

Voluntary Report – Voluntary - Public Distribution

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Report Name: China Beer Market Overview

Country: China - People's Republic of

Post: Beijing ATO

Report Category: Beverages, FAIRS Subject Report

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Report Highlights:

China is a leading beer market in terms of both production and consumption. However, in recent years China's beer market has stagnated. Although U.S. beer accounts for a very small percentage of China's imported beers, exports to China enjoy a good reputation. As a still relatively new and niche product in China, craft beer has shown strong growth in recent years and sales are likely to grow rapidly going forward.

Background

In 2002, China overtook the United States to become the world's largest producer of beer. In 2020, around 34.1 billion liters of beer were brewed in China. The United States was the second leading producer of beer in that year, with 21.1 billion liters. Predominant domestic beer brands in China include Tsingtao, Harbin, Budweiser, Snow, and Yanjing.

China has also taken the lead in terms of beer consumption, and the import market remains relatively unsaturated with no clearly dominant beer-producing country. Craft beer is growing steadily in popularity and consumers are ready to try new brands, whether at beer festivals, beer bars, or at home. China beer sales remained stable from 2016 to 2020 at around 45 billion liters. In 2020, China's total volume of beer sold was 42.7 billion liters, representing a seven percent decline due to the COVID-19 pandemic. Although the COVID-19 pandemic impacted beer consumption, growth in e-commerce and livestreaming sales mitigated losses elsewhere and are proving to be highly useful marketing tools in this sector.

Consumption

In China, occasions for beer consumption are very diversified. The most common scenarios are stand-alone consumption, pairing with a meal or snack at home, in restaurants, and in bars. Although the COVID-19 pandemic impacted beer consumption at restaurants and bars as restaurants and brick-and-mortar stores closed, thanks to the wide availability of beer on most e-commerce platforms, consumers ordered more beer online and enjoyed it at home.

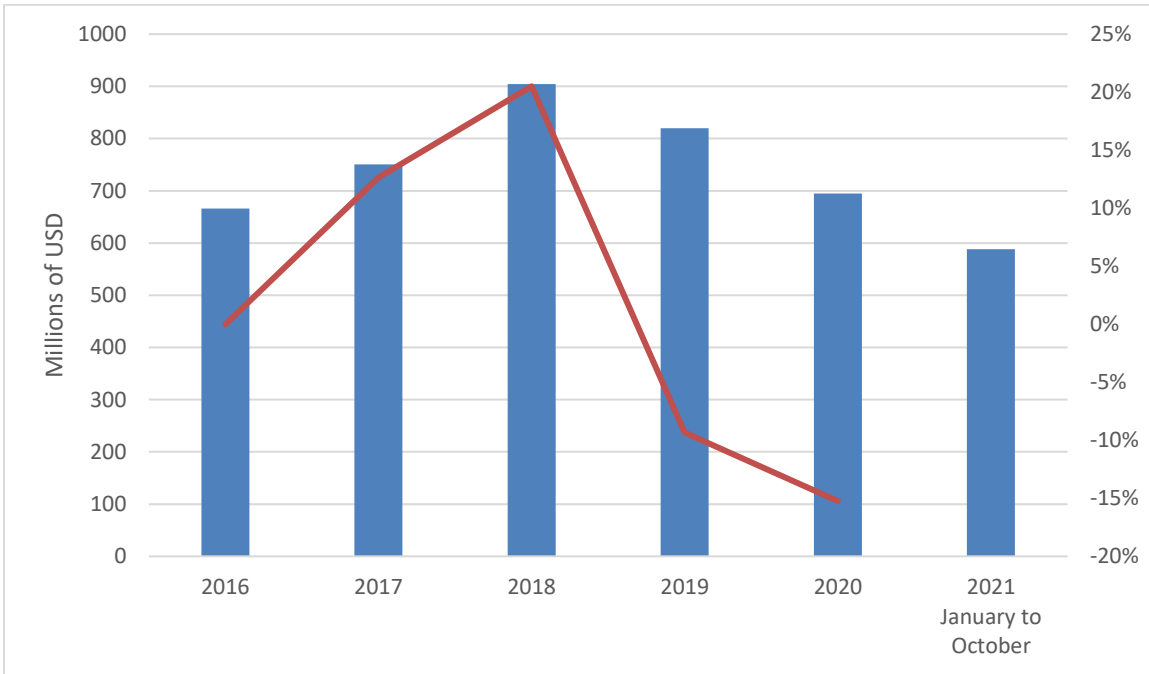
The major domestic beer market share holders are Snow Beer (China Resources Holdings), Tsingtao Beer (Tsingtao Brewery), Harbin Beer (Anheuser-Busch InBev), Budweiser (Anheuser-Busch InBev), and Yanjing Beer (Beijing Yanjing Brewery), which together account for more than half of the total beer market.

The Chinese beer industry has grown quickly since it began in the early 1980s, however, the growth rate has witnessed a decline in recent years. Limited local beer brand offerings and increasingly diversified consumer tastes have created a gap where imported beer and craft beer can better meet buyers' interests.

Imported Beer Market

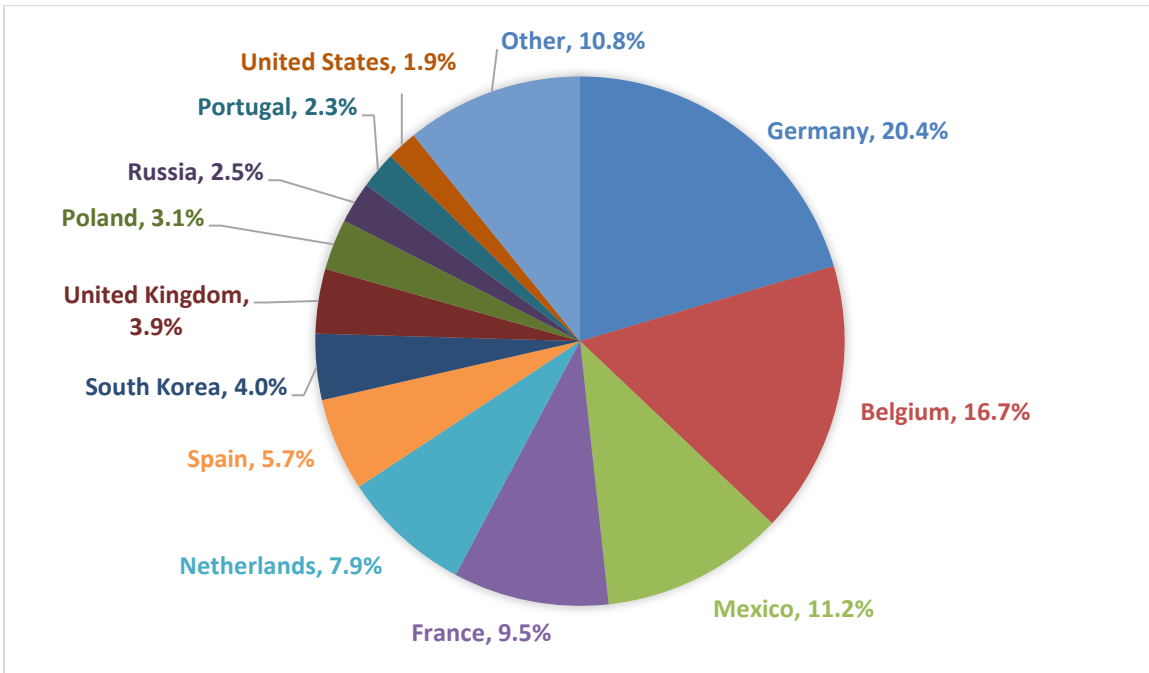
China's overall beer imports witnessed double-digit growth rates from 2016 to 2018 but have been declining since 2019. In 2020, China imported \$695 million of beer, a year-on-year decline of 15.2 percent. Germany and Belgium are the leading two sources of imported beer, followed by Mexico, France, and the Netherlands. Year-over-year, China's imports in 2021 to date are about ten percent higher than in 2020.

Figure 1: China Beer Imports from the World 2016 to 2020



Source: TDM

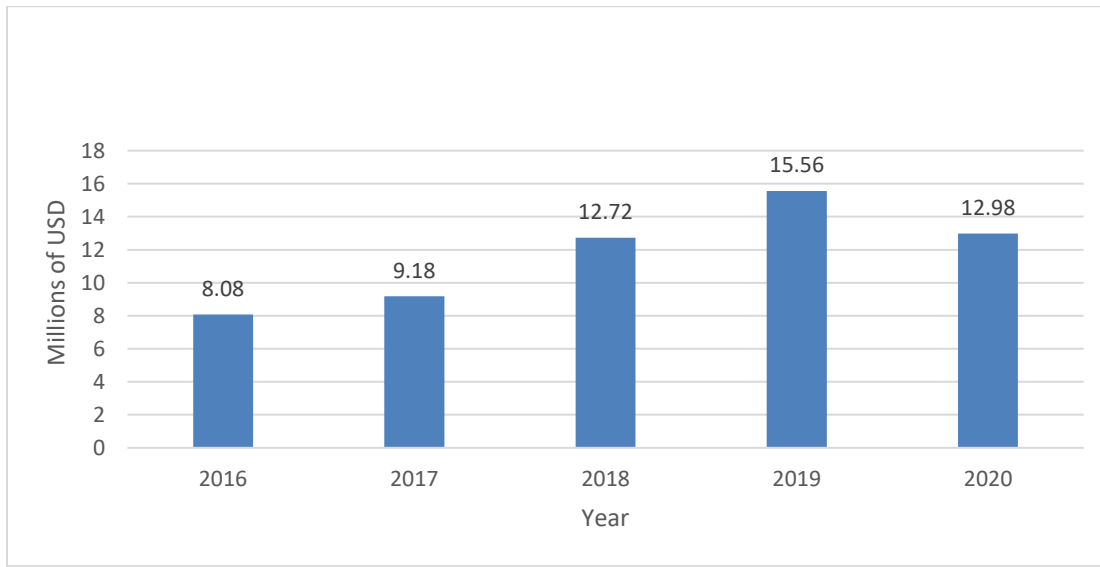
Figure 2: China Imported Beer Market Share in 2020



Source: TDM

China's beer imports from the United States by value have been climbing since 2016. Due to the COVID-19 pandemic, 2020 witnessed a sharp decline of nearly 17 percent year-on-year from 2019. Though only accounting for 1.9 percent of imported beer market share in China, U.S. beer has enjoyed a strong and growing reputation in China. From January to October 2021, China imported \$11.26 million of U.S. beer, up 5.6 percent compared to the same period in 2020.

Figure 3: China Beer Imports from U.S.



Source: TDM

Tariff and Taxes

China imposes three types of tax on alcohol: import tariff, value-added tax (VAT) and consumption tax (CT). For beer made from malt, (H.S. code: 2203.0000.00) the import tariff is 0%. Beer imported from U.S. has been subject to an additional 25% retaliatory tariff associated with Section 301 since June 1, 2019. However, Chinese importers can apply for exclusion of the additional 25 percent retaliatory tariff since February 28, 2020, resulting in the tariff returning to 0 percent. To date, post has not heard reports of any company being unable to receive the exclusion upon application.

Imported beer VAT is 13%. CT is RMB 250 per ton (equivalent to about \$39 per ton) if the price is greater than \$370 per ton, and RMB 220 per ton (equivalent to about \$34 per ton) if price is less than or equal to \$370 per ton.

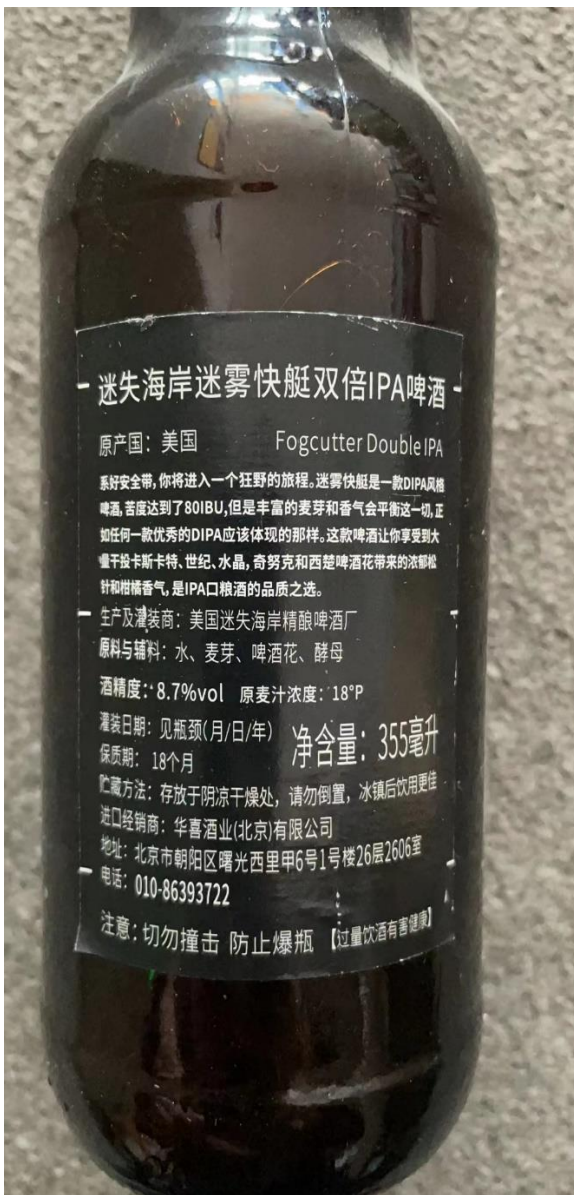
Craft Beer Market

Recent years have witnessed an unprecedented growth of small breweries across China. According to industry sources, in the early 2010s, craft beer as a proportion of overall beer consumption in China amounted to less than one percent. By 2021, industry sources estimated that craft beer will grow exponentially over the next few decades, showing a change in consumer preference toward new flavors and varieties.

Craft beer consumption is now mainly in first tier cities and some emerging second-tier cities where consumers are less price sensitive and willing to try new flavors. Retail, restaurants, and bars are the major distribution channels. With U.S. barley malts available in China in 2019, some breweries have used U.S. barley malts and hops to develop new varieties of craft beer which received positive feedback.

Labeling

Imported products should have labels in Chinese adhering to the package before marketing or sale in the market. The mandatory contents for imported beer include name, list of ingredients, alcoholic content, original malt extract concentration expressed as Plato degree, name and address of the importer or distributor, bottling date, shelf life, storage instructions, net content in volume, and any cautionary language otherwise required.



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| <p>**瓶装啤酒 (Name)</p> <p>净含量 : **毫升</p> <p>(Net Content in milliliters)</p> <p>原产国 (Country of Origin) : 美国</p> <p>酒精度 (Alcohol Strength) : 10.2% vol 原麦汁浓度 : 21.03°P (original malt extract concentration)</p> <p>原料与辅料 (Ingredients) : 水, 啤酒麦芽, 啤酒花, 酵母。</p> <p>灌装日期 (Bottling Date) : *****年**月**日</p> <p>保质期至 (Expiry Date) : *****年**月**日</p> <p>贮存条件 (Storage Instruction) : 常温保存, 请置于阴凉干燥处。</p> <p>生产商 (Manufacture) : ***</p> <p>进口商 (Importer) : ***</p> <p>地址 (Address) : *****</p> <p>电话 (Phone) : ***</p> <p>警示语 (Warnings) :</p> <p>切勿撞击, 防止爆瓶。</p> <p>过量饮酒有害健康</p> <p>孕妇和儿童不宜饮酒</p> |
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Example of a Chinese label on a U.S. imported craft beer (Left) and Labeling Template with key words. English translation added.

For more information about labeling, please refer to the GAIN report [Food and Agricultural Import Regulations and Standards Country Report](#), Section VII. Labeling requirements.

Labeling in Chinese is not required if products are entering China via a cross-border e-commerce channel. For more information about cross-border e-commerce, please refer to the GAIN report [Using the Cross-border Ecommerce Channel to Increase U.S. Food Imports to China](#).

Prospects for U.S. Beer Exporters

Though comprising a very small percentage of China's imported beer market, U.S. beer enjoys positive feedback among consumers. Some U.S. brands already in China are very popular. Building a strong brand image is important because Chinese consumers trust brand names and are willing to pay more for reputable brands. For new-to market exporters, a branding plan to establish a good image among Chinese consumers is very essential.

E-commerce is a valuable marketing channel. Chinese consumers are very tech-savvy, and 55 percent of Chinese alcohol consumers are ordering online. During the COVID-19 pandemic, online alcohol sales have become increasingly popular. U.S. exporters are encouraged to include e-commerce strategies in any marketing plan.

Live stream promotions, social media marketing, and leveraging the help of influencers (known in China as Key Opinion Leaders or KOLs) are also very useful marketing tactics. The increasing use of livestream in marketing is a strong source of online products sales growth, including beer. Positive comments and recommendations on social media also help attract consumers. KOLs can influence millions of followers with word-of-mouth promotion of a certain brand or product; even relatively new or unknown KOLs whose services are inexpensive may have a million or more followers due to the overall population size.

China is a very segmented market and exporters should have diversified strategies based on a variety of target consumers and distribution channels. The GAIN report [China Exporter Guide](#) provides additional information for exporters to refer to. Craft beer consumption is expected to grow further, and although shipment can be time consuming and costly up-front, beer imported from the U.S. may find an abundance of opportunities, particularly as consumers have not had many opportunities to try new products in a long time due to COVID-19. Many major beer industry players in China are fans of U.S. breweries and international beer tourism and have expressed interest in visiting U.S. breweries again when international travel becomes easier. They believe these trips have brought and will continue bringing inspiration to Chinese craft beer breweries.

Major Beer Trade Shows in China

Although the current global COVID-19 pandemic continues to impede international travel to China, exporters may consider using local contractors or other contacts to participate in trade shows in China and present opportunities for buyers to sample their products and build connections with local importers and distributors. Furthermore, U.S. beer exporters can use virtual platforms, exhibitions, social media,

and other tools to engage with buyers to build and maintain relationships. The upcoming major beer trade shows in China include:

China Food and Drinks Fair 2022

- March 24 to 26, 2022
- Chengdu, Sichuan Province
- <http://www.qgtjh.org.cn/>

Beijing International Craft Brewing Exhibition 2022

- April 13 to 15, 2022
- Beijing
- <https://www.bjbrew.com/en/>

Craft Beer China Conference & Exhibition (CBCE) 2022

- May 11 to 13, 2022
- Shanghai
- <http://www.cbcechina.com/en/index>

Salon International de l'alimentation (SIAL) – Shanghai 2022

- May 18 to 20, 2022
- Shanghai
- <https://www.sialchina.com/>

For more information about this report or exporting U.S. craft beer to China, please contact:

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Attachments:

No Attachments.