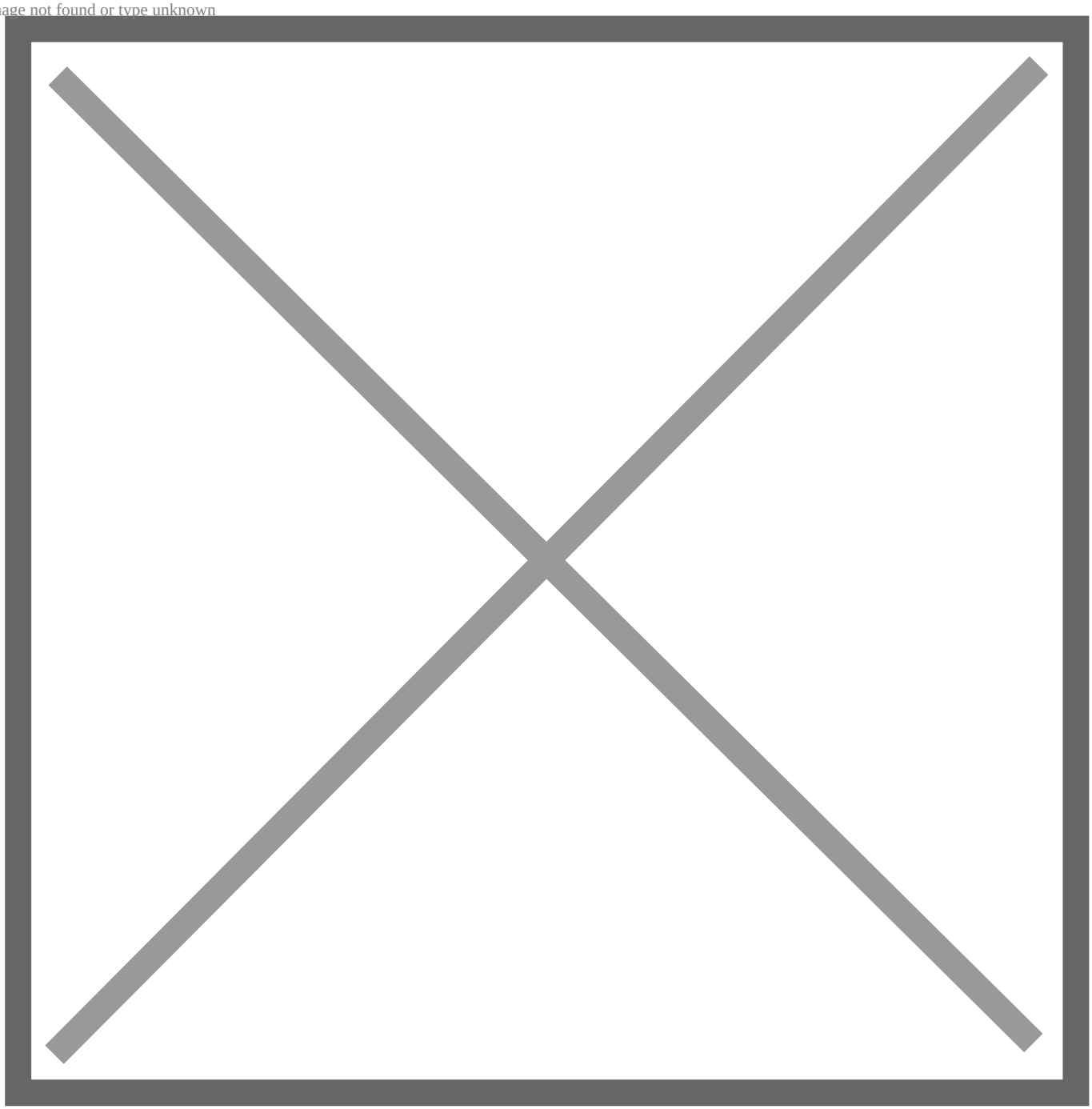
Selling Food and Beverage Products to China: Opportunities on the Rise but Deeper Understanding of the Market Required

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The EU SME Centre conducts extensive research in the food and beverage (F&B) sector in China and recent years show promising opportunities for European exporters. Though F&B only represents about 5% of total EU exports to China, it is worth noting that it is growing at a much faster rate than overall exports from the EU, which grew merely around 3% in 2015.

China's F&B imports from the EU in 2015 totalled €9.5 billion, a growth of 50% over the previous year. This figure includes non-packaged food, such as frozen pork, or bulk wine. The growth is significant and is largely due to China's thirst for dairy, meat and wine. Consumer demand for EU food and drink is growing strongly and the future looks bright for countries signing protocols with China to export their produce.

Currently, almost 100% of China's F&B imports comes from one-third of the EU-28 countries, led by France, Germany, and the Netherlands. Most of this is dairy (including infant formula), pork, and wine, making up about 70% of EU imports.

Challenges

But it is not all plain sailing. Challenges in the market pose difficulties for exporters, especially small businesses. Most are concerned about finding 'the right' partner in China and struggle to adapt to Chinese regulations for food and drink products.

Other common challenges the Centre has observed include difficulties in understanding China's retail sector, sales channels, social networks, m-commerce, the behaviour of Chinese consumers and the advent of cross-border e-commerce.

Cautious, But Positive Market Trends

Though future plans of China, going up the value chain, may impact imports from the EU in other sectors, opportunities in the F&B sector are more resilient to both the economic slowdown and China's strategic planning. China's climate, geography, scarcity of both water and arable land, along with food scandals, more discerning consumers, an increase in household disposable income and urbanisation, are all factors that give confidence in foreseeing a positive long-term view.

Preliminary analysis of 2016 indicates China's increase in F&B imports from the EU remains robust. If the recent approval of some EU countries to export dairy, and ongoing negotiations with others to get approval for meat is anything to go by, the pace of 50% growth could well continue to rise.

Though cautious, we remain positive and recommend businesses active in the F&B sector to pay further attention to China.

Opportunities also lie in the auxiliary industries related to F&B, from bottling, to packaging, or sanitising food procedures, research and services. China remains in the early phase of processing seafood products for example, and the EU has more advanced know-how in terms of safe pre-prepared, pre-cooked, and ready-to-eat food. The new Food Safety Law (FSL) enacted in China

reflects much of the concern, which in some cases is linked to structural flaws in China's food chain.

Our Advice

EU SMEs in the F&B sector need to know in detail the unique characteristics of sales channels, retailers and consumer behaviour in China. The interest of Chinese importers for all sorts of European foodstuff items is on the rise. However, simply finding a partner is not enough, greater care needs to be taken when identifying where the opportunities are and the market access procedures involved. For more insights into retail and distribution channels read the Centre's report on the F&B market here.

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