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China Beer Market

Report Categories:

Beverages

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Report Highlights:

China's beer industry is the largest in the world by production volume. In 2009, China's beer production increased by 4.9 percent to 43 billion liters, up five percent from 41 billion liters in previous year. Based on available trade figures, annual per capita beer consumption is estimated at around 36.5kg per year. This is less than half levels found in rich countries. Despite steady market growth, imported beer volumes are still a very small share of the market. At a little over 28 million liters in 2008, they supply less than one percent of consumption. However, there is tremendous opportunity for growth for U.S. exporters who can position their products effectively.

General Information:

Production

According to Chinese statistics and industry sources, local beer production reached 43 billion liters in 2009, up five percent from 41 billion liters in 2008. These five percent increases over the last two years marked a significant slowdown from an average 10 percent growth in the preceding three years. The sluggish production increases in 2008 and 2009 were attributed to the economic slowdown, the Sichuan earthquake and severe winter weather conditions. Although full official data are not available yet for 2009 on production, export and imports, local sources confirm the market has been very strong. This has been particularly good for American craft beer sales, which are expected to double in 2010.

Table 1: China's Beer Production, Imports and Exports

Million Liters	2004	2005	2006	2007	2008
Production	29,100.5	30,620	35,151.5	38,905.7	41,030.9
Apparent Consumption	28,986.1	30,494.2	34,995.3	38,721.9	40,817.4
Exports	141.3	147	177.5	205.7	241.6
Imports	26.8	21.1	21.3	21.8	28.1

Source: Global Trade Information Service (GTIS)

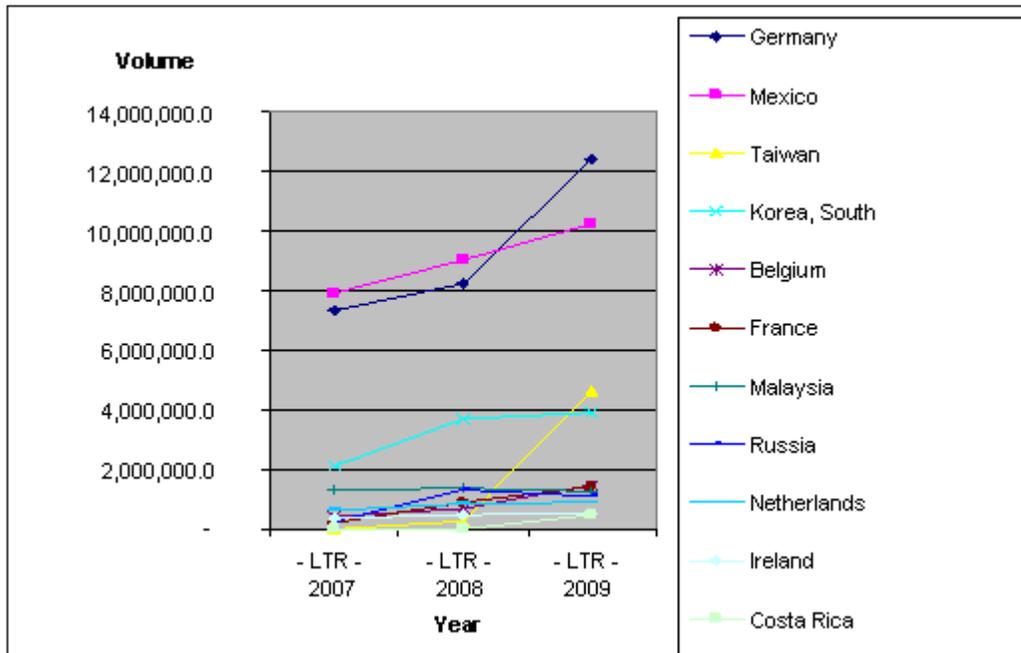
Note: Full production data for 2009 are not available

Exports & Imports

According to the World Trade Atlas, China continues to be a net exporter of beer. In 2008, it exported 242 million liters of beer, or about 0.5 percent of production.

At the same time, China's beer imports increased 29 percent in 2008 and by 44 percent in 2009, with Germany topping the list.

Chart 1: China's Beer Imports, 2007-2009



In 2009, China imported 74,333 liters of beer from the United States, ranking it only 18th in terms of volume.

Table 2: China's Beer Imports, by Volume, 2007-2009

Rank	Country	2007 - LTR -	2008 - LTR -	2009 - LTR -	% Change -09/08-
0	--World--	21,828,148.0	28,132,881.0	40,501,332.0	44.0
1	Germany	7,325,490.0	8,238,110.0	12,414,016.0	50.7
2	Mexico	7,924,683.0	9,012,035.0	10,235,487.0	13.6
3	Taiwan	1,783.0	255,511.0	4,639,305.0	1,715.7
4	Korea, South	2,112,223.0	3,678,992.0	3,913,456.0	6.4
5	Belgium	433,535.0	680,667.0	1,484,690.0	118.1
6	France	191,465.0	875,230.0	1,412,790.0	61.4
7	Malaysia	1,303,114.0	1,352,099.0	1,269,969.0	-6.1
8	Russia	282,684.0	1,341,810.0	1,132,262.0	-15.6
9	Netherlands	632,584.0	840,707.0	890,100.0	5.9
10	Ireland		499,448.0		

		390,240.0		515,917.0	3.3
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Source: *World Trade Atlas*

Consumption

Beer is the best selling alcohol product in China. According to China's statistical yearbook, average Chinese per capita beer consumption in 2008 is 5.25kg, with liquor at 2.15kg, and fruit wine at 0.22kg. These numbers are calculated using a combination of factors such as alcohol content. Using international standards and trade/production data, per capita beer consumption is around 36.5 kg. This number is less than half that is rich countries and lags behind Japan (51.3 kg) and South Korea (38.5 kg).

Across all Chinese regions, beer is generally considered as a light, affordable summer alcohol drink and is considered a good accompaniment to light Chinese food. It is also a favored complement to snacks during social gatherings with friends and family all year round.

For domestic beer, statistics indicates retail accounts 68 percent of total volume sales in 2008 and 2009. Sales through the foodservice sector are growing, with strong development of bar and restaurant channels.

Imported beer used to be available only in hotels and upscale beer-themed bars, marked with high price that is usually 10 times higher than domestic beer, but is now increasingly seen in supermarkets, especially upscale chains such as Jusco or BHG. Most of the upscale supermarkets have a steady expat clientele or Chinese with an overseas study or work background that seeks trendy international food and beverage products.

One of the major American craft beer distributor claims that Chinese are surprisingly willing to try new products. Out of the 29 imported beer products his company carries, 14 of them are American craft beers. The best selling item is Rogue Dead Guy which is known for its distinctive taste, unique name, attractive logo and convenient packaging. Also, distributors claim sales have increased over 100 percent over the past three years, are expected to increase at or beyond 50 percent yearly in the next three years.



Rogue Dead Guy sold in supermarket



Inside view of Tsingtao Brew Pub in Solana, Beijing

Competition

China's domestic competition is strong, with over 95 percent of Chinese preferring domestic beer for most occasions. The sector is also very concentrated with large domestic beer manufacturers dominating beer sales in China – the top six domestic manufacturers account for 52.6 percent of total beer volume sales. Increasing acquisition and improved distribution channels continue to increase industry concentration.

Table 3: Top Six Beer Domestic Companies:

Rank	Company
1	China Resources Enterprise Co., Ltd with production capacity of around 10 billion liters.
2	Tsingtao Brewery Co., Ltd
3	Beijing Yanjing Brewing Corp
4	Harbin Brewery Group Co., Ltd
5	Henan Jinxing Brewery Group
6	Guangzhou Zhujiang Brewery Co. Ltd

International competition is also formidable in China, with Germany and Mexico together occupying nearly 56 percent of China's total beer imports. With the United States only ranking number 18 on the list, U.S. products only account for less than one percent of all imports. This small market share for imports in general and U.S. beer in particular highlight the need for industry to do more to increase its market share in China. As a niche product targeting a certain group of consumers, American craft beer exporters need to carefully select its marketing activities to better gain market share.

Table 4: SWOT Analysis for American Beers / Craft Beers:

<p>S</p> <ul style="list-style-type: none"> • New to Chinese consumers • Attractive labeling • Distinctive taste, unlike the traditional brands • More choices • Convenient packaging at ½ dozen or loose, perfect for party or karaoke consumption 	<p>W</p> <ul style="list-style-type: none"> • Price relatively high • Short shelf life • Glass bottles are not easy to transport during distribution and for consumers
<p>O</p>	<p>T</p>

<ul style="list-style-type: none"> • Bar and restaurant growth allows more products to be selected • Expat community is well established and growing in China • Chinese consumers are willing to try different beers • Chinese RMB continues to increase against the US dollar • Niche market 	<ul style="list-style-type: none"> • International competition • Domestic competition • Government regulation and future tax increases
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Suggested Market Entry Techniques

To access the China beer market, distributors recommend some of these promotion tools:

- Simple promotional items in popular expat locations
- Developing relationships with key F&B managers and bartenders.
- Hire sales staff in bars and restaurants to push sales, and to introduce new or premium imported American Craft Beer and Ale to Chinese consumers.
- Continued education to the targeted group

Opportunities for U.S. Beer

Gradual removal of market barriers and trade restrictions creating increased competition among domestic and foreign operators. Those all create favorable market environment for international beer products. Looking ahead, China's huge population, coupled with the market's immaturity, continuing growth, openness to new products, and small market share for imports all make China a potentially lucrative market for U.S. firms that can position their product between formidable competitors.

There are no official micro brewers in China. Please refer to China Food Industry Association's Beer Chapter. The official website is <http://www.haicent.com/>

Post Contacts and Further Information

For further information about the China market, please visit our website at www.usdachina.org or contact any of the following USDA offices in China:

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