

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **China - Peoples Republic of**

**Post:** Guangzhou

### **Chinese Get Interested in India Pale Ale (IPA) Craft Beer**

**Report Categories:**

Market Development Reports

Market Promotion/Competition

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**Report Highlights:**

The recent news about British Prime Minister Cameron treating China's President Xi IPA beer has triggered a wave of consumers' craze for IPA craft beer in China. The leaders' tasting has undoubtedly stimulated Chinese's crave for craft beers and thus presented a huge opportunity for diversified and high quality craft beers, , both imported bottled and domestically brewed ones.

## **General Information:**

### **British diplomacy helps promote IPA beers in China**

In October 2015, British Prime Minister Cameron hosted China's President Xi at a local bar, where they drank some Greene King Indian Pale Ale (IPA) beers together. This news along with photos and video clips instantly triggered massive interests among Chinese consumers for IPA beers. To capitalize it, in November, British Embassy/Consulates in China organized promotional activities showcasing this IPA beer along with other known English brands of foods, beverage, and health care products in several Chinese cities.



*Source: news.yahoo.com*

Thanks to this news, many Chinese researched online about IPA and eventually learned that the U.S. is home to many good IPA beers. Since then, Chinese beer importers have placed more orders for U.S. IPA beers, which enter China through various channels. Nowadays, Chinese consumers could access an increased number of imported IPA beers by online shopping or at bars. This trend will also help improve U.S. hop sales in the booming Chinese craft brewing industry. Home brewers and brewpubs are emerging rapidly in China's 1<sup>st</sup> and 2<sup>nd</sup> tier cities.

### **Overview of the China's beer market from January to September 2015**

China has been the No.1 beer producer and consumer in the world since 2002. In 2014, China's annual beer production was 49 billion liters, with per capita consumption of 34.2 liters. However, since July 2014, China's beer production has been declining. From January to September 2015, China produced 39 billion liters of beers, a drop by six percent, compared to the same period of 2014. Most Chinese beers are made by mass-production and its craft brewing is still in infancy.

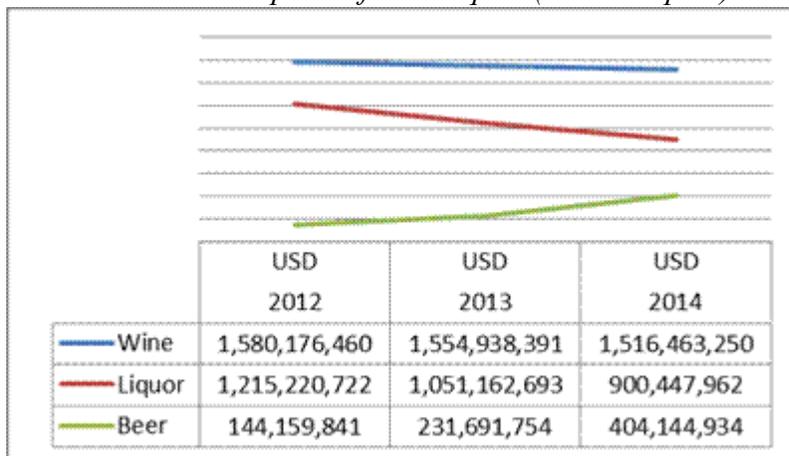
On another hand, imported beers increase by leaps and bounds since 2012. In 2014, China imported 339 million liters of beers worth \$404 million, 207 and 181 percent of increases respectively from those of 2012. In the same period, the imports of wine and distilled spirit had almost no growth or even dropped slightly due to China's economic slowdown.

Chart 1: China's imports of wine/liquor (distilled spirit)/beer by quantity, 2012-2014



Source: Global Trade Atlas

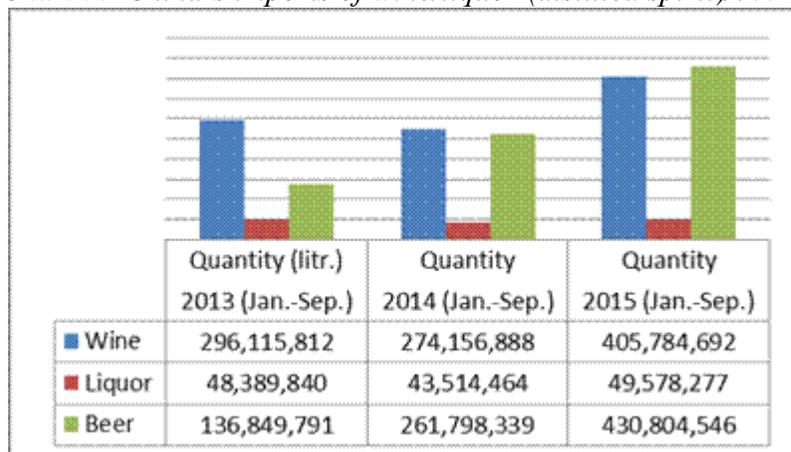
Chart 2: China's imports of wine/liquor (distilled spirit)/beer by value, 2012-2014



Source: Global Trade Atlas

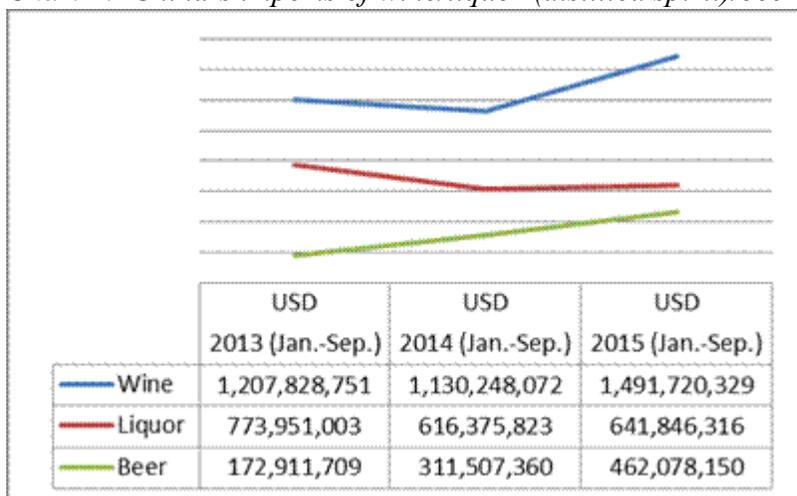
In 2015, the trend has continued. With imported alcohol market's warming up, beer is still the fastest growing product. From January to September 2015, China imported 431 million liters of beers worth \$462 million, 65 and 48 percent of increases respectively from those of the same period in 2014. It is noticeable that, by surpassing wine, beer has become the China's largest imported alcohol product by quantity. The room for improvement is still enormous, because the imported beer only accounts for less than one percent of the China's total beer consumption. Chinese importers only pay 17 percent of value added tax but NO tariff for imported beer.

Chart 3: China's imports of wine/liquor (distilled spirit)/beer by quantity, Jan.-Sep. 2013- 2015



Source: Global Trade Atlas

Chart 4: China's imports of wine/liquor (distilled spirit)/beer by value, Jan.-Sep. 2013- 2015



Source: Global Trade Atlas

Agricultural Trade Office Guangzhou (ATO GZ) is seeking Brewers Association's assistance in obtaining U.S. craft export figures to China. Since the beginning of 2015, ATO GZ has noticed several new U.S. craft brands being introduced to the China's market by the importers authorized by breweries. In the meantime, by parallel import channels, most if not all U.S. known craft brands have been brought to China and draw an enlarging group of Chinese beer lovers. Of course, their IPA beers are among the best sellers.

