



Wine market in China

While wine consumption in most European countries is levelling out, China has again grabbed the world's attention with the high growth of its wine market. Wine imports from China in 2010 increased 67% and 81% by volume and by value respectively from 2009. Wine exporting countries such as France, Australia, Italy, Spain, US, Chile and South Africa have had a strong presence in China for years. New brands of different origins are finding ways into Chinese homes each year. This brief provides a quick overview of the Chinese wine market for European SMEs to make a more informed decision when entering China.

1. Total wine market and growing imported wine market share

Total Chinese wine consumption reached 96.3 million 9-litre cases, equivalent to 1.2 billion bottles, in 2009, an increase of 104% compared to 2005.¹

Between 2010 and 2014, the VINEXPO study expects Chinese wine consumption to grow by a further 19.6%, reaching 127 million 9-litre cases by the end of the period. At that point, China will be the 6th largest wine consuming country in the world.²

China imported 286 million litres of wine at a total value of USD 798 million in 2010, an increase of 67% and 81% respectively from 2009. Imported wine accounted for over 20% of the total wine consumption in China, up 6 percentage points from 14.7% in 2009.

Legal age per capita wine consumption in China is still only 1 litre per year.³ Compared with the annual per capita rates of the other top 10 large consumer countries of around 30-40 litres, the potential in the Chinese market is very attractive.

In the meantime, risks are also mounting as more foreign wine exporters rush into China. Currently there are about 1,500 imported wine brands and 24,137 wine importers (direct and indirect) in China. The main markets of imported wine are in Shanghai, Beijing, and Guangzhou. According to Wine Intelligence, only 23 million adults aged 18-50 can afford to buy imported wines [regularly] and only 14.3 million currently buy it. "The imported wine market [in China] is only the size of imports to Norway. Importers may have to wait up to 10 to 15 years to make a profit in China"⁴.

To succeed in the Chinese market, EU SME wine exporters must master branding, distribution channels and targeted marketing.

¹ Vinexpo news selection, March 2011, <http://www.vinexpo.com/en/actualites/news/chinese-wine-consumption/>

² Ibid

³ Ibid

⁴ <http://www.wines-info.com/En/html/2010/5/189-32211.html>,
<http://www.wineintelligence.com/wp-content/uploads/CHINA-Fact-sheet.pdf>

2. Average income in China by region

China's urban household average per capita annual disposable income increased from CNY 1,510 (approx. EUR 168) in 1990 to CNY 19,109 (EUR 2,127) in 2010.

Provinces and cities with the highest disposable income level such as Beijing, Tianjin, Shanghai, Jiangsu, Zhejiang and Guangdong represent the majority of the wine economy.

Table 1. Urban per capita annual disposable income and expenditure on liquor and beverages by region in 2010

Region	Total income (CNY)	Liquor and beverages (CNY)
National average	21,033	230
Beijing	33,360	480
Tianjin	26,942	356
Hebei	17,334	210
Shanxi	16,893	138
Inner Mongolia	19,014	334
Liaoning	20,015	235
Jilin	16,794	165
Heilongjiang	15,096	155
Shanghai	35,739	337
Jiangsu	25,115	249
Zhejiang	30,135	257
Anhui	17,627	359
Fujian	24,150	261
Jiangxi	16,558	137
Shandong	21,737	295
Henan	17,142	225
Hubei	17,573	177
Hunan	17,657	162
Guangdong	26,897	216
Guangxi	18,742	132
Hainan	16,930	111
Chongqing	18,991	171
Sichuan	17,129	214
Guizhou	15,139	173
Yunnan	17,479	141
Tibet	16,539	298
Shaanxi	17,065	227
Gansu	14,307	205
Qinghai	15,481	225
Ningxia	17,537	166
Xinjiang	15,422	142

Source: China Statistical Year Book 2011

3. Top selling brands⁵

The majority of Chinese wine drinkers only consume domestic products. In 2009, the top three domestic players held a market share of 49.2% by volume.

Yantai Changyu Group Company Limited is the leading player in the Chinese wine market, generating a 20.1% share of the market's volume in 2009. The company's product portfolio consists of dry red wine, dry white wine, sweet wine, sparkling wine, brandy, and 'healthy' wine. It markets its products under brand names such as Changyu AFIP, Changyu Cabernet Gernischt, Changyu Kely, Changyu-Castel, and Star Shield. Yantai Changyu Group also markets imported wine brands such as Disaronno and Talea. Another two major Chinese players are **China Great Wall Wine Co., Ltd** and **Tonghua Grape Wine Co., Ltd.**

Quality regulations are not particularly strict, and producers can blend wines from different vintages and countries. The market is in the nascent stage but fast growing, attracting a number of domestic entrepreneurs, foreign manufacturers and importers. Most winemakers own or lease vineyards, although large companies often need to source grapes from third-party growers. The ease of market entry for new players is affected by government regulation and other alcoholic beverages. Furthermore, wine is vulnerable to the threat from its substitutes, such as spirits and beer, due to low switching costs and different consumption patterns. The degree of rivalry is considered moderate in this market.

Top selling imported foreign brands by sales volume in 2008 were **Castel Freres** and **Rochemazet** from France, **Felix Solis** from Spain, **Jacobs Creek** from Australia and **Concha y Toro** from Chile.⁶

4. Sales volumes in the off-trade & on-trade

On-trade forms the leading distribution channel in the Chinese wine market, accounting for a 66.9% share of the total market's volume. Supermarkets and hypermarkets account for a further 17.8% of the market.

Table 2: China wine market distribution: % share, by volume, 2009(e)

Channel	% Share
On-trade	66.9%
Supermarkets & hypermarkets	17.8%
Specialist retailers	15.0%
Others	0.30%
Total	100%

Source: Datamonitor

5. Sales volumes by price segments in the off-trade⁷

French wine is present along the entire spectrum of prices and dominates the "iconic" wines (>CNY 400) with over 70% of the market share. However, French wines also have a strong presence at the low-end price segment and, since 2009, larger volumes of low priced AOC Bordeaux wines have been exported to China diluting the overall average price of French wines. As a result, the French product offering is widening to span both the extreme low-end and elite Chateaux.

⁵ Datamonitor, China-Wine

⁶ IWSR & Rabobank, *The Chinese grape wine market, an analysis report commissioned by the Grape and Wine Research and Development Corporation*

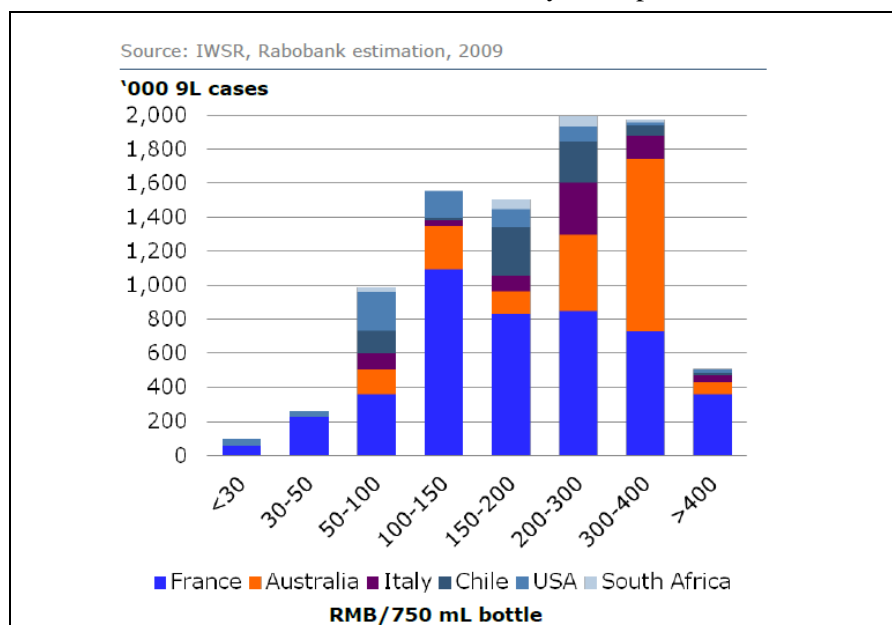
⁷ Ibid

Australia has been striving to change its image from being a maker of good, but relatively cheap wine to one with a diverse range of higher end styles.

Italian and Chilean wines are in direct competition at the core price segment with Australian wines, especially in the mid to high-end (CNY 150-300) price range.

US wine price points are on average lower than Australian wine, with the majority being entry-level and mid range (CNY 50-150).

Chart 1: Sales volume of different countries by retail prices



5. Breakdown of imported wine price segments in China by volume in both on-trade and off-trade⁸

Chinese wine dominates the low-end wine, priced between less than CNY 30 and CNY 50.

Chilean and South African wines focus on the mid-range (CNY 150-300).

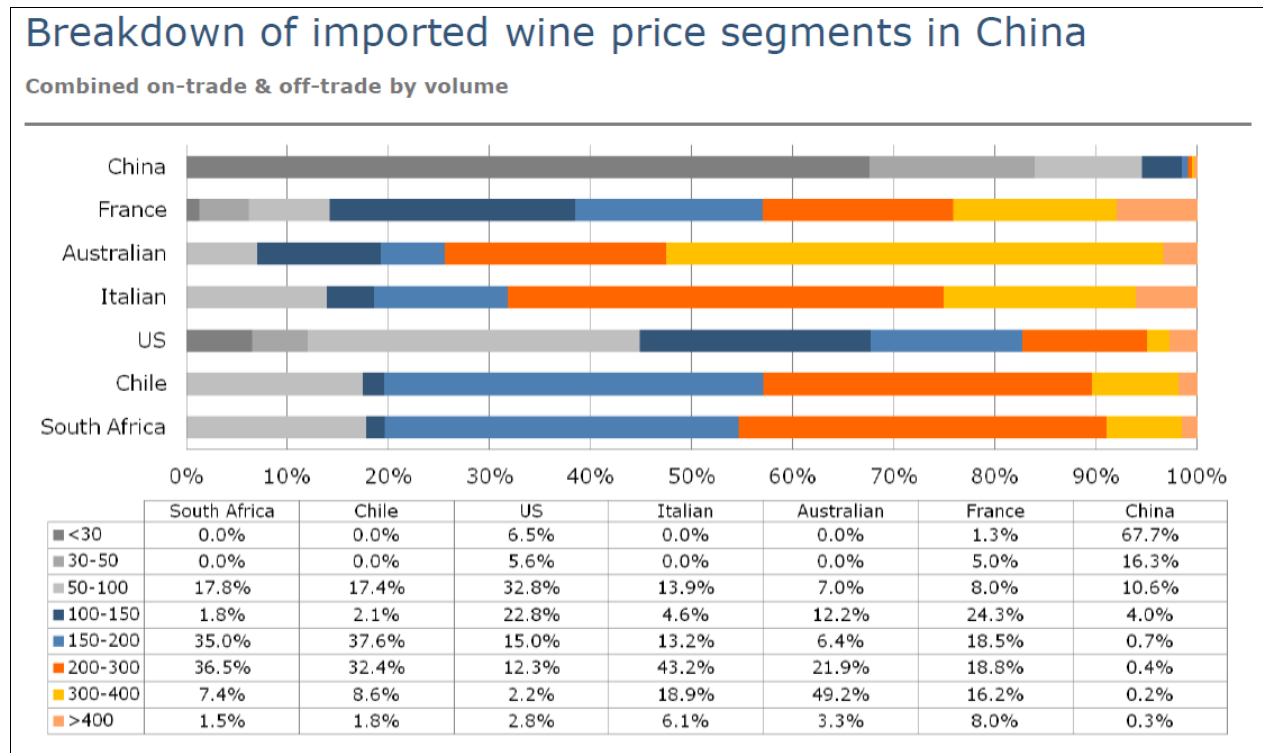
French wine is available across all price ranges between CNY 30 and more than CNY 400.

US wine is also present at all price ranges, with majority wines in the low to mid-end range (CNY 50-150).

The majority of Australian and Italian wines are in the mid to high-end (CNY 200-400) price range; close to half of Australian wines are in the CNY 300-400 range while nearly half of Italian wines are in the CNY 200-300 range.

⁸ IWSR & Rabobank, *The Chinese grape wine market, an analysis report commissioned by the Grape and Wine Research and Development Corporation*

Chart 2: Breakdown of imported wine price segments by volume in China



6. Chinese wine consumer profile

The China market is a combination of many markets divided by region, income level and knowledge about wine.

In terms of wine knowledge, the mainstream Chinese wine drinkers can be characterised into the following three profiles:

Profile 1: Affluent Chinese aged from their mid-twenties to mid-thirties with limited knowledge about wine; drinking imported wine as a way to show their taste; attracted by marked up wines from easily recognisable French regions like Bordeaux and Burgundy.

Profile 2: More savvy wine drinkers mostly in tier 1 cities such as Beijing and Shanghai with more exposure to wine classes, wine appreciation events and restaurant wine promotions.

Profile 3: People who have studied or worked overseas with extensive knowledge about wine; select hard-to-find vintage wines for private collection or to entertain wine savvy house guests.

Selling to China for EU SMEs

1. Company establishment

To operate in the area of import and distribution of wine in China a trading company has to be established. Like in other sectors the principal forms of business open to foreign investors in China are wholly foreign owned enterprises (WFOE), or Joint Ventures (JV) in case a Chinese partner is involved.

It is possible in China to purchase an existing company. However, acquisition of an existing company in China is a relatively time consuming and costly procedure which is subject to the strict administration of the Chinese authorities and not comparable with the purchase of a “ready-made” company in other countries or areas like Hong Kong.

2. Import and distribution of wine

No special licence is needed for importing wine from the EU. If a company intends to manage customs clearance itself, its Chinese subsidiary needs to be registered as a Foreign Trade Operator after establishment, otherwise an import agent must always be engaged.

The food and beverage industry is subject to the strict administration of the Chinese food safety law and other relevant regulations. Foreign investors engaging in distribution of food and beverages have to apply for the food distribution permit at the local Administration of Industry and Commerce (AIC).

Furthermore, all companies distributing wine in China must file with the local commercial authorities.

To sell wine directly to customers, “retail” must be included in the business scope of the Chinese entity’s licence. To apply for the licence, the lease of a physical shop will need to be provided.

Selling online

Regarding online selling, distribution via a third party platform like Taobao Mall or Alibaba could be a feasible approach for EU SMEs. Setting up an online shop through stand-alone websites in China however is one of the restricted sectors for foreign investors in China. For further information, please refer to a comprehensive guide on online selling in China to be published by the EU SME Centre later this year.

3. Labelling of wine

The CIQ (China Entry-Exit Inspection and Quarantine Bureau) categorises wine in production batches, each requiring separate labelling. Wine from a different harvest will be viewed as a different production batch, regardless of how similar the labelling is. For more information on labelling you can refer to the report on the EU SME Centre’s website at:

<http://www.eusmecentre.org.cn/content/labelling>

4. Dealing with customs

Customs processes, particularly regarding labelling, have been challenging for many beverage importers recently. General advice for faster customs clearance is given below:

- Use importers that are familiar with the customs authorities for the port that you will be shipping through;

- Once you have been successful in getting your goods through one port, stick to this port for the rest of your shipments;
- Send over a small batch first to a port for inspection and retain all relevant documentation of the shipment before sending over your first shipment. Once the first batch has passed through, getting your goods via the same port (as long as the labelling is the same) should be easier.

Delivery of wine samples

- Wine samples can be delivered through any freight forwarder and even express services such as DHL and TNT. It is advisable to use a freight forwarder that has experience with China and that has updated knowledge of the customs procedure as these change frequently. Usually the receiving agent/distributor also plays an active role in clarifying questions with customs and the quality inspection authorities. This extra level of support ensures that issues can be dealt with quickly and efficiently.

This being said, the EU SME Centre is receiving many reports of lengthy customs procedures, particularly for first-time shipments, where food and wine imports are delayed.

5. Import duties and consumption tax

Article description		Chinese code	HS	Customs tariff	VAT	Consumption tax
Wine (Wine made from fresh grapes, including fortified wines)	Sparkling wine	2204 1000		14%	17%	10%
	In containers holding 2L or less	2204 2100		14%	17%	10%
	Other	2204 2900		20%	17%	10%
Vermouth and other wine made from fresh grapes flavoured with plants or aromatic substances	In containers holding 2L or less	2204 2100		14%	17%	10%
	Other	2204 2900		20%	17%	10%

*Wines from New Zealand, Chile and Peru are exempt from customs tariff due to their free trade agreement with China.

6. Contacts of leading wine importers and distributors

Below is a list of wine distributors operating in China. The first three distributors (ASC, Summergate and Aussino) have particularly strong buying power and so it will be challenging to get into their portfolio. There are also secondary distributors which will be easier to approach, but they will not be as strong in terms of distribution channels.

*Please note that the below mentioned serve only as an example starting point for your research. None of the companies mentioned in this report have been validated in anyway and so all appropriate due diligence should be carried out before engaging with them on a business level.

A. Major wine distributors in China

ASC Fine Wines Beijing

7th floor, Block D, The Place

No. 9 Guanghua Road, Chaoyang District, Beijing

Tel: +86 10 6587 3808

Fax: +86 10 6587 3809

<http://www.asc-wines.com/contactus>

Aussino Beijing

Room1106, 11F, 1 Tower, Kunsha Centre Building

No. 16 Xinyuanli Road, Chaoyang District, Beijing

Tel: +86 10 6461 2072

Fax: +86 10 6461 2075

Email: bj@aussino.net

http://www.aussino.net/aboutus_en/ContactUs.asp

Summergate

Suite 802, 8th Floor Pacific Century Plaza

2A Gongti North Road, Chaoyang District, Beijing

Tel: +86 10 6562 1800 x 136

HK Tel: +852 2545 4100 (Michael Kirsten, Portfolio Manager)

<http://www.summergate.com>

B. Secondary distributors

FWP

Room 802, Unit 5, Haiyuncang, Dongcheng District, Beijing

Tel: +86 10 8407 5067

Fax: +86 10 8407 2004

<http://www.fwp-wines.com/yingwen/gongsijianjie.asp>

MPC

Store: 20 Xidawang Lu, Store 9, Beijing

Office: Room 523, Building 98, 20 Xidawang Road, Beijing

Show Room: Bogong Tower B, 3 Chaoyangmenwai Street, Beijing

Tel: + 86 10 6773 4688 / 6773 9462

Email: mpc@mpc2008.com

http://www.winespain58.com/contact_en.asp

Jointek

A7 Sanlitun Road, Chaoyang District, Beijing

Tel: +86 10 6463 5366

Fax: +86 10 6460 7009

<http://www.jointekfinewines.com/english/newsinfo.asp?Newid=94>

Jebsen & Co. (China) Ltd.

10/F, Tower 2, Henderson Centre, 18 Jianguomennei Avenue, Beijing

Tel: +86 10 8519 8688

Fax: +86 10 8519 8699

<http://www.jebsen.com/>

DT ASIA - BALLANDE GROUP

International Wine Producer & Shipper

Room 210, Dong Yi Building, No.88 Chang Shu Road, Shanghai

Tel: +86 21 6249 4300

<http://www.dtasia-wines.com>

7. Channels for advertising and promoting wines and spirits

Promotional channels include trade fairs, wine tasting events, bar/club/restaurant promotion, lifestyle wine magazine advertising, online search engines, blogs, e-commerce sites and social network media advertising.

The food and wine magazines and trade fairs below may serve as a good starting point to develop an overall market strategy:

Food and wine magazines

New Western Cuisine magazine

<http://www.chinaxinxican.com/cn/about.html>

Food & Wine magazine

<http://www.best50.cn/wine/index.aspx>

Online wine information and e-commerce portal

<http://www.wine9.com/>

Betty's Kitchen (food and cooking magazine)

<http://www.beitaichufang.com/>

Trade Fairs

International Food & Beverage Fair

<http://www.gite-expo.com/FOOD11/Home/lang-eng/Information.aspx>

<http://www.bvents.com/event/402252-international-food-beverage-fair>

Venue: Poly World Trade Expo Centre, Guangzhou, Guangdong, China

Date: 02-SEP-11 to 05-SEP-11

The Fair aims to promote the food and beverage industry and associated businesses. This exhibition will be attended by a number of representatives and executives of hotels, restaurants, bars & clubs, franchised stores and others.

China International Wine Exhibition and Guangzhou Wine Festival

http://www.gzspz.com/en/chanzhan_detal.php?cpid=17

http://expopromoter.com/events/130464/china_international_wine_exhibition_and_guangzhou_wine_festival_2011/

Venue: Guangzhou Jinhua Exhibition Centre, Guangzhou, Guangdong, China

Date: 21-SEP-11 to 23-SEP-11

China (Guangzhou) International Wine Exhibition is one of the leading trade fair in south China, with high proportion of visitors from the Pearl River Delta, Hong Kong, Macau, Taiwan, and other ASEAN countries.

Interwine China 2011

<http://www.interwine.org/English/>

Venue: Poly International Plaza Exhibition Centre, Guangzhou, Guangdong, China

Date: 08-NOV-11 to 10-NOV-11

A large scale trade show in Guangzhou, South China, dedicated to the wine and spirits industry. Visitors to the show include wine and spirits importers, distributors, wholesalers and retailers, along with large-scale buyers including hotels, airlines and restaurants.

FHC China

<http://www.fhcchina.com/en/index.asp>

http://expopromoter.com/events/103169/fhc_china_2011/

Venue: Shanghai New International Expo Centre (SNIEC), Shanghai, China

Date: 16-NOV-11 to 18-NOV-11

International Exhibition of Food, Drink, Hospitality, Foodservice, Bakery & Retail Industries.

Shanghai International Wine & Spirits Fair (SIWSF)

<http://www.wineshanghai.com/>

http://expopromoter.com/events/110416/siwsf_2011/

Venue: Shanghai International Convention Centre, Shanghai, China

Date: 29-NOV-11 to 1-DEC-11

More than 500 suppliers from overseas will attend this exhibition for imported wine procurement. This is a cooperation platform for foreign wine and spirits companies to enter into the China market.

Guangzhou China International Food and Beverage Exhibition

<http://www.fxzlh.com/Index.asp/>

<http://www.biztradeshows.com/trade-events/guangzhou-foodbeverage-exhibition.html>

Venue: China Import & Export Fair Pazhou Complex, Guangzhou, Guangdong, China

Date: 08-DEC-11 to 10-DEC-11

The Guangzhou International Hotel Equipment and Supplies Exhibition has a history of 17 years. The Food and Beverage area will cover 20,000 square meters this year. Ten thousands hospitality buyers and dealers from all over China and overseas will be invited to visit the expo.

SIAL China

<http://www.sialchina.com/>

http://expopromoter.com/events/130651/sial_china_2012/

Venue: Shanghai New International Expo Centre (SNIEC), Shanghai, China

Date: 09-MAY-12 to 11-MAY-12

For 3 days, SIAL China will attract large number of professionals from food & beverage sector worldwide. More than 1500+ exhibitors from 50 countries will showcase their items, attracting over 29,000 visitors from the world.

Top Wine China 2012

<http://www.topwinechina.com/>

Venue: China National Convention Centre, Beijing, China

Date: 04-JUN-12 to 06-JUN-12

An international wine event in Beijing, participated by small to large producers, displaying wide range of wine products from new to renowned wines.

Further reading***EU SME Centre Knowledge Centre***

Sector report: The F&B market in China

<http://www.eusmecentre.org.cn/content/food-and-beverages-sector-report>

Guideline: Food and beverages technical and labelling requirements

<http://www.eusmecentre.org.cn/content/food-and-beverages-technical-requirements-and-labelling>

Case Study: CS Wines – Importing wine in China

<http://www.eusmecentre.org.cn/content/cs-wines-%E2%80%93-importing-wine-china>

Case Study: Taste Spain – setting up shop in the food (wine) industry

<http://www.eusmecentre.org.cn/content/taste-spain-%E2%80%93-setting-shop-food-industry>

Guideline for sales contracts when exporting to China

<http://www.eusmecentre.org.cn/content/guideline-sales-contracts-when-exporting-china-0>***Wine Reports from ICEX (in Spanish)***

Publications by ICEX (Spanish Institute for Foreign Trade) about wine market in China, F&B imports, and information on relevant exhibitions and trade fairs.

El mercado del vino en Chinahttp://www.oficinascomerciales.es/icex/cda/controller/pageOfecomes/0,5310,5280449_5282923_5287111_4284027_CN,00.html

This is a sector report on the wine market in China, covering supply, demand, pricing, distribution, the perception of Spanish products and the conditions for market access. The annexes include exhibitions, publications, associations, useful addresses and data on income per capita in this country and its exports by item and by country. It also includes information on events and regulations of the Ministry of Health.

TOP WINE 2010http://www.oficinascomerciales.es/icex/cda/controller/pageOfecomes/0,5310,5280449_5282923_5287111_4409107_CN,00.html

Report on the Top Wine Fair 2010 (specialising in wines and spirits) held in Beijing from 1 to June 3, 2010.

Analysis reports commissioned by the Grape and Wine Research and Development Corporation*The Chinese grape wine market Developments, challenges and opportunities for Australian wine in the world's fastest growing wine market*http://www.gwrdc.com.au/webdata/resources/files/Project_Tannin_Final_Report_-_Rabobank_29_October_2010.pdfhttp://www.gwrdc.com.au/webdata/resources/files/Project_Tannin_-_Final_Appendices_1-8_-_Rabobank_September_2010.pdf

News scan (accessed on 26 July, 2011)

Chinese wine drinkers - young and gullible but with expensive tastes

<http://topics.scmp.com/news/china-business-watch/article/Chinese-wine-drinkers---young-and-gullible-but-with-expensive-tastes>

Thirst for class

http://www.chinadaily.com.cn/cndy/2011-03/02/content_12099002.htm

The Toast of China

<http://www.foodandwine.com/articles/the-toast-of-china>

Wine in China

<http://factsanddetails.com/china.php?itemid=142&catid=11&subcatid=73>

A flowing river of wine from abroad

http://www.chinadaily.com.cn/usa/epaper/2010-11/04/content_11502683.htm

China growing a powerful thirst for wine drinking

http://www.chinadaily.com.cn/metro/2011-01/19/content_11878691.htm

Hot money branches out into new fields

<http://cnbusinessnews.com/hot-money-branches-out-into-new-fields/>

Time for a toast: Richard Brierley of Vanquish on China's thirst for luxury alcohol

<http://www.beingfunchina.com/article/69770/time-for-a-toast-richard-brierley-of-vanquish-on-china-s-thirst-for-luxury-alcohol>

China on track to be No 6 in global wine consumption

<http://www.retailinasia.com/article/sectors/food-beverage/2011/03/china-track-be-no-6-global-wine-consumption>

Fake wine stuns nation

<http://china.globaltimes.cn/society/2010-12/604367.html>

Imported wine in face of trouble in China market despite of fast growth

http://www.beverageworld.com/index.php?option=com_content&view=article&id=38359&catid=3&Itemid=173

China Not a One Billion Market

<http://www.excelenciasgourmet.com/en/noticia/china-not-one-billion-market>



Contact the Centre at:

Room 910, Sunflower Tower
37 Maizidian West Street
Chaoyang District
Beijing, 100125

T: +86 10 8527 5300
F: +86 10 8527 5093

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The EU SME Centre assists European SMEs to export to China by providing a comprehensive range of free, hands-on support services including the provision of information, confidential advice, networking events and training. The Centre also acts as a platform facilitating coordination amongst Member State and European public and private sector service providers to SMEs.

The Centre's range of free services cover:

- Business Development – provision of market information, business and marketing advice
- Legal – legal information, 'ask the expert' initial consultations and practical manuals
- Standards – standards and conformity requirements when exporting to China
- HR and Training – industry and horizontal training programmes
- Access to a service providers directory and information databases
- Hot-desking – free, temporary office space in the EU SME Centre to explore local business opportunities
- Any other practical support services to EU SMEs wishing to export to or invest in China.

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