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**Country:** China - People's Republic of

**Post:** Guangzhou ATO

**Report Category:** Food Processing Ingredients

**Prepared By:** FASChina Staff

**Approved By:** Alan Hallman

**Report Highlights:**

Demand for food processing ingredients such as tree nuts, dairy products, pulses, meat, and frozen and dried fruit is expected to continue to expand. Exporters are encouraged to visit China and meet with potential partners in this large and growing market for high quality U.S. products.

# Market Fact Sheet: China

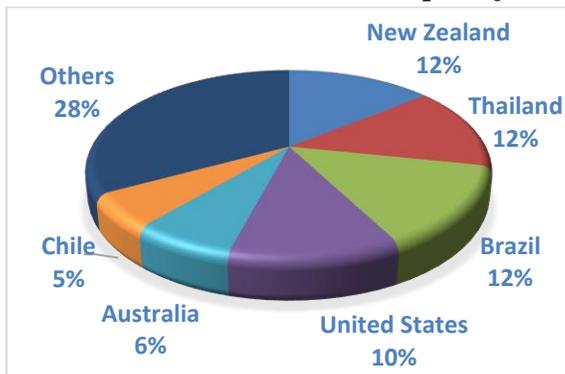
## Executive Summary

China continues to struggle with weak consumer demand. However, there are excellent prospects for imported food ingredients. In 2022, U.S. agricultural exports to China totaled \$40.9 billion, up from \$33 billion in 2021, making China the largest market for U.S. agricultural exports.

### China's Imports of Consumer-Oriented Products

China's imports of consumer-oriented products continue increasing, although the growth rate fell to 1.6 percent from 15 percent in 2021. The United States was the 4th largest exporter of consumer-oriented products to China in 2022, with \$376 million – an increase of 4.8 percent.

### China's Consumer-Oriented Imports from the World



Source: Trade Data Monitor

### China's Food Processing Industry

In the third quarter 2022, China's food production grew by 12.6 percent in value terms over prior year levels. This was 2.6 percent higher than average industrial growth. China continues importing increasing volumes of food ingredients.

### China's Food Retail Industry

COVID-19 fueled expansion of on-line shopping in China. In 2022, on-line shopping or e-commerce of agricultural products hit a record \$78 billion, up 9.2 percent year-on-year. Live streaming e-commerce shopping is estimated at \$500 billion, accounting for

## Quick Facts 2022

### Imports of Consumer-Oriented Products

\$109.2 billion

### Products with Potential Growth in Host Market

- |                                 |                                |
|---------------------------------|--------------------------------|
| 1) Beef & Products              | 2) Dairy products              |
| 3) Fish products                | 4) Poultry & products          |
| 5) Fresh Fruit (tropical fruit) | 6) Sorghum for Chinese spirits |
| 7) Pork & products              | 8) Meat products NESOI         |
| 9) Wine & Beer                  | 10) Frozen fruits and nuts     |

### Retail Industry Gross Sales

Total: \$6.49 trillion

Online share: \$2.04 trillion, 31 Percent

### Top 10 Supermarket Chains

Wal-Mart; Yonghui; RT-Mart; CR-Vanguard; Wu-Mart; Lianhua; Jiajiayue; Zhongbai; Carrefour; Better Life

### Population/GDP

Population: 1.4 billion

GDP: \$17.8 trillion

GDP Per Capita PPP: \$12,640

Per capita food expenditure: \$1,103

Sources:

FAS, Trade Data Monitor, World Bank,

[www.pdas.gov/ce](http://www.pdas.gov/ce) 23 percent of total e-commerce retail sales.

## SWOT

### Strength

- U.S. ingredients are perceived as high-quality products in China.

### Weakness

- U.S. products are relatively higher priced.

### Opportunity

- Consumers in China value healthy and nutritional food.

### Threat

- Uncertainty in the U.S.- China relationship.

- China has lifted COVID-19 related restrictions.

## SECTION I: MARKET SUMMARY

China reported Gross Domestic Product (GDP) growth of 3 percent in 2022. Growth was reduced by the PRC's response to COVID, a weak property market, and economic uncertainty. Full economic recovery will take some time, but imports of food and agricultural imports are expected to keep growing. Please refer to FAS' report on the [Post-COVID Food and Agricultural Situation](#) for more information.

Throughout the COVID-19 pandemic period, the food processing industry demonstrated resilience. It reported a 12.6 percent growth in value year-on-year by the end of the third quarter of 2022, 2.6 percent higher than the average of China's industries. This growth is likely to continue.

The pandemic reinforced some diet trends such as eating at home, eating healthier, and a preference for time-saving cooking. As a result, a range of new food sectors emerged or were strengthened. These include semi-prepared food, plant-based food/beverages, as well as light meals. These trends are likely to keep evolving and increase demand for imported food ingredients like nuts, dried fruit, meat, seafood, pulses and dairy products.

The food and drink industry in China is expected to grow by approximately US\$30 billion in the coming three years. China will continue to be import dependent for key ingredients.

**Table 1. Advantages and Challenges for U.S. Food Processing Ingredients**

<b>Advantages</b>	<b>Challenges</b>
U.S. ingredients are regarded as high-quality and nutrition rich and favored by Chinese consumers.	Staggery economy may weaken import of U.S. food ingredients.
Removal of COVID-19 related policies and restrictions of imported food ingredients are likely to boost import of U.S. food ingredients.	U.S.-China bilateral relationship may impact food ingredients exports.

## SECTION II: ROAD MAP FOR MARKET ENTRY

### Entry Strategy

Potential exporters may find the following approaches useful. Whichever approach you take, nothing can substitute for visiting and forming relationships with partners.

1. **Attend trade shows in China** to gain market information, gauge interest in your product(s), observe competitors, and meet potential partners. Depending on the product, we recommend several exhibitions, for example, Food Ingredients China, Food & Hotel China, Bakery China (Shanghai), China Bakery Exhibition

(Guangzhou), China Fisheries & Seafood Expo, China International Meat Industry Week, and China Food & Drinks Expo (also known as Tang Jiu Hui). Other noteworthy shows can be found in the GAIN report [2023 China Based Trade Shows](#).

2. **Participate in State Regional Trade Group (SRTG) activities**, such as trade missions to China. Trade missions typically include site tours of processing facilities, one-on-one meetings with importers, exhibiting under a unified USA pavilion at trade shows, and attending exporter training and educational events.
3. **Work with state departments of agriculture and state trade promotion offices** and participate in their trade missions and activities similar to those organized by the SRTGs.
4. **Connect with non-profit food and agricultural trade associations (i.e., FAS Cooperators)**, who receive USDA funds each year to provide exporter assistance, sponsor trade missions, and help producers identify new market opportunities. Many Cooperators have representatives in China and can provide latest market intelligence and in-country assistance.
5. **Contact USDA FAS Agricultural Trade Offices (ATO) in China** for information and trade facilitation assistance. These ATOs are strategically located in commercial regions (Beijing, Shanghai, Guangzhou, and Shenyang), and can provide tailored information about their respective areas. See Section IV for contact information.

### **Import Procedures**

Exporters may find the following reports particularly useful:

- The [Exporter Guide](#) provides readers with market access information, entry strategies, import procedures, and market trends.
- The [Food and Agricultural Import Regulations and Standards \(FAIRS\) Country Report](#) provides comprehensive information on product-specific regulations and standards and includes product testing, labeling, packaging, and production facility registration requirements.
- The [FAIRS Certificate report](#) offers a brief outline of the import certificates and other documents needed to import U.S. products into China.

U.S. exporters should visit FAS' Global Agricultural Information Network ([GAIN](#)) system for the latest reports from FAS staff on-the-ground around the world.

### **Decree 248**

Exporters should ensure that the facilities producing products for export to China and subject to Decree 248 are fully registered with GACC before shipping. On January 1, 2022, China's General Administration of Customs (GACC) began enforcing the *Registration and*

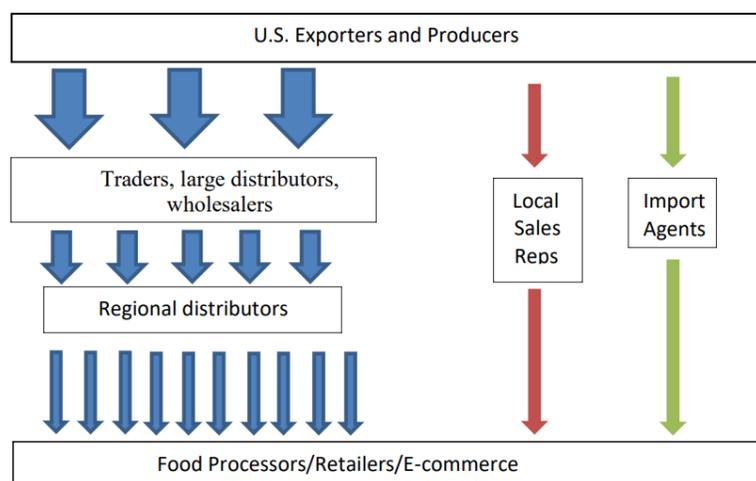
*Administration of Overseas Producers of Imported Food* (Decree 248). The decree requires the registration of overseas food production and cold storage facilities that export most food products to China. Please note that facilities and companies producing certain products, such as fresh fruits and most grains, are registered under other processes. Many food ingredients are included within the scope of the decree, which is regularly modified. The decree excludes food additives and processing aids based on GACC’s definition of these products. The regulation sets out two registration pathways for facilities that produce products within its scope – self-registration, and registration through a competent authority in the exporting country; the method of registration depends upon the product being exported.

Exporters are encouraged to review current information on Decree 248 and the facility registration process in the [Global Agricultural Information Network \(GAIN\) system](#), where there are several reports on Decree 248. FAS offices in China continue to provide updates via the GAIN system as information becomes available.

### Distribution Channels

The structure of distribution channels for imported products is evolving. The figure below is an attempt to illustrate the various options. The weights of each channels, blue, red or green, change depending on the economic situation and the introduction of new business models like e-commerce.

**Figure 1. Imported Food Ingredient Distribution Channels**



Note: Width of arrows denotes relative volume of trade.

Source: USDA

### Market Structure and Share of Major Segments

Chinese statistics separate its industrial food production into three categories:

- **Food processing**, including primary processing activities such as rice milling, flour milling, oil refining, sugar refining, slaughtering, salt processing, feed processing, and aquatic product processing.

- **Food manufacturing**, consisting of packaged food, pastries and confections, dairy products, canned foods, fermented products, and condiments.
- **Beverage manufacturing**, which is the production of alcoholic beverages (i.e., distilled spirits, beer and wine), soft drinks and tea.

***Food Processing Industry in China 2021, Unit: \$100 million, \$1 equals RMB6.4***

<b>Sector</b>	<b>Number of Enterprises</b>	<b>Total Assets</b>	<b>Business Revenue</b>	<b>Total Profits</b>
Processing of Food from Ag Products	23,128	5,222	8,629	350
Manufacture of Foods	8,874	2,975	3,378	272
Manufacture of Liquor, Beverages and Refined Tea	5,665	3,206	2,533	433

*Source: China Statistical Yearbook 2022*

**Company Profiles & Company Products**

The size of China’s food industry, and its thousands of companies, precludes a meaningful list of profiles. If you have an interest in a specific company please contact one of the four ATOs in China.

**Sector Trends**

COVID 19 and the zero COVID policies changed Chinese eating habits. Purchasing on-line, eating well, and eating at home, have become more prevalent. This is reflected in China’s food processing industry and demand for ingredients. Sectors and food ingredients that met these trends benefitted and will continue doing so over the coming years.

***Eating well***

China is in transition to a society that values “eating well”, especially among the growing urban middle class. The COVID-19 pandemic caused consumers to pay increasing attention to food safety and food that supports their health.

Eating well means consumption of high-end nutrition-rich food. A good example is the expanding sales of U.S. beef in China. U.S. beef enjoys a good reputation in China for its taste and rich nutrition. Between 2020 and 2022, while China was hit by COVID-19, exports of U.S. beef to China rose from 3,500 tons to 16,400 tons. In addition to consumption in restaurants and hotels, growing volumes of U.S. beef are processed into small cuts, packaged for home use, and sold through retail channels.

Eating well also refers to nutrition-balanced food. Replacement and light meals are increasingly popular among young consumers in first-tier cities. Replacement meals are diverse and include, but are not limited to, sandwiches, salads, energy bars, or biscuits. These generally use less salt and have reduced fat. Plant-based products used for meal replacement are typically beans, wheat, fresh and dried fruits, and nuts.

The eating well culture is expected to continue to strengthen. Food processing and

manufacturing sectors that use beef, poultry, nuts, dried and fresh fruits, beans, and dairy products should benefit from this trend.

### ***Eating at home***

Dining out and catering were heavily affected by the pandemic. The latest data from the National Bureau of Statistics shows that the total catering revenue 2022 was \$64.6 billion, down 6.3 percent year-on-year. According to a China Enfranchised Business Association survey, completed in early January 2023, caterers experienced significant year-over-year declines in revenue and net profit, with 40 percent of them experiencing net profit declines of more than 50 percent year-over-year.

The lost market share of the catering service was picked up by food processing and food manufacturing- since eating at home became the only choice for many people. According to the China Food Industry Association, by the end of September 2022, the food industry sales were \$9,336 billion, an increase of 21.2 percent year-on-year; food processing, food manufacturing and alcohols/drinks all achieved a sales growth of over 20 percent year-on-year. In terms of production, major food products, from wheat, rice, cooking oil, meat, wine to instant noodle and quick-frozen products, all recorded a production growth of between 15 to 22 percent year-on-year.

Although dining out is open now, many consumers still prefer eating at home. In a consumer survey from late 2022, respondents across all age groups indicated they would spend 16-38 percent more on packaged food and beverages. Eating at home culture has led to increased sales of various food products, such as quick-frozen food, easy hot-pot, and semi-prepared dishes. These sectors will help expand imports of agricultural products ranging from wheat, meat, soybean, nuts, pulses to dried fruits from the United States.

### ***Purchasing on-line***

During the pandemic, to minimize physical exposure to potential COVID-19 contraction, consumers adopted e-commerce shopping.

On-line grocery retail spending increased by 30 percent between 2020 and 2021 and buying food ingredients and packaged food products from home have been common for about half of consumers. More recently, the sales value for on-line shopping or e-commerce of agricultural products hit a record \$78 billion in 2022, up 9.2 percent year-on-year. It is particularly noteworthy that live streaming shopping exploded in 2022. It is estimated that gross merchandise volume (GMV) of live streaming retail reached around \$500 billion in 2022, accounting for 23 percent of the total e-commerce retail sales. Meanwhile, the number of live streaming shoppers hit 469 million, more than one third of China's total population.

It is expected that 34.6 percent of total sales in the food sector in 2023 will come from online (digital) purchases. As a result, a broad range of sectors will benefit accordingly, for instance, quick-frozen food, home-packaged meat and seafood cuts, and bakery products.

### SECTION III: COMPETITION

U.S. agricultural products are sought by Chinese importers and end-users for their high quality. Several key food ingredient exporting countries (e.g., Australia and New Zealand) have signed free trade agreements with China - making U.S. products less price competitive (for further information on competition, please read [China Hastens Ag Import Diversification.](#)) In 2020, China established a process for importers to seek tariff exclusions for retaliatory Section 301 tariffs on U.S. products, including agricultural products, and has been renewing the policy periodically.

### SECTION IV: BEST PRODUCT PROSPECTS

#### *Category A. Products with strong sales and good potentials*

Product Category	2021 China imports from U.S. (\$million)	2021 China imports from World (\$million)	Key Constraints for Market Development	Market Attractiveness for U.S. Exporters
Grain sorghum (1007)	\$2,387	\$3,743	12.5 percent growth year-on-year	Strong demand due to domestic competition for high quality spirit ingredients
Beef, fresh, chilled and frozen (0201+0202)	\$1,739	\$17,758	30 percent growth year-on-year	A market trend guided by the “eating well” culture.
Poultry (0207)	\$1,240	\$4,166	13.5 percent growth year-on-year	A market trend guided by the “eating well” culture.
Whey and modified whey (0404)	\$301	\$965	4.3 percent growth year-on-year, a good achievement in a hard year for dairy products due to reasons like price competition, decreased domestic demand and poor supply chain due to the COVID-19.	Increasing demand for food manufacturing and animal feed.

**Grain sorghum:** Over the past years, China’s demand of grain sorghum has been growing. The main demand comes from spirit production. China’s domestic sorghum production is not sufficient to support the huge demand and imports play a vital role in helping meet demand. China’s imports of grain sorghum are expected to continue to grow.

**Beef:** Consumers are taking food quality and food nutrition more seriously than before. U.S. beef enjoys a good reputation in China and is sought out by Chinese consumers. Although the domestic consumer market was weak in 2022, U.S. beef still sold well. Demand for U.S. beef will continue

although the high growth rate was partly due to competitors being absent from the market.

**Poultry:** Like U.S. beef, consumers also favor U.S. poultry. Ninety percent of the poultry exports from the United States to China are chicken paws. It is expected that China’s demand for U.S. chicken paws will remain strong, and the demand of other poultry products from the United States will grow steadily.

**Whey:** Import demand for whole milk powder, skim milk powder, and butter and whey is expected to continue. While China’s domestic production of these products cannot meet demand, growing domestic raw milk production may weigh on imports. China maintains retaliatory Section 301 tariffs on most U.S. dairy products.

China extended tariff exclusions on whey for feed use (HS04041000, protein content by weight 2-7 percent and lactose content of 76-88 percent) through May 31, 2023.

***Category B. Products not present in significant volumes but possess good potentials (Unit: \$ million)***

<b>Product Category</b>	<b>2022 Imports from the United States</b>	<b>2022 Total Imports</b>	<b>Key Constraints for Market Development</b>	<b>Market Attractiveness for U.S. Exporters</b>
Frozen fruit and nuts (0811)	\$3.3	\$987	Lack of awareness of U.S. suppliers	Industry pursuing lower ingredient cost

**Frozen fruit and nuts:** Food manufacturing industry demand for high-quality food ingredients, like frozen fruit and nuts, keeps growing. This item was categorized as *Products Not Present in Significant Quantities but Process Good Sales Potential* in the 2021 and 2022 Food Processing Ingredients Annual reports. Over the past two years, the export value from the United States to China doubled in 2021 year-on-year and then nearly tripled in 2022 year-on-year. This item is likely to keep increasing in volume over the coming years.

***Category C. Products not present in the market due to significant barriers but possess good potentials***

**Non-GMO food-grade Soybean.** China follows a zero-tolerance policy toward the presence of biotech products in food-grade soybeans. Non-GMO food-grade soybeans can be imported, but if a trace amount of biotech soybeans is detected, the entire load is denied entry. Expanding U.S. non-GMO food-grade soybeans is contingent upon China approving a low-level presence policy to address incidental contamination.

**SECTION V. KEY CONTACTS AND FURTHER INFORMATION**

For more information about food and agricultural import regulations and standards, please contact:

**USDA FAS Office of Agricultural Affairs**

U.S. Embassy Beijing  
 Tel: (86-10) 8531-3600  
 Fax: (86-10) 8531-3636  
[AgBeijing@fas.usda.gov](mailto:AgBeijing@fas.usda.gov)  
[www.fas.usda.gov](http://www.fas.usda.gov)

For more information about this report and food ingredient marketing opportunities in China, please contact our network of ATOs, which cover China regionally:

**Agricultural Trade Office, Beijing**

Tel: (86-10) 8531-3950

Fax: (86-10) 8531-3050

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

This office covers Beijing, Tianjin, and Chongqing; Hebei, Henan, Shanxi, Shaanxi, Qinghai, Sichuan, Yunnan, Guizhou, Hubei, Hunan, Jiangxi, Gansu, Xinjiang, Ningxia, Inner Mongolia, and Tibet.

**Agricultural Trade Office, Guangzhou**

Tel: (86-20) 3814-5000

Fax: (86-20) 3814-5310

Email: [ATOGuangzhou@fas.usda.gov](mailto:ATOGuangzhou@fas.usda.gov)

This office covers Guangdong, Guangxi, Fujian, and Hainan.

**Agricultural Trade Office, Shanghai**

Tel: (86-21) 6279-8622

Fax: (86-21) 6279-8336

Email: [ATOShanghai@fas.usda.gov](mailto:ATOShanghai@fas.usda.gov)

This office covers Shanghai, Jiangsu, Anhui, and Zhejiang.

**Agricultural Trade Office, Shenyang**

Tel: (86-24) 2318-1380

Fax: (86-24) 2318-1332

Email: [ATOShenyang@fas.usda.gov](mailto:ATOShenyang@fas.usda.gov)

This office covers Liaoning, Jilin, and Heilongjiang

**Attachments:**

No Attachments