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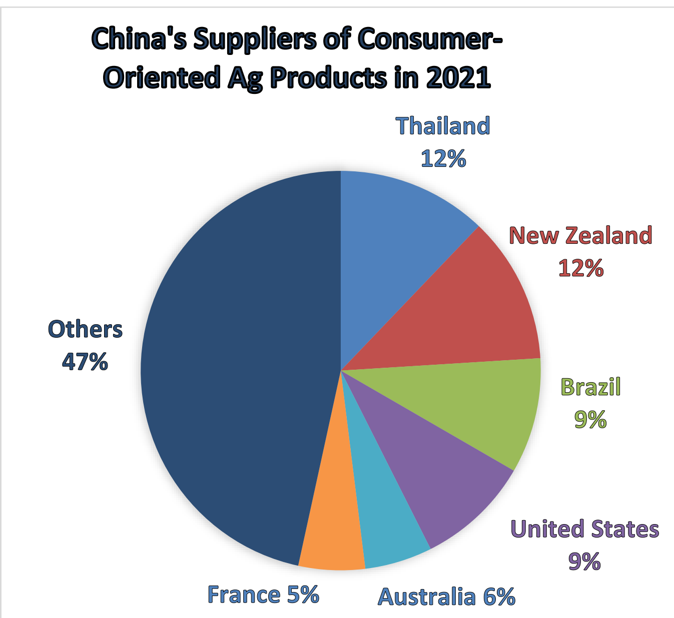
Report Highlights:

In 2021, COVID-19 control measures severely impacted imported and cold chain food products, while travel restrictions put hotels under significant financial stress. In December 2022, China announced changes to its pandemic response policy, signaling a shift that removes previous restrictions that impacted food and agricultural trade and marketing. Until these policy changes become clearer, U.S. exporters are encouraged to follow U.S. government travel recommendations and continue engaging with Chinese stakeholders via online meetings, matchmaking events, conferences, and trade shows. This report provides market information for 2021, a roadmap for market entry, and practical tips for U.S. agricultural, forestry, and fishery exporters on the hotel, restaurant, and institutional sectors in China.

Market Fact Sheet: China

Executive Summary
In 2021, U.S. agricultural and related products exports to China totaled $35.9 billion, up 25 percent from the previous year. China is the largest export market for U.S. agricultural & related products, followed by Canada, Mexico and Japan. China is the world's second-largest economy, with a population of 1.4 billion and per capita GDP $12,551; growth is driven by consumption and investment.

Imports of Consumer-Oriented Products
In 2021, China imported $7.9 billion[1] of consumer-oriented agricultural products from the United States, making it the fourth largest export country after Canada, Mexico and Japan. The top consumer-oriented products to China are dairy, pork, beef, poultry, dairy, tree nuts, food preparation, fresh and processed fruits, and processed vegetables.



Food Service Industry Overview 2021
In 2021, China's Hotel, Restaurant, and Institutional (HRI) food sales reached $727 billion[2], an 18.6 percent increase over 2020. Data shows the food service industry bounced back and even exceeded total sales in 2019 by $2.7 billion despite COVID-19 obstacles in the second half of 2021.

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[1] *Source: Trade Data Monitor*
[2] *Source: China Cuisine Association*

China Quick Facts
Population: 1.4 billion
GDP: $17.7 trillion
GDP Per Capita: $12,551[3]

Global Imports of Consumer-Oriented Ag. Products: $85 billion (up 15 percent from 2020)
Global Imports of Seafood Products:
$17 billion (up 16 percent from CY 2020)

Imports of U.S. Ag. Products:
Bulk Products: $23.4 billion
Intermediate Products: $2.7 billion
Consumer Oriented Products: $6.8 billion
Seafood Products: $866 million
Forest Products: $2 billion

Top Growing Consumer-Oriented Ag. Imports and Products (including Seafood)[4]: Seafood, dairy, pork, beef, fresh fruit, soup & other food preparations, processed vegetables, poultry, tree nuts, distilled spirits, wine, and related products

Strengths	Weaknesses
• Chefs look for reputable imported U.S. brands • U.S. foods perceived as high-quality and safe • Unique products such as U.S. grain-fed beef, Maine lobster, Alaskan king crabs	• Continued COVID-19-related import and logistics challenges • Bilateral relationship between the United States and China affects consumer interest
Opportunities	**Threats**
• Consumers increasingly purchase trendy, high-quality food and agricultural products • "Key Opinion Leaders" (social media influencers) amplify product exposure	• Importers uncertain of future import policies and tariffs • COVID-19 control measures increased costs and government oversight across the supply chain, so HRI operators may opt for domestic products

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[3] *Source: China Statistical Year Book, 2021 Average Exchange Rate is $1 USD to 6.45 RMB*
[4] *Source: TDM, ranking based on import value*

Section I. Market Summary

China is a diverse market with strong potential for new and established imported food products. However, China's rate of economic growth will probably be constrained by the economic effects of COVID, a smaller workforce, and an overvalued property sector. Members of China's growing middle class seek out products with a strong reputation for quality and safety and tend to be less price-sensitive than in previous decades. In first tier cities and port cities such as Beijing, Guangzhou, Shanghai, and Shenzhen, foods and agricultural products imported from the United States enjoy strong brand recognition and consumer interest based on our reputation for quality and high U.S. food safety standards.

China's imports of U.S. food and agricultural products remained strong in 2021 and 2022 despite onerous COVID-19 control measures. Product testing and traceability requirements, COVID-19 inspections at national and provincial borders, and restrictions on gatherings and logistics workers hit cold chain foods and HRI operations especially hard.

Although tariff exclusions available under the U.S.-China Economic and Trade Agreement continued throughout 2021 upon request, importers of agricultural products in China faced significant challenges. The People's Republic of China (PRC) government's strict COVID-19 control measures at ports increased the cost of doing business significantly and slower shipment clearances increased the risk of importing perishable products. The impact on imported cold chain foods, especially seafood, was severe. For example, after traces of COVID-19 were found on a cutting board used for imported salmon at a wholesale market in Beijing in June 2020, salmon imports dropped precipitously, and some Japanese restaurants reported that they had no customers. Fortunately, these types of incidents appear unlikely to recur in the current environment.

Some commentators have noted that middle class families who could not spend money on travel during lockdowns or restricted movement may spend more than usual purchasing comfort and wellness items such as higher quality foods, health products, sports equipment, and luxury brands. While the pandemic and China's control measures dragged on, consumption in China bounced back in 2021. This was particularly true during the first half of the year, when reported COVID-19 infections remained consistently in the single digits. Domestic travel in 2021 boomed during the seven-day May Labor Day holiday, as well as during the almost two-month long school holiday in the summer.

China's "Zero COVID" policy also reshaped consumer dining behavior and the HRI sector. Under Zero-COVID, in-restaurant dining was sometimes considered a "gathering" and prohibited. COVID-control authorities frequently directly asked restaurants to close as a preventative measure, especially in Beijing. Through most of 2022, local Chinese officials imposed COVID control restrictions that were often stricter than those suggested by the central authorities.

Adapting to the new normal, online food delivery businesses developed rapidly. The food industry in 2021 increasingly shifted from restaurant experiences toward high quality, standardized preprepared Chinese cuisine. Food companies employed skillful chefs to create ready-to-cook, ready-to-heat, and ready-to-eat, portion-controlled food products. Preprepared meals are not only convenient to order online and have delivered, but they are consistent in flavor and quality. For those diners who wished to order takeout from restaurants, that option often remained available. China's largest online food and consumables delivery company, Meituan, indicated in its 2021 annual report a 56 percent sales increase to $27.8 billion.[5] U.S. exporters who are looking to expand their market shares in value-added products such as ready-to-bake pies, frozen doughs for baking, ready-to-cook barbecue products, pizza, lasagna, and other western food items may benefit from the new interest home quarantine has generated for preprepared products.

Domestic travel in 2021 boomed during the seven-day May Labor Day holiday, as well as during school holiday in the summer for nearly two months. Additionally, increasing urbanization continues to create opportunities for imported food and agricultural products in China. In 1978, only 17.9 percent of the total population lived in urban areas. By 2020 the proportion had increased to 63.9 percent, and by 2021 to 64.7 percent[6].

Disposable income among China's growing middle class continues to increase, and consumers are becoming more interested in exceptional dining experiences. Michelin Guide restaurant ratings are widely recognized in China's major cities. In 2022, Chengdu became the fourth city in China to have a Michelin Guide after Beijing, Guangzhou, and Shanghai. Meanwhile, online delivery giant Meituan created a similar Chinese restaurant rating called the Black Pearl Restaurant Rating and Guide. The Black Pearl rating is gaining popularity among restaurant operators and attracting gourmet customers, including over 283 restaurants out of 736 qualified restaurants nationwide. Similarly, high end café experiences are on the rise, with consumers eager to step out for an afternoon tea accompanied by high-quality bakery items.

Table 1 – Major Advantages and Challenges in the China Market

Advantages	Challenges
U.S. food and agricultural products are known to have high quality. Cooperator and ATO promotions reinforce the reputation of U.S. products as safe and healthy.	Importing food products may remain challenging due to tight COVID control measures at port and Custom clearance procedures.
Majority of consumers aged 18-50 consider western style restaurants classic or trendy. Imported food and agricultural products in restaurants carry higher prices and are thought to be of superior quality.	Added costs and inconvenience of COVID-19 control measures on distribution and use of imported foods. Food service operators may seek alternatives among domestic products in order to avoid the hassle of imported products
Population of 1.4 billion, 65 percent urbanization, and growing middle class create strong demand and potential for consumption of imported food and agricultural products	Some U.S. products are subject to higher tariffs than similar products from countries with beneficial trade agreements
Trade shows with USA Pavilions and educational seminars bridge the gap for importers not yet familiar with U.S. food and agricultural products.	Political tensions with trade partners undermine importer confidence in China

[5] *Source: 2022 Blue book of catering industry*
[6] *2022 China Statistical Yearbook 2022*

Section II: Roadmap for Market Entry

A. Entry Strategy

U.S. exporters of food and agricultural products planning to enter the China HRI market may wish to begin creating their market entry strategy using the following suggested steps:

- Determine whether the target product has market access in China and research relevant food laws and regulations related to product registration, packaging, and labelling. The following reports provide initial guidance on exporting to China.
  - USDA Food and Agricultural Import Regulations (FAIRS) Report
  - China Exporter Guide: For the most updated Exporter Guide, please search by using: https://gain.fas.usda.gov/#/search.
  - FAS China Reporting on Facility Registration Decrees 248 and 249: (See for example "Decree 248 Facility and Product Registration Expectations")

- Conduct market research to determine product potential. Seek to understand the price competitiveness, seasonality, distribution channels and availability to China of similar products.

- Visit or participate in USDA endorsed or non-endorsed trade shows and trade missions to tap into the resources offered by FAS China, State and Regional Trade Associations (SRTG) and local representatives of USDA Cooperators. Currently four trade shows are USDA endorsed: The China Fisheries & Seafood Expo (Qingdao, Shandong Province); Food Hotel China (Shanghai); SIAL Show (Shanghai); and Food Ingredients China (Shanghai).

- Develop direct contact with importers in China that target major hotels, restaurants, and caterers. U.S. exporters should employ local importers, distributors, or in-country representatives to guide them through China's food regulations and local trade practices.

- After establishing direct contact with importers, strive to educate them (in person if possible) about the quality of your product so that the importer is fully aware of its advantages. Key points would include health benefits, consumption trends in the U.S., ingredient sourcing and traceability, and marketing successes in other countries.

- Provide technical assistance to importers on product usage and actively support promotional and educational activities for the first few years.

- Maintain strong communications with your importer to ensure they have timely responses regarding certification information and import documentation.

B. Distribution

China's HRI distribution is somewhat fragmented due to varied cuisine styles across provinces. Fresh foods and fresh ingredients account for a large portion of daily purchases in the HRI sector. Although high-level industry players have long expressed a desire to create vast food supply companies that service restaurants and hotels (modeled after U.S. suppliers such as Sysco), no such company yet exists in China. However, chain international hotels have economies of scale and the capacity to procure consistent food and beverage products with their centralized purchasing system. Similarly, most chain restaurants operators have made efforts to increase resilience and stability in their internal ingredients supply chains. Restaurant and supermarket networks across China have been successful at providing supply chain services at competitive prices.

Subsector Profiles

Major International Chain Hotels and Resorts in China

Domestic and international travel restrictions in 2021 created a "staycation" boom in China during which couples and families spent time relaxing, dining, and sleeping in hotels in their home cities. Currently, the removal of COVID-19 related restrictions on travel in China and increasing disposable income point toward a gradual increase in family travel in the coming years. Consumer demand is rising for family-friendly hotels, theme parks, and resorts with restaurants.

The top luxury hotels in China include:

Table 2: Top Ten International Upscale Hotels[7] in China:

Name of Hotel	Website	Remarks
The Marriott Hotels	www.marriott-hotels.marriott.com	Ritz Carlton and St. Regis hotels are among the group's top luxury brands
The Hilton Hotels	www.hilton.com.cn	The Waldorf and Conrad Hotels are among the group's top luxury brands
IHG Hotels	www.ihg.com.cn	
Pullman Hotels	www.pullman.accor.com	
Sheraton Hotels	www.sheraton.marriott.com	
Sofitels	www.all.accor.cn/zh	
Wyndham Hotels	www.wyndamhotels.com	
The Shangri-La Hotels	www.shangri-la.com	
Hyatt Hotels	www.hyatt.com	
Ramada Hotels	www.wyndhamhotels.com	

In China, premium imported food and beverage products typically appear first in hotel restaurants, then in stand-alone restaurants. Most international hotel chains employ experienced and well-trained chefs with an advanced understanding of international food ingredients. This helps market international food ingredients in places where they might be uncommon.

Restaurants

Chinese cuisine is significantly diversified across regions, with each region having a unique flavor palette. Hot pot remains a preparation style that is popular across many regions, but each locale has its

[7] *Asia Business News (ABN) Index Top 10 International Upscale Hotels*

own style of hot pot. Barbecue restaurants were one of the most prominent restaurant trends to arise during the COVID-19 pandemic.

In 2021, chain restaurants accounted for only 18 percent of total restaurants in China, compared to 59 percent in the United States, and 58 percent in Japan. No centralized supply chain exists that can serve all restaurants.

Table 3: China's Leading Chain Consumer Food Service Businesses in 2021[8]

Company	Global Brand Owner	Brand Share %
KFC	Yum China Holdings, Inc.	6.2%
McDonald's	McDonald's Corporation	3.4%
Hai Di Lao Hot Pot	Sichuan HaiDiLao Catering Co. Ltd	3.1%
Starbucks	Starbucks Corporation	2.7%
Pizza Hut	Yum China Holdings, Inc.	1.3%
Hua Lai Shi	Hua Lai Shi Catering Management & Service Co., Ltd	1.2%
Zhengxin	Shanghai Zhengxin Food Co. Ltd.	1.1%
MXBC	Zhengzhou Liang'an Enterprise Management Co. Ltd.	1%
Heytea	Shenzhen Meixixi Food & Beverage Management Co. Ltd.	1%
Dicos	Ting Hsin International Group	0.9%

Institutional Food Service Operators[9]:

Table 4: Top 10 Institutional Food Service Operators in China

Company Name	Website
Beijing Kinghey Catering Management Co. Ltd.	www.kinghey.com
Beijing Jin Feng Catering Co. Ltd	www.kingjinfeng.com
Shenzhen Zhong Kuai Catering Group Co. Ltd.	www.zkcyjt.com
Beijing Jian Li Yuan Catering Management Co. Ltd.	www.jianliyuan.com
Shenzhen De Bao Food Management Co. Ltd.	www.debo-cn.com
Dongguan Hong Jun Food Management Co. Ltd	www.dghongjun.com
Beijing Kuai Ke Li Catering Management Co. Ltd.	Website not available
Beijing Aramark Service Industry (China) Co. Ltd.	www.aramark.cn
Anhui Shu Wang You Fu De Catering Service Co. Ltd.	www.shuwanggroup.com
Guangdong Hao Lai Ke Group Co. Ltd.	www.hlksp.com

[8] *Source: Euromonitor*
[9] *Source: China Cuisine Association*

Section III: Competition

In 2021, China imported a total of $102 billion of consumer-oriented agricultural products and seafood from all countries, with 15 percent growth over 2020.

Table 5: Top China Imports of Consumer-Oriented Products, Seafood and Competition[10]

Product Category	Gross Imports 2021($ million)	1st Supplier	2nd Supplier	U.S. Rank
Seafood Products	17,255	Ecuador 13%	Russia 12%	4th (7%)
Dairy Products	15,179	New Zealand 43%	Netherlands 13%	6th (5%)
Pork & Pork Products	12,757	Spain 30%	Brazil 13%	3rd (13%)
Beef & Beef Products	12,642	Brazil 37%	Argentina 16%	4th (10%)
Fresh Fruits	12,000	Thailand 48%	Chile 20%	10th (1%)
Soup & Other Food Preparations	4,095	United States 23%	Australia 17%	1st (23%)
Meat Products Nesoi	3,584	New Zealand 44%	Australia 23%	4th (7%)
Processed Vegetables	3,578	Thailand 73%	Vietnam 13%	4th (2%)
Poultry Meat & Products (excl. eggs)	3,512	Brazil 41%	United States 31%	2nd (31%)
Tree Nuts	3,423	United States 31%	Vietnam 11%	1st (31%)
Distilled Spirits	2,537	France 67%	United Kingdom 15%	8th (1%)

Section IV. Best Product Prospects Categories

The consumer-oriented and seafood products with the best market potential are shown in the table below based on import value.

Interest in wellness and disease prevention among buyers in China increased dramatically during the COVID-19 pandemic. Increasing disposable income and urbanization have fostered consumer preferences for nutritious, balanced foods as a key to good health. Instead of traditional carbohydrate-focused meals, consumers are adding more protein into daily meals such as beef, pork, poultry, and seafood items.

Beverages including coffee and tea, as well as non-alcoholic products are trending, particularly among young consumers. China imported 60,000 tons of coffee (roasted beans and extracts) in 2021, a twelve

[10] *Source: Trade Data Monitor*

percent increase over 2020. In 2021, specialty coffee and tea shops, limited-service restaurants providing simple meals, and milk tea shops in street stalls and kiosks generated growing interest from consumers. Bakery goods are increasingly popular, boosted by the growth in café culture. Previously only seen in luxury hotels in China, stand-alone bakeries and pastry shops are also growing popular. Imported ingredients such as flours, butter, dried nuts, and dried fruits are crucial to producing high-quality, western-style bakery foods. Other luxury items such as caviar, oysters, and distilled spirits have increasing visibility on restaurant menus as they become more affordable and accessible in first- and second-tier cities.

Table 6: Best Product Prospects

Imported Products	**Prospects**	**2020 import value**	**2021 import value**	**Growth Percentage**
Seafood Products	Increased over 20 percent. Strong import potential.	978	1,181	21%
Dairy Products	Top consumer-oriented import product from the world	553	725	31%
Pork & Pork Products	Pork is a reliable product in China. The 2021 decrease in imports is mainly due to COVID control measures and domestic swine production. Imported pork prices are competitive with domestic products and have potential for long-term sales growth	2,143	1,660	-22%
Beef & Beef Products	Beef is considered one of the best sources of protein and is widely used in Chinese cuisine.	233	1,344	477%
Fresh Fruits	Chinese consumers enjoy trying new fruit varieties. The decrease in 2021 is mainly due to COVID-related restrictions on international freight shipping.	172	151	-12%
Meat Products Nesoi	Meat is increasingly in demand in the HRI, retail, and food processing sectors.	165	250	52%
Poultry Meat & Products	Poultry is widely used in Chinese cuisine, particularly in restaurants	750	1,093	46%
Tree Nuts	Nuts are widely used in snacks and bakery products	637	1,048	65%

Section V: Key Contacts and Further Information

China has strict documentation requirements for imported food and agricultural products including import product registration, quarantine, quality and import control. U.S. exporters are encouraged to familiarize themselves with general information about relevant government agencies such as the Ministry of Agricultural & Rural Affairs of China (MARA) and the General Administration of Customs of China (GACC). For specific Chinese Ministry websites and additional contacts, please review the most recent China Exporter Guide, and if applicable, speak with your USDA Cooperator and/or importer.

For more information on China's food import regulations, please refer to CH2022-0043: Food and Agricultural Import Regulations and Standards Export Certificate Report.

USDA's Foreign Agricultural Service (FAS) has the following offices in China:

Office of Agricultural Affairs (OAA) Tel: +86 10 8531 3600 | Fax: +86 10 8531 3636 Email: AgBeijing@fas.usda.gov	
Agricultural Trade Office (ATO) Beijing Tel: +86 10 8531 3950 | Fax: +86 10 8531 3974 Email: ATOBeijing@state.gov	Agricultural Trade Office (ATO) Shanghai Tel: +86 21 6279 8622 Email: ATOShanghai@fas.usdas.gov
Agricultural Trade Office (ATO) Guangzhou Tel: +86 20 3814 4500 | Fax: +86 20 3814 5310 Email: ATOGuangzhou@fas.usda.gov	Agricultural Trade Office (ATO) Shenyang Tel: +86 24 2318 1380 | Fax: +86 24 2318 1332 Email: shenyangATO@state.gov

Attachments:

No Attachments

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