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GAIN Report

Global Agricultural Information Network

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The South China Wine Market

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Report Highlights:

With more than 64 urban populations over 1 million, increasing incomes, the highest GDPs in Mainland China, and a taste for imported wines, South China offers high potential for U.S. wine exporters willing to pursue long-term marketing strategies.

General Information:

Overview

The fast growing middle class and the youth (in particular the first generation of only-children reaching their early thirties) are quickly acquiring an interest in imported wine in South China's major cities. In 2009, \$26 million worth of U.S. wine entered South China ports accounting for 32 percent of total U.S. wine imports. South China's per capita wine consumption (1.3 liters per capita) is significantly above the national average (0.8 liter per capita), and has experienced consecutive year-on-year double digit growth for the past 5 years.

The main South China ports for imported wine include Guangzhou, Shenzhen, Zhuhai, and Xiamen, all of which have state-of-the-art climate and humidity controlled bonded wine warehouses.

<i>H.S. code:</i> 2204.2100
<i>Tariff:</i> 14 percent (bottled wines)
<i>Value added tax (VAT):</i> 17 percent
<i>Consumption tax:</i> 10 percent

The South China Market

Wine is associated with social status in both first tier markets and newly emerging cities in South China. Imported wines are mostly consumed in hotels and restaurants while retail accounts for about 20 percent of total imported bottle wine sales. South China consumers prefer red wine which dominates nearly 80 percent of wine consumption. Cabernet Sauvignon is the most popular wine variety and accounts for 40 percent of market share, while Riesling and sparkling wine are other popular varieties. Most consumers prefer a fruity taste, less tannins, and long-lasting flavors. Business banquets, family and friend gatherings, and gift giving are where imported wines are consumed the most in South China. South China consumers tend to choose wines based on the type of occasion, with higher budgeted wines for business banquets and gift giving.

Low-priced wines with retail values of \$3-9 (RMB20-60) per bottle are mainly domestically produced. Entry-level wines cost \$9-30 (RMB60-200) per bottle at the retail level. For premium wines, retail prices vary between \$30-60 (RMB200-400) per bottle. A few high-end domestically produced wines compete fiercely with imports on the entry-level and premium price levels. Ultra-premium and collection wines priced from \$60 (RMB400) per bottle to anywhere upwards are dominated by France. In supermarkets, the most popular wines sell for \$6-9 (RMB40-60) per bottle, while in wine shops and restaurants the most popular wines sell for \$15-45 (RMB100-300) per bottle. With a growing market, more overseas wineries are pursuing opportunities in South China.

Competition

Similar to other major markets in China, domestic wines comprise most of the share. International competition comes from France, Australia, Chile, Italy, Spain, Argentina, Germany, South Africa, and New Zealand. French, Australian, and Chilean producers have taken the lead in promoting their brands and varieties. French wine in particular has enjoyed consumer recognition in South China for many years, while others, such as Australian and Italian wines have grown in popularity in recent years. However, most consumers know little about American wine.

Distribution

Similar to other imported food and beverages, importers, distributors, and wholesalers are typically involved in supplying imported wines to the retail and HRI (hotel, restaurant, and institutional) sector. With the exception of large importers that have offices in major cities, there are also small players in South China. The leading distributors usually show no interest in taking on new labels unless they are a sure bet and

receive significant marketing support from the winery. Small traders are more open to carrying new labels, but typically have limited capacity and resources to cover the entire South China market region.

Encouraged by the strong demand for imported wines, several bonded wine warehouses with modern climate and humidity-controlled facilities have been constructed in major South China ports of Guangzhou, Shenzhen, and Zhuhai in anticipation of more imported wines entering the market. Many of these bonded wine warehouses are owned by importers who can provide one-stop services to cooperating wineries including customs clearance, logistics, temperature controlled warehousing, product display areas, as well as a distribution network. In addition to regular storage fees, wineries pay a commission based on actual sales or a pre-negotiated fee.

Since Hong Kong abolished tariffs on imported wines in June 2008, more specialty wines enter South China through grey channels, given their high prices. However, most wines enter through normal channels.

How to Market

Given the immature yet competitive market situation in South China, U.S. wineries need to be willing to pursue long-term development strategies. The selection of a suitable importer and distributor is key to establishing a foothold in South China. Traders in South China have come up with three main strategies for overseas wineries entering the market: quality, education (wine storage, tasting notes, and pairing suggestions), and active promotion through exhibitions, wine tasting events, and wine dinners. In addition, product image is an important component of successful marketing strategies. U.S. wineries should understand product packaging preferences of South China consumers and coordinate marketing efforts around major holidays and gift giving seasons.

Major wine importers regularly organize wine tasting events and dinners accompanied by fine wine selections. On occasion, international wine makers personally promote their products, however to date, American wine producers have maintained a low profile in South China. Wine traders in South China suggest that American themed promotions, set-meals paired with a certain wine as a promotional menu item, and winemaker dinners have proved to be effective promotional activities. To pair American wines with South China cuisine is also a good approach as South China cuisine enjoys a nationwide reputation.

Generally, new drinkers adhere to general rules – white wine with white meat and red wine with red meat. However, one wine specialist suggests some pairing tips such as Cantonese dim sum with Sauvignon Blanc, Riesling or Pinot Noir; for barbeque pork, Syrah would be a good match; and sparkling wine or Riesling can go well with steamed fish.

Additional Resources

The Pearl River Delta American Wine Import Association is a new organization that promises to be the most valuable resource linking U.S. wine to the Pearl River Delta. Launched by the United States Agricultural Trade Office (ATO) in Guangzhou, the Association has the ambitious, long-term goal of overtaking the competition through a re-envisioned, unified marketing campaign. This campaign will lead an unprecedented joint U.S. wine promotion geared toward South China's hotels, restaurants, institutional, and retail trade as well as reaching out to consumers through targeted media campaigns. It will encompass a series of promotions such as participation in trade events, tastings, pairings, and the strategic use of traditional and new media. For more information and to become a member please send an email to ATOGuangzhou@fas.usda.gov.