

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary  Public

**Date:** 2/12/2019

**GAIN Report Number:** GAIN0074

## China - Peoples Republic of

**Post:** Beijing ATO

### **International Coffee Producers Explore the China Market at New Exhibition**

**Report Categories:**

Promotion Opportunities

Trade Show Evaluation

Coffee

**Approved By:**

Mark Ford

**Prepared By:**

Christopher Bielecki

**Report Highlights:**

While tea remains the traditional drink of China, coffee continues to grow in popularity especially in urban areas and among younger professionals. To promote international coffee trade and coffee drinking culture in China, the Chinese government supported the *I Coffee Exposition* in Haikou, November 15-19, 2018. The *I Coffee Exposition* concentrated on coffee production, trade, and consumption, although the organizers may expand it to include a broader product representation of China's growing coffee culture. This exposition may be helpful to a range of U.S. food and beverage exporters in understanding how urban cafés and China's growing coffee drinking culture offers new opportunities in the retail and hotel, restaurant, and institutional (HRI) sectors.

## Coffee Consumption, Production, and U.S. Trade Trends

According to the International Coffee Organization, the European Union consumed 42.6 million bags of coffee, the United States 25.8 million, and Japan 7.9 million, while China consumed only 3.7 million bags in 2016-2017<sup>1</sup>. This translates to China drinking four to five cups of coffee per person, per year, compared to Japan with 360 cups, and 400 cups in the United States. In the past, coffee in China usually typically consisted of a premixed instant coffee, cream, and sugar beverage. While instant coffee still represents about 84 percent of consumption and freshly roasted coffee just 16 percent, freshly roasted coffee consumption is growing rapidly. It is quickly becoming an ubiquitous drink in urban areas, and especially among younger consumers.

Starbucks opened its first store in Beijing in 1999, and expanded to Shanghai and other first-tier cities soon after. In 2009, the company operated or licensed less than 500 stores. However, by 2018 they have expanded to 3,500 stores in 141 cities. By 2023, the company announced plans to operate 6,000 in 230 cities. Starbucks helped lead the development of China's coffee consumption popularity and culture, by investing heavily in centrally located stores in chic urban districts. It recently opened a 30,000-square-foot Reserve Roastery in Shanghai, meant to showcase coffee culture as much as it is a place to buy coffee. According to Euromonitor International, Starbucks controls nearly 60 percent of the coffee chain market share in China, followed by McDonalds and Costa Coffee. Luckin Coffee is a new coffee chain start-up that has now opened at least 2,000 stores and expects to have 4,500 total stores by the end of 2019. The company aims to challenge Starbucks' market dominance through lower priced beverages and smaller store footprints, while promoting delivery and mobile payments.

China's commercial coffee production is limited mainly to the two southern provinces of Yunnan and Hainan, while a smaller amount is produced in Fujian Province. After China's Reform and Opening policy of 1978, the Yunnan government embarked on a joint United Nation Development Program project with Nestle and the World Bank to lay the groundwork for the expansion of domestic coffee production. Today, Yunnan produce more than 60 percent of China's coffee, and in 2017, Starbucks began carrying packaged single origin Yunnan coffee across its Chinese stores. Since China has traditionally been a tea drinking nation, and it lacks much of the proper climate to produce high quality coffee, international consumers tend to not be familiar with China's capacity to produce higher quality single origin Arabica coffees. As the Chinese government turns its focus to more sustainable economic development, with an eye on stimulating rural economies and growing farmer incomes, government officials in Yunnan and Hainan have expressed a renewed interest in growing domestic production to meet domestic consumption and for export. For example, Yunnan's local government recently established the Tea and Coffee Industry Bureau, whose mission is to promote Yunnan's coffee to domestic and international markets.

In 2017, the United States exported 1,800 metric tons of roasted coffee and coffee products to China, worth over \$22 million, and accounting for three percent of imports. Of this, only 20 metric tons of were of green (unroasted) coffee. Vietnam tops the list accounting for 50 percent of coffee imports, followed by Indonesia with 43 percent, and Vietnam with 21 percent. In 2018, China implemented additional tariffs on a number of U.S. goods, including U.S. coffee. According to official customs information, the rates below (Table 1) should apply however exporters should confirm final duties with importers due to the low volume of trade.

---

<sup>1</sup> One bag is equal to 60 kg.

**Table 1. Chinese Import Duties on U.S. Coffee by HS Code**

HS Code	Product	Final Import Tax (%)	Unit
0901.1100	Coffee, not roasted, not decaffeinated	18	Kg
0901.1200	Coffee, not roasted, decaffeinated	18	Kg
0901.2100	Coffee, roasted, not decaffeinated	25	Kg
0901.2200	Coffee, roasted, decaffeinated	25	Kg

### **The I Coffee Exposition**

CMEC International Exhibition Co., Ltd., a Beijing based show organizer, organized the *I Coffee Exposition*, which received substantial local government support. Beside the trade show aspect, there was an industry conference, and other industry promotion events, such as a barista competition. This year's show included exhibitors from major coffee roasting and consumption countries, whereas the 2017 exposition only had exhibitors from major producing countries. The show had 300 exhibitors and over 42,000 visitors, which included around 7,000 professional industry visitors. Given Hainan's isolated geographical location, the organizers will need to improve on promoting this show to more industry attendees.

Most national pavilions had four to six participating exhibitors. African countries included Kenya, Rwanda, Tanzania, and Ethiopia. Ecuador participated for the second year. Mexico exhibited organic coffee, which gained a lot of attention by attendees. Brazil also had a national pavilion. Several major Asian producers hosted national pavilions, including Vietnam, Malaysia, Indonesia, and Thailand. These exporters of mostly Robusta varieties exhibited instant and ready to drink coffee beverages. The major national television channel, CCTV2, reported on the show. Other major media outlets, including China Business News, Sina.net, Netease.com, China Daily, China Financial Times, China Food, and Toutiao.com also reported on the exposition.

### **Recommendations**

In a matter of years, coffee drinking and the broader café culture has become popular in China, especially in larger cities and among younger professionals. China's café culture presents new opportunities to promote U.S. products typically sold in cafés, such as bakery ingredients, dried nuts, juices, fresh fruit, flavor extracts, and dairy products. For U.S. coffee and coffee products, we suggest U.S. exporters consider first walking the *I Coffee Exposition* before deciding if a booth is worth the investment. Green and roasted beans, instant coffee, and coffee equipment are a good fit to promote at the *I Coffee Exposition*, however since this show is still small, other products typically sold alongside coffee would probably not be worth promoting at this time.

Aside from the trade show aspect, the organizers may be amenable to inviting U.S. coffee producers, roasters, and café operators to speak at the conference. While coffee consumption continues to rise in China, there are surprisingly few venues to promote and discuss industry trends. These meetings, which run concurrent to the exhibition, provide an opportunity to meet industry key leaders and learn more about the China market.

For more information about the information contained this report, please contact:

**Agricultural Trade Office in Beijing**

U.S. Embassy in Beijing

Phone: (86-10) 8531-3950

Fax: (86-10) 8531-3050

[atobeijing@fas.usda.gov](mailto:atobeijing@fas.usda.gov)

This office covers Beijing and Tianjin; Hebei, Henan, Shanxi, Shaanxi, Qinghai, and Gansu Provinces; Xinjiang, Ningxia, and Inner Mongolia Autonomous Regions.