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Grass-root Efforts Enhance Awareness and Achieve Export Success for U.S. Wine

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Approved By:

Jorge Sanchez

Prepared By:

Jericho Li\Jorge Sanchez

Report Highlights:

Within only one year since its inception, the Pearl River Delta American Wine Import Association (PRDAWIA) launched by Foreign Agricultural Service's Agricultural Trade Office in Guangzhou with strong support from the U.S. Consul General have made remarkable achievements including expanding U.S. wine exports to China by 40 percent in 2010. The initial success is the result of joint efforts made by U.S. Consulate General team, the Agricultural Trade Office in Guangzhou as well as importers and distributors that form the PRDAWIA.

Continuous Efforts Generate Success

To better introduce American wine into South China, the U.S. Agricultural Trade Office (ATO) in Guangzhou has been working closely with the Pearl River Delta American Wine Import Association (PRDAWIA) since its October 25, 2010 of inception. The Association's chief objective was to create a linkage between wine producers and South China's trade would do this by participating in an unprecedented mostly FAS-funded export promotion campaign aggressively targeting South China's hotels, restaurants, and retail trade. The Association also reached out to consumers the Pearl River Delta through periodic participation in trade events, joint and group tastings, food and wine pairings, through the strategic use of new and traditional media tools. The Consulate team engaged local consumers on features of U.S. wine, U.S. wine culture and other educational information. The message to food service trade and connoisseurs was carefully crafted with the assistance of U.S. wineries and U.S. wine producer associations. Members of the PRDAWIA, mainly importers and distributors, have strengthened sales confidence of joint generic U.S. wine promotions and these have translated into higher sales of U.S. wines in general, however, sales for higher end U.S. wines have also grown dramatically in South China compared to 2009. The PRDAWIA can also take credit for the growth in the variety of labels and brands in the China market, and the development of solid distribution networks throughout China that has raised awareness of U.S. wine and has stimulated consumer interest and demand.



Official PRDAWIA media roundtable with former Ambassador Huntsman

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Demand for U.S. wine has been steadily growing over the past five years, with double digit increases on a yearly basis. According to *World Trade Atlas* figures, biannual volume for U.S. wine exports to South China in 2011 reached \$8.3 million, which covers 1/3 of the total value of U.S. wine export to China in the first six months (\$25.4 million), and is twice as much as the 2008. A wider variety of U.S. wine is now on the market and U.S. wine is effectively known by many more in the trade as the "value wine" meaning that consumers are satisfied with the consistent high quality and economic value of most U.S. wine they purchase.

Recap of Joint American Wine Promotions

Success did not happen overnight. The explosion in U.S. wine sales in South China are a direct result of close cooperation between ATO Guangzhou, the U.S. Consulate General team, the South China American Chamber of Commerce, the China Hotel-Marriot and the individual efforts of every member of the PRDAWIA. Additionally, our collaboration with U.S. producer associations such as the California Wine Institute, Washington Wine Commission, and Oregon Wine Board have allowed our

trade networks to plan strategically and consider the South China market which had been previously overlooked as a target market.

- **October 25, 2010**, ATO/GZ hosted a U.S. wine tasting at the residence of Consul General Brian Goldbeck. The tasting attracted nearly 40 local leading media and wine traders as the PRDAWIA was officially launched. 11 U.S. wine brands were carefully selected to pair with home style Chinese dishes. The tasting generated profuse positive media responses and excitement amongst the trade. A rather sharp increase in sales of U.S. wine quickly followed in anticipation of the 2010 Chinese Lunar New Year.
- **December 7, 8, & 15, 2010**, With the assistance from the FAS Emerging Market Program, ATO/GZ funded the first ever American Wine Festival in South China's first tier cities of Guangzhou and Shenzhen. The series of generic U.S. wine promotions included two media and trade-oriented wine tastings and a food pairing with assistance from Wine Magazine, a well-known wine media outlet with the highest circulation in China. Thanks to ATO Guangzhou, the first 11 members of the PRDAWIA, all California wine importers/distributors, presented their wines and delivered detailed presentations to captive audiences of over 150 in size representing the local trade, media reporters, and hotel/restaurant representatives. Members of the PRDAWIA were impressed by this first-of-the-kind governmental support in South China and massive exposure American wine received through ATO efforts. After this event, every winery that participated in all three events reported sales and partnerships for sub-distribution.
- **January 12, 2011**, the PRDAWIA Board of Directors meeting was assembled to develop a strategy that would guide the group through promotion in the trade, media, and food service sectors. The Association received strong guidance from Consul General Brian Goldbeck and the Public Affairs Section, General Manager of the China Hotel, A Marriott Hotel, and President of the South China American Chamber of Commerce (AmCham) to assist members to enhance awareness on American wine and develop a perennial sales base in South China. Through ATO/GZ's continuous efforts and persuasion, China Hotel opened the "California Swirl" wine cellar in the hotel lobby exclusively retailing California wine. The hotel Food and Beverage Manager also expressed interest of expanding wine from members of the Association to the Cellar. Up till now, labels from Guglielmo Winery, Area 16 (China) Company, and Summergate Fine Wines have been added to the Cellar's portfolio. California Swirl now features wines from Washington and Oregon states and is an important landmark for the U.S. wine industry in South China representing the U.S. Consulate's efforts and influence with the local food service industry.
- **January 24, 2011**, Shenzhen Hidden Valley Cellars (HVC), member of the PRDAWIA sponsored a 200-attendee American Chamber of Commerce South China's (AmCham) reception with California wine from Mont St. John Cellars, Fry's Vineyard, and Watching Eagle, Chevalier Cellars. Beforehand, HVC also participated in the American Wine Festival. After continuous marketing and media exposure support received by U.S. Consulate's Public Affairs Section and ATO Guangzhou, demand for HVC wines strengthened and snowballed into the importation of \$500,000 worth of California wine during the first quarter of 2011, which is already more than the total value of their wine imports in 2010. In March, HVC also successfully added Marilyn wines from Napa Valley to their import portfolio as the winery representatives were impressed by South China's sales performance in 2010 and strong consumer demand for California wine. The first two containers worth \$400,000 were shipped to Shenzhen port in early 2011. Since then, HVC began its strategic promotion for this iconic California wine in several markets in China. Later, other Association members, including Guangzhou Coastal Wine Company, Oriental Pearl (H.K.) Limited, Area 16

(China) Company, Guangzhou Zhengyuan Wine Company, also sponsored several of AmCham's receptions where their represented California wines were sampled by locally based American firms. These sponsorship opportunities would not have been granted were it not for the U.S. Consulate's coordination.

- **May 15~25, 2011**, ATO Guangzhou accompanied a self-funded buyers' mission of 12 Association members to visit California and Oregon wine regions. ATO staff travel was supported through EMP funding. PRDAWIA members seeking to expand their U.S. wine portfolios joined the delegation trusting ATO Guangzhou to introduce them to mid-range wineries. The first export success of the trade mission was reported by ATO Guangzhou in August 2011 with one of the delegates, Guangzhou Red Blue Trading Co., Ltd. finalizing a contract with Watts Winery from Lodi. The first two containers of California wine worth \$100,000 arrived at Guangzhou port on September 15 and were sold during the mid-autumn festival. Another six containers of wine with an estimated \$300,000 value are expected to arrive in Guangzhou in early November 2011. On September 22, ATO Guangzhou assisted another sale derived from the buyers' mission between Guangzhou Meiwei Wine Company and Stonehedge Winery of Napa Valley. ATO Guangzhou staff facilitated discussions between Stonehedge's President who made his first visit to Guangzhou and reached a sales agreement with Meiwei for 200 cases of blended red wine from the Napa Valley appellation worth over \$26,000 that will arrive in Guangzhou before December 2011. Another PRDAWIA member, 16 (Area) China Wine Co., Ltd is in the final stages of arranging a larger purchasing agreement with Stonehedge. After this trial order, two container loads of wine will be exported to Guangzhou in 2012. It is important to note that the Stonehedge President mentioned he has been making numerous business trips to Shanghai and Beijing for a number of years, but found the PRDAWIA members particularly highly professional and ready to make purchases. ATO Guangzhou takes full credit for thoroughly screening every member of the PRDAWIA and facilitating business meetings in the ATO office to provide an environment of confidence and trust for both the U.S. exporter and local importer. It is critical that both parties feel comfortable with each other during the initial stages of business, before a solid relationship is formed.
- **June 2~3, 2011**, The California Wine Institute started the 2011 "Discover California Wines" South China campaign and tour at China Hotel, A Marriott Hotel in Guangzhou and in the JW Marriott Hotel in Shenzhen. The events included a trade tasting, press roundtable discussion, and a consumer tasting. Approximately sixty wineries from California and their importers in China presented a wide variety of wines to the public. With assistance from the Public Affairs Section of the U.S. Consulate General Guangzhou, ATO Guangzhou invited over 17 of the strongest importers and distributors in the region to participate in the trade event, and over 20 local leading media outlets to the media roundtable, including a Guangzhou TV film crew, China News Service (with video), Sina (microblog), Wine Magazine, Wine & Spirits, Guangzhou Daily, Yangcheng Evening News, etc. Some of the wineries which had recently participated in ATO Guangzhou's wine buyers' mission also formed part of the CWI trade mission and had an opportunity to further discussions with the delegates present at the trade tasting event. One of the local American wine traders 16 (Area) China Wine Co., Ltd invited by ATO Guangzhou, visited Lodi and Livermore California and wineries including Cliff Lede Vineyard and Whitehall Lane Winery. The Association expects more collaboration with CWI in South China, where the market represents over a 1/3 of the total Chinese wine consumption.
- **June 26~28, 2011**, ATO Guangzhou and PRDAWIA organized nine member companies' participation at the Guangdong International Wine and Spirits Expo and form part of the U.S. Pavilion. Consul General Goldbeck attended the trade show and met with individual wineries to

encourage their marketing efforts. PRDAWIA members presented their wine to over 20,000 professional buyers nationwide. Exhibitors also included new members such as Fina Enterprises of Los Angeles and Guangzhou Silenus Wine Company. Most of the companies exhibiting at the show displayed their newly imported California wine to professional buyers, such as Silenus's OVZ brand from Lodi's Oakridge Winery, Fina Enterprises' American Eagle from Napa Valley, Oriental Pearl's Nine X Nine and Casa di Sui Reserve. The level of confidence in promoting U.S. wine in South China is palpable, with most U.S. wine importers/distributors flocking to the PRDAWIA website (www.usawine.org) and approaching the Association President and ATO Guangzhou about upcoming promotional opportunities in the region. At this trade show, traders of U.S. wine stole the show attracting large crowds of buyers and media outlets to U.S. exhibitor booths and U.S. wines also took away ten awards in the show's wine tasting competition. This would have been unconceivable a year ago before the launching of the PRDAWIA.

- **September 2, 2011**, with the U.S. Consulate and ATO Guangzhou coordination, five American members of the PRDAWIA (three California residents) met with the first and only Chinese American Congresswoman Judy Chu to discuss marketing obstacles and concerns in promoting U.S. wine in China. The meeting took place in Shenzhen and included members of the Congressional Asian Pacific American Caucus and included Congressman Michael Honda who also expressed an interest in linking California wineries with eager South China traders. Congressman Honda has been following up with PRDAWIA members (some of which are his own constituents) and requested the ATO alert him of future buyers' missions and marketing plan in support of U.S. wine in the future. Representative Chu, also a member of the Congressional Wine Caucus carefully listened to participants' reports and expressed her desire to support PRDAWIA's efforts. Representative Chu directed PRDAWIA President Cecilia Cai to deliver a report outlining the Association's success and requesting assistance with federal funding to strengthen ATO Guangzhou's efforts to continue developing U.S. wine distribution channels that would benefit future market entrants.

Roadmap to Success

A combination of promotional activities and educational training sessions geared toward the food service industry are vital to connect small and medium size U.S. wineries with Chinese importers/distributors which believe in the potential and quality of American wine. These activities broadly include U.S. wine country characteristics such as sessions on soil types, micro-climates, varietals and appellations that distinguish U.S. wine from our competitors. These activities depend heavily on market funds provided to ATO Guangzhou given U.S. producer associations have not demonstrated an interest in conducting these types of activities. A academic component and professional sommelier seminar would also provide an authoritative rendition of these topics. Some of the above mentioned marketing activities have been carried out EMP funds support. However, since there is specific designated budget or program supporting the promotion of U.S. wine and spirits.

Initial achievements in regional wine promotion funded by ATO Guangzhou and



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PRDAWIA within the past year have proven successful as these have yielded significant returns with limited funding. Post strongly advocates EMP funds be designated specifically for wine promotion as it is essential for ATO Guangzhou to continue educating Chinese importers/distributors as well as local consumers on U.S. wine.

Members of the PRDAWIA are requesting governmental support to promote generic wine promotions that would keep U.S. wine firmly rooted in the China market. The aim of ATO Guangzhou is to improve the overall image and awareness of U.S. wine and eventually increase its competitiveness and sales. The PRDAWIA interest is in developing stronger distribution channels that will allow them to attract greater partnership opportunities outside of the Pearl River Delta and specifically in 2nd and 3rd tier city markets in southwest and central China such as Nanning, Chengdu, Kunming, Changsha, and Chongqing to name a few.

*PRDAWIA members and local five-star hotels' Food & Beverage
Directors at the American Wine Festival*

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The American Wine Festival organized in December 2010 helped solidify a base market for U.S. wine. The activity included two wine tastings and one food pairing as well as media exposure through Wine Magazine (one of the most well-known wine related magazines in China with the highest monthly circulation nationwide). The activities were funded with support from EMP funds. The event along with Wine Magazine's endorsement considerably strengthened distributors' confidence in American wine and attracted a number of competitors wine distributors/importers to include U.S. wines labels in their portfolios. This first-of-the-kind wine tasting seminar and educational seminar delivered through media partnerships paid off generously for U.S. wine and PRDAWIA members were assembled to reap these benefits. Virtually every major wine retailer in the Pearl River Delta carry at a minimum two to three labels of U.S. wine now. Even 3rd tier city markets in the Pearl River Delta such as Dongguan, Jiangmen, and Zhongshan wine retailers are promoting U.S. wine thanks to the U.S. Consulate team's, ATO Guangzhou and the PRDAWIA's aggressive marketing campaign.

Major sales since the inception of the PRDAWIA

- Shenzhen Hidden Valley Cellars' total wine imports reached \$500,000 in the first quarter of 2011, which was twice as much as their import volume in 2009.
- Summergate Fine Wine and Spirits gained exclusive distribution of Black Stallion Wine to their portfolio, which is the highest end wine labels of the Delicato Family Vineyard in California.
- Guangzhou Meiwei Wine Company purchased three containers of TWODOG Wine (Napa Valley) during the first half of 2011 within only one year of the company's establishment since August 2010.
- Area 16 (China) Wine Co., Ltd. became the exclusive distributor of "Moss Roxx" and "3 girls" wine brands from Oakridge Winery in March and the company has imported two containers of wine worth of \$570,000 from Schug Carneros Estate Winery in August with ATO Guangzhou's assistance.

Putting South China on U.S. wineries' radar and U.S. wine on the map in South China

The efforts made by ATO Guangzhou and the PRDAWIA have raised the profile and impressions of U.S. wineries toward China and South China as well as local retailers and traders of what a motivated ATO is capable of achieving in only a year and with a limited budget. For many years, South China's wine market potential was untapped and overlooked by many in the U.S. wine industry until 2010/2011

sales began to draw their attention. The more widely known the PRDAWIA becomes, the more export opportunities for U.S. wine can be created. ATO Guangzhou utilizes the Association's website www.usawine.org to link American wine exporters to South China. From time to time, news and information of the PRDAWIA activities will be updated to the website so that members and browsers can keep up with the latest developments. This platform helps attract more distributors to join a unified promotion campaign for American wine, and exporters can also reach out to ATO Guangzhou for export guidance and business matchmaking opportunities. Moreover, many non-American exclusive wine distributors have also shown their interest in distributing U.S. wines and joining the Association. Our efforts increased the value of U.S. wine in China and stimulated trade and consumer interest and lifted the morale for traders carrying U.S. wine labels to increase marketing activities in all of China. This September, ATO Guangzhou also expended \$4,000 in FAS CSSF funds to design and print introductory brochures for future PRDAWIA promotions and circulation at local trade shows.

Strategic Market Penetration

While the PRDAWIA is about to celebrate its one year anniversary, it has a larger goal of making further success for American wine in South China, and gradually expanding its influence to other regions. Besides targeting top markets in the Pearl River Delta (Guangzhou and Shenzhen), ATO Guangzhou will keep close partnership with the PRDAWIA to penetrate the growing second tier city market as well as outside of Guangdong Province to areas where import and demand for U.S. wine is rising with efforts of individual trading companies. These cities include Fuzhou, Xiamen, and Changsha. Recently, the PRDAWIA participated in the first American wine display and consumer promotion in Changsha, Hunan Province. Another first for the Association, given China's inland consumers have never been exposed to generic U.S. wine promotions of this scale. U.S. wine culture and values were heavily emphasized by the participating wineries. There is great potential for U.S. wine in South China and ATO Guangzhou will continue providing marketing intelligence reports, market promotion support, and assistance to local traders and U.S. wineries who are serious about selling wine in China. The PRDAWIA confirms South China's 33-year role as trade hub setting consumer trend for U.S. food products be it for U.S. fresh fruit, tree nuts, dried fruit, organic products, soft and hard woods, feed ingredients, cotton, and now U.S. wine.

Contact Us

For more information about this report and the thriving U.S wine market in South China, or to learn more about ATO Guangzhou's activities, please contact us at:

U.S. Agricultural Trade Office
Guangzhou, China
Email: ATOGuangzhou@fas.usda.gov
TEL: (86-20) 8667-7553

FAX: (86-20) 8666-0703

Website: www.usawine.org