign trade, export and import regulations, foreign direct investments, consumer protection, market competition and negotiating bilateral and multilateral trade agreements.

english.mofcom.gov.cn

United States Department of Agriculture (USDA)

The United States' federal executive department responsible for developing and executing US federal government policy on farming, agriculture and food.

www.usda.gov/wps/portal/usda/usdahome

USDA Economics, Statistics, and Market Information System (ESMIS)

A collaborative project with a system that contains nearly 2,500 reports and datasets.

usda.mannlib.cornell.edu

WTO/TBT-SPS Notification and Enquiry of China

An information channel set up according to transparency stipulations in the TBT and SPS Agreements.

<http://www.tbt-sps.gov.cn/Pages/home.aspx>

<http://www.tbt-sps.gov.cn/sites/english/Pages/default.aspx>

7. Appendix 1: Key Retailers in 2014⁷⁰

Companies	Ownership	Business Line	Stores	Sales (CNY Billion)	Sales (EUR Billion)
Chinese					
Lianhua	China, SOE*	Super/hypermarket/convenience	5,221	30.3	42.6
Wumart	China, Private	Supermarket/convenience	409	16.9	24.0
Suning Yunshang	China, Private	Super/hypermarket/convenience	1,626	138.0	196.0
Yonghui	China, Private	Super/hypermarket/convenience	204	30.5	42.6
China Resources Vanguard	China, SOE*	Super/hypermarket/convenience	4,637	92.4	130.0
Multinational					
RT Mart	France	Hypermarket	264	80.1	113.0
Carrefour	France	Hypermarket	236	46.7	65.4
Walmart	US JV	Hypermarket	407	72.2	102.4
Metro	Germany JV	Hypermarket	75	17.5	24.8
Tesco	UK JV	Hypermarket	144	20.5	29.5
Auchan	France	Hypermarket	59	15.1	21.4
Lotus	Thailand	Hypermarket/convenience	77	13.7	

⁷⁰ <http://www.cdfa.org.cn/portal/cn/view.jsp?lt=31&id=410420>.

8. Appendix 2: Retail Options Available to European Union SMEs in the F&B Sector

Region	Hypermarkets		Supermarkets		Specialty Stores		Convenience Chains		E-commerce
	Domestic	International	Domestic	International	Domestic	International	Domestic	International	
North	<ul style="list-style-type: none"> China Resource Vanguard (CRV) Lianhua Wumart 	<ul style="list-style-type: none"> Carrefour RT-Mart Walmart Tesco Ito Yokado Auchan Lohao City SMS RT-Mart JUSCO Lotte Mart 	<ul style="list-style-type: none"> Wumart Hualian Lianhua Meet All Xinyijia (A-best) Jinkelong Meilianmei Wumei Shouhang Yonghui Suguo Tiankelong New Mart Wangfujing NWDS 	<ul style="list-style-type: none"> PriceSmart Carrefour Tesco 	<ul style="list-style-type: none"> April Gourmet Baode Home Delivery BHG Cheese and Wine City Shop Flame Tree Jenny Lou's Made in Heaven My Local Store (online) Olé Tang Ren Shi Yi Taste Spain Zhang Binggui's Candy Shop Ziyouzizai Parkson Sweetrip Baibike Zhenhuizi 	<ul style="list-style-type: none"> Elite Nutrition Centers World Health Store 	<ul style="list-style-type: none"> Beijing Home Delivery Organic Farm Delivery Service De Run Wu Organic and Natural Store Green Yard Organic Milk and Yogurt Hualian Jingkelong Lianhua Organic Farm Shop Qi Yuan Indian Kuaike CRV Wumart Baibike 	<ul style="list-style-type: none"> 7-Eleven Dia Watson Lawson 	<ul style="list-style-type: none"> Tmall Yihaodian Jingdong Zhongniangwomai Alibaba Tongyuankang Amazon Blemall Samsclub Lhmart

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<p style="text-align: center;">East Coast</p>	<ul style="list-style-type: none"> • CRV • Lianhua • Wumart 	<ul style="list-style-type: none"> • Carrefour • Lotte Mart • Walmart • Tesco • Auchan • RT-Mart 	<ul style="list-style-type: none"> • NGS • Wumart • A-best • Hualian • Lianhua • Liqun • Meet All • Nonggongshang • Jiadeli • Suguo • Ginza • New Mart • Yonghui • Jiajiayue • Huishang 	<ul style="list-style-type: none"> • Carrefour • Pines the Market Place • Tesco 	<ul style="list-style-type: none"> • Baode Home Delivery • BIO Farm • Chef's Pantry • City Shop • My Local Store (online) • Olé • San Yang Dry Grocery Store • Shanghai Chateau Classic Food & Wine Co Ltd • Shanghai First Food Store • Yves Thuriès • Ziyouzizai • Parkson • Easy Maimai • Sweetrip 	<ul style="list-style-type: none"> • Amphora • City Super • Shin Sen Kan 	<ul style="list-style-type: none"> • Bhoomi Stores • CASA Food Market • Elders Fine Food • Kuaike • Nap Café • Organic Farm Delivery Service • Pretzels Plus • SHGROCERY • Smart direct (online) • City Shop (online) • CRV (China Resource Vanguard) • Suguo • Ginza • Wumart • KEDI • All-days 	<ul style="list-style-type: none"> • 7-Eleven • Dia • Watsons • Family Mart • Lawson • C-Store 	
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South	<ul style="list-style-type: none"> • Lianhua • CRV 	<ul style="list-style-type: none"> • Carrefour • RT-Mart • Walmart • Tesco • Lotus • Metro • Auchan • RT-Mart • JUSCO 	<ul style="list-style-type: none"> • A-best • Hualian • Lianhua • Renrenle • Parknshop (Baijia) • Yonghui • Wangfujing • Rainbow • Youkelong 	<ul style="list-style-type: none"> • Carrefour • Tesco 	<ul style="list-style-type: none"> • Aussinos • Corner's Deli • My Local Store (online) • Olé • Ziyouzizai • Sweetrip 	N/A	<ul style="list-style-type: none"> • Bhoomi Stores • Organic Farm Delivery Service • Meiyijia • CRV • Gongxiao • Sunhigh • C-Store • Polison • Yuandongaimai • VVO 	<ul style="list-style-type: none"> • 7-Eleven • Neighbour-Hood Market • Family Mart • OK 	
Northwest	<ul style="list-style-type: none"> • CRV • Wumart 	<ul style="list-style-type: none"> • Carrefour • RT-Mart • Walmart • Lotus • Metro 	<ul style="list-style-type: none"> • Wumart • Hualian • Renrenle • Lianhua • NWDS 	<ul style="list-style-type: none"> • Carrefour 	<ul style="list-style-type: none"> • Parkson • Sweetrip • Baibijia • Ziyouzizai 	N/A	<ul style="list-style-type: none"> • Wumart • Tangjiu • Jinhu • Zaozao • Baibijia 	<ul style="list-style-type: none"> • Watsons • 7-Eleven Neighbour 	

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West	<ul style="list-style-type: none"> • Lianhua • CRV 	<ul style="list-style-type: none"> • Carrefour • Ito • Yokado • Isetan • Lotus • Auchan • Metro • Walmart 	<ul style="list-style-type: none"> • Yonghui • Hualian • Zhongbai • Lianhua • Parkenshop (Baijia) • Xinyijia (A-Best) • Wangfujin • Renrenle • CBEST • NCDS • Wushang 	<ul style="list-style-type: none"> • Price-mart • Carrefour 	<ul style="list-style-type: none"> • Sweetrip • Ziyouzizai • Baibijia 	N/A	<ul style="list-style-type: none"> • Hualian • Baibijia 	<ul style="list-style-type: none"> • 7-Eleven • Family Mart • Lawson 	
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This report is compiled in partnership with the CBBC as an introduction to the food and beverage market in China to help EU SMEs gain an understanding of China's food and beverage market and identify opportunities EU SMEs could consider exploring.

The CBBC is the leading organisation helping UK companies grow and develop their businesses in China. The CBBC delivers a range of practical services, including: advice and consultancy, market research, event management, overseas market introduction, trade missions and exhibitions, and the setting up of rep offices. For more information about how the CBBC can help your business develop in China, please visit www.cbcc.org.

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