

Required Report: Required - Public Distribution

Date: July 11, 2023

Report Number: CH2023-0104

Report Name: Retail Foods

Country: China - People's Republic of

Post: Beijing ATO

Report Category: Retail Foods

Prepared By: FAS China

Approved By: Chris Frederick

Report Highlights:

China lifted all the Covid-19 control measures in December 2022. Its gradual economic recovery indicates it will resume being an important destination for imported consumer food products. E-commerce companies kept gaining ground over traditional brick-and-mortar retailers and online platforms extended the reach of imported products into second-and third-tier cities. While the market offers opportunities, arduous registration requirements for imported products can dampen enthusiasm among exporters.

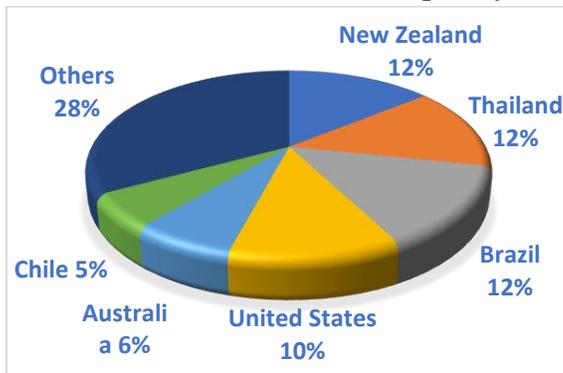
Executive Summary

China continues to struggle with weak consumer demand. However, there are excellent prospects for imported food. 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 of 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 23 percent of total e-commerce retail sales.

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; Hema Fresh; Jianhua; Jiajiayue; Zhongbai; Century Hualian

Source: CCFA

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.stats.gov.cn

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.
- China has lifted COVID-19 related restrictions.

Threat

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

Section I. Market Summary

China lifted all the Covid-19 control measures in December 2022 after nearly three years of zero tolerance policy since the inception of the pandemic in early 2020. However, the COVID-19 pandemic profoundly affected the country's consumption in various industries. China saw a decrease of 0.2 percent over the previous year in the total retail sales of consumer goods in 2022.

Two sales formats have emerged recently: convenience stores and membership supermarkets. Convenience stores are close to the community, and consumers can purchase multiple daily purchases. Membership stores such as Sam's Club and Costco provide a diverse selection of Western-style large-packaged goods and enjoy great reputations for their high-quality sourcing. In November 2021, Sam's Club announced that the number of paid members in China had exceeded 4 million. As of the end of 2022, Sam's Club has 42 stores in over 25 cities in China. Costco has four stores in China as of June 2023, with two more planned to open in 2023.

Food and Grocery Retail Trends

- **Retail digitization:** The pandemic accelerated retail digitization in China. Retail digitization refers to using technology in all facets of operations, including the consumer experience, delivery, logistics and supply chains, and consumer data.
- **Livestreaming:** E-commerce in China is highly developed. The real-time online selling phenomenon — also called "live commerce" or "livestreaming e-commerce" — took off in China after the onset of the pandemic in 2020.
- **Community Group Buying:** Stimulated by the pandemic, community group buying increased over 100 percent in 2020, and 60 percent in 2021 with sales reaching \$17 billion. Industry forecasters expect community group buying could exceed \$150 billion by 2025. Community group buying involves an e-commerce company soliciting community leaders who take orders from friends, family, and neighbors.
- **Private Label:** Because of COVID-19, many retailers realized that the supply stability of brands, mainly imported ones, can be easily affected by forces outside their control. Global shipping disruptions and new regulations issued by the government on imported food products in response to the pandemic led to depleted inventories at Chinese retailers. As a result, retailers have increased their private label offerings, especially for beverages, tree nuts, dried fruits, and dairy products.
- **Clean labels:** More and more sophisticated Chinese consumers purchase foods with more clean labels, especially in first-tier cities. A clean label is a label on a food, not listing ingredients that may be perceived by consumers as undesirable.
- **Immunity Boost:** Food manufacturers are developing foods that purportedly boost the immune system using ingredients such as probiotics, vitamins, or other functional foods.
- **Environmental guarantee:** Though it might be a new concept to many Chinese consumers, some food producers have started communicating their product's carbon footprint and the recyclability of their food packaging.
- **Ready-to-cook dishes:** Ready-to-cook dishes have gained popularity among Chinese consumers. In the last two years many online retailers and grocery stores, including Meituan Maicai, Freshippo, and J.D. Super, reported a jump in their turnover of ready-to-cook meals.

Table 1. Advantages and Challenges of Exporting Food and Agriculture Products to China

Advantages	Challenges
U.S. agricultural products are generally perceived as high quality, and safe exporters can offer a wide selection of products.	The quality of domestic products continues to improve. More worldwide players increase the competition.
The United States is generally considered a trustworthy and reliable supplier.	Potential importers of U.S. products report uncertainty due to global shipping challenges, bilateral tensions, and increased government oversight (especially for imported products requiring refrigeration).
New retail distribution channels and improved logistics have increased the number of potential consumers of U.S. imports.	Consumers have easier access to locally produced products. Lower disposable incomes, especially among the second-, third-tier city, and rural consumers.
The U.S.-China Phase One Trade Agreement addressed non-tariff barriers to U.S. agriculture and seafood products, including meat, poultry, seafood, rice, dairy, infant formula, horticultural products, animal feed and feed additives, pet food, and products of agriculture biotechnology.	Higher tariffs relative to imports from other countries; a sensitive bilateral relationship.

Section II. Road Map for Market Entry

Entry Strategy

China has diverse consumer and regional markets. Customers living in different regions have different diets and consumption habits. New-to-market exporters should conduct market research to identify target customers and distribution channels. They should take time to understand their products' relevant regulations and requirements. For general information about import procedures, please review the [FAS Exporter Guide](#). For those seeking specific import regulations, requirements, and certificates to export products to China, please check the [FAIRS Country Report - Food and Agricultural Import Regulations and Standards](#) and the accompanying [FAIRS Export Certificate Report - Food and Agricultural Import Regulations and Standards](#).

In April 2021, China Customs (GACC) announced the Regulations on the Registration and Administration of Overseas Producers of Imported Food, or GACC Decree 248. The regulation took effect on January 1, 2022, requiring all overseas food manufacturers, processors, and storage facilities to be registered with GACC to export to China.

For additional information, please see the USDA GAIN reports [Overseas Facilities Registration - Decree 248](#), [Decree 248 and 249 Status Update on Facilities Registration and Food Safety Measures](#), [Introduction to Facility Registration Under Decree 248](#), [Decree 248 Changes and the June 30 Deadline](#), [Information for Industry Regarding Decree 248 and CIFER](#) and [Decree 248 Product List Update - April 2023](#)

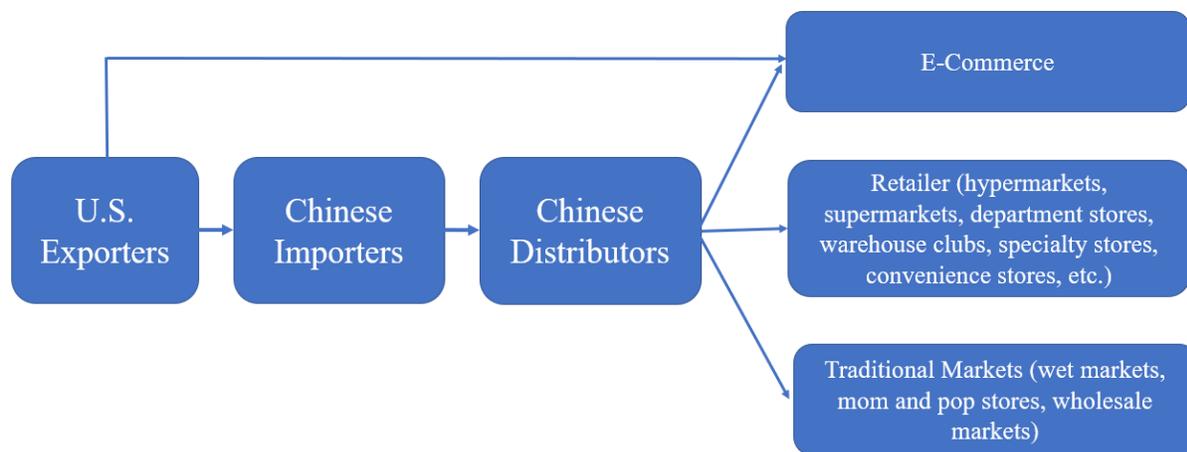
Working through a local business consultant may make sense considering continuing travel restrictions. Once restrictions are reduced or removed, exporters should consider attending retail industry trade shows, such as SIAL China, held in Shanghai each May, or China Shop, usually held each November in a different city and organized by the China Chain Store & Franchise Association.

Customs clearance procedures change frequently. When discussing potential sales, that exporters should consult with importers, distributors, and retailers to ensure that U.S. products comply with relevant Chinese rules and regulations. These contacts or their import agents should be able to explain and handle customs clearance, quarantine, labeling, and any licensing procedures. The FAIRS Country Report - Food and Agricultural Import Regulations and Standards and the accompanying FAIRS Export Certificate Report - Food and Agricultural Import Regulations and Standards are good sources for understanding customs requirements. However, in-country agents are best able to answer specific questions.

Market Structure

Food and agricultural products are sold and distributed through three main retail channels: e-commerce, offline (brick-and-mortar) retail, and traditional markets (Figure 1). Offline retail predominantly consists of hypermarkets (large urban stores combining grocery and home goods), supermarkets, department stores, warehouse clubs (e.g., Sam's Club and Costco), specialty stores, and convenience stores. Traditional markets still serve approximately 50 percent of the population daily, especially in rural and lower-tiered cities. The division between e-commerce and offline retail is quickly blurring as many e-commerce companies open offline grocery stores (the industry refers to this trend as "new retail").

Figure 1. Retail Distribution Channels



Company Profiles & Top Retailers

The sales revenue of the top 100 retailers in 2022 was RMB937 billion (\$133 billion), up 3.2% from 2021. Among them, more than half (52 companies) experienced negative sales growth. However, compared with the number (32 companies) in 2021, the overall situation has improved. Walmart continued to hold the number one position in the top 100 supermarkets ranking, after returning to it from the seventh in 2020 and the fourth in 2021.

E-commerce: Online retail continues to play an increasingly essential role in China for daily necessities. The pandemic over the last three years also greatly accelerated digitalization of businesses and the proliferation of e-commerce and consumer tech adoption. As a result, e-commerce is set to continue to be the main growth driver of retailing. Social media is gaining importance as a tool in e-commerce in China, especially WeChat, TikTok (Dou Yin). The use of key opinion leaders (KOLs) and key opinion consumers (KOCs) have become key drivers of e-commerce growth in China. Livestreaming gained immense popularity during the pandemic and shows that popularity shows no sign of abating.

In 2022, online retail sales reached RMB13.8 trillion (\$1.97) trillion, up 4 percent over 2021. Five major e-commerce players carry various products, including consumer-packaged foods. JD.com has risen to be the largest, surpassing Alibaba in 2022, followed by VIP.com (Wei Pin Hui), Suning.com, and Huitongda (Table 3).

Table 2. 2022 China Top 10 Supermarket and Convenience Store Chains

Supermarket			Convenience Stores	
Company	Sales (\$ Billions)	Number of Outlets	Company	Number of Outlets
Wal-Mart	15.6	365	MeiYiJia	30,008
YongHui	14.0	1,045	YiJie	28,006
RT Mart	13.1	592	Kunlun Haoke	20,600
CR-Vanguard	9.9	3,130	Tianfu	6,970
Wu-Mart and Metro	8.8	1,057	Lawson	5,641
Freshippo	8.7	300	FuRongXingSheng	5,398
LianHua	8.2	3,352	HongQiLianSuo	3,561
JiaJiaYue	4.5	928	7-Eleven	3,319
ZhongBai	3.2	880	ShiZuZhiShang	3,316
Century Hualian	2.6	4158	Family Mart	2,666

Source: China Chain Store & Franchise Association

Table 3. 2022 China E-Commerce Platforms Top Five

Ranking	E-commerce Platform	2022 GMV (USD millions)
1	JD.com	123,580
2	Alibaba	37,279
3	VIP.com (Wei Pin Hui)	13,893
4	Suning.com	12,720
5	Huitongda	11,348

Source: China Chain Store & Franchise Association

Section III. Competition

In 2022, China's consumer-oriented food imports reached \$109 billion, an increase of 6.5 percent over the previous year. China kept importing significant quantities of seafood, beef, pork, poultry, tree nuts, fresh fruit, and dairy products in 2022. The United States is the fourth largest supplier of consumer-oriented food products with an 8.7 percent market share, behind Thailand at 10.2 percent and New Zealand at 10.2 percent. China has signed 19 free trade agreements with 26 countries and regions. A further 10 FTAs are currently under negotiation, while 8 more are under consideration. These agreements provide lower or no tariffs, giving certain imported products a competitive advantage over comparable U.S. products.

Table 4. Major Consumer-Oriented Imports by Category

Product	Supplier Market Share	Noteworthy Developments
Beef & Products Imports \$18 billion	<ol style="list-style-type: none"> 1. Brazil: 42% 2. Argentina: 15% 3. Uruguay: 11% 4. United States: 10% 	U.S. beef and beef product exports reached a record high of \$1.8 billion in 2022. U.S. chilled beef has a significant market share and a very positive reputation in fine dining restaurants and supermarkets. For more information about exporting U.S. beef to China, see the China: Beef - New To China Market Product Report , and Growing Appetite for Imported Beef in Yangtze River Delta
Dairy Products Imports \$15 billion	<ol style="list-style-type: none"> 1. New Zealand: 45% 2. Netherlands: 17% 3. Australia: 7% 4. France 6% 5. United States: 5% 	U.S. dairy products received expanded market access under the Phase One Trade Agreement . U.S. dairy exports to China steadily increased in 2022.
Fresh Fruit Imports \$13 billion	<ol style="list-style-type: none"> 1. Thailand: 40% 2. Chile: 26% 3. Vietnam: 9% 4. Philippines: 5% 5. New Zealand: 5% 11. United States: 1% 	U.S. avocados, nectarines, and blueberries were granted new or expanded market access under the Phase One Trade Agreement . For more information about exporting selected fruit exports, please review the New-to-Market Reports for California Haas Avocados , Fresh Nectarines , and Fresh Blueberries . U.S. fresh fruit exports decreased in 2022 due to the lower production of cherries and citrus
Pork & Products Imports \$6.6 billion	<ol style="list-style-type: none"> 1. Spain: 26% 2. Brazil: 16% 3. United States: 15% 	U.S. pork and pork product exports to China decreased by 23% to \$1.6 billion in 2021 and continued to fall 23% more in 2022 to \$986 million because of China's increased domestic supply and weaker demand.
Poultry Imports \$4.2 billion	<ol style="list-style-type: none"> 1. Brazil: 37% 2. United States: 30% 	U.S. poultry and poultry product exports reached a record high of \$1.2 billion in 2022. For more information about exporting U.S. poultry and poultry products to China, see China: Poultry Meat- New To China Market Product Report .
Fish and Seafood Imports \$23 billion	<ol style="list-style-type: none"> 1. Ecuador: 16% 2. Russia: 13% 3. Vietnam: 9% 4. Peru: 8% 5. India: 6% 6. United States 7% 	U.S. seafood and fishery products received expanded market access under the Phase One Trade Agreement . U.S. Seafood exports to China increased in 2022.

Section IV. Best Product Prospects

The [Phase One Trade Agreement](#) included a commitment by China to make purchases of U.S. agricultural goods and address non-tariff barriers to U.S. agriculture and seafood products, including meat, poultry, seafood, rice, dairy, infant formula, horticultural products, animal feed and feed additives, pet food, and products of agriculture biotechnology. Tariff exclusions may lower the cost for Chinese importers of U.S. products. A [consolidated GAIN report](#) outlines the tariff exclusion process and a consolidated tariff rate table by HS code. NOTE: Chinese importers can only undertake the tariff exclusion process. However, U.S. exporters should be aware of the exclusion process, tariff rates, and how it may affect pricing. See also [China Extends Section 301 Tariff Exclusions](#).

Snack Foods: Imported snack foods, especially those perceived as healthy, such as tree nuts and dried fruits, are expected to increase as consumers renew their focus on healthy lifestyles.

Pet Food: Pet ownership continues to grow, and consumers are increasing their purchases of imported pet food. The Phase One Trade Agreement provided U.S. exporters with expanded market access. E-commerce has become the primary pet food sales platform.

Bakery Ingredients: The rapid growth of China's baking sector is driving demand for U.S. dairy products, tree nuts, edible oil, dried fruit, fillings, and other ingredients.

U.S. dairy products: Consumers are increasingly looking for nutritious products and incorporating more dairy and cheese into their diet. Retail packaged cheese shows promise.

Spirits, Beers, Wines: China's demand for imported beer, spirits, and wine has increased significantly over the past decade. 2021 witnessed the strong growth of China's importation of spirits and beer. The local spirits of China still dominate the market, while western spirits like whiskey and brandy have more and more influence on Chinese consumers' alcohol choices.

Table 5. Top Exports of U.S. Consumer-Oriented Food Products to China (\$USD Millions)

Product Category	2020	2021	2022	Year-over-year % change
Pork & Pork Products	2,143	1,660	986	-40.63
Beef and Beef Products	233	1,344	1816	35.12
Seafood	978	1,181	1,292	9.4
Poultry & Poultry Products (ex. eggs)	750	1,093	1,240	13.47
Tree nuts	637	1,048	822	-21.58
Dairy Products	553	725	723	6.64
Fresh Fruit	172	151	100	-34.13

Source: Trade Date Monitor

Section V. Key Contacts and Further information

Organization	Address	Telephone/Fax/E-mail
FAS, Office of Agricultural Affairs, Beijing (Manages trade policy)	U.S. Embassy, Beijing, No. 55 An Jia Lou Rd., Chaoyang District, Beijing, China, 100600	Tel: (86-10) 8531 3600 Fax: (86-10) 8531 3636 AgBeijing@usda.gov
FAS, Agricultural Trade Office, Beijing	U.S. Embassy, Beijing, No. 55 An Jia Lou Rd., Chaoyang District, Beijing, China, 100600	Tel: (86-10) 8531 3950 Fax: (86-10) 8531 3974 ATOBeijing@usda.gov
FAS, Agricultural Trade Office, Shanghai	U.S. Consulate General Shanghai, Shanghai Centre, Suite 331, 1376 Nanjing West Road, Shanghai, China, 200040	Tel: (86-21) 6279 8622 ATOShanghai@usda.gov
FAS, Agricultural Trade Office, Guangzhou	43 Hua Jiu Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong, China, 510623	Tel: (86-20) 3814 5000 Fax: (86-20) 3814 5310 ATOGuangzhou@usda.gov
FAS, Agricultural Trade Office, Shenyang	Suite 1903, North Media Building, No.167 Qingnian Street, Shenhe District, Shenyang, Liaoning, China 110014	Tel: (86-24) 2318 1380 2318 1338 Fax: (86-24) 2318 1332 ShenyangATO@state.gov

Attachments:

No Attachments