
TECHNICAL
PAPER

THE COFFEE SECTOR IN CHINA

AN OVERVIEW OF PRODUCTION,
TRADE AND CONSUMPTION



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Report providing information on production, export, import, processing, and consumption trends of coffee in China - covers special import regulations, such as certain types of declarations or inspections; packaging, marketing and labelling requirements (mainly relevant for roasted/ground/packed coffee); specific domestic business practices; and data on coffee niche markets; annexes include a list of green coffee suppliers to China; Tariff tables for coffee and coffee related products; sector related associations; selected industry standards and regulations; and worldmaps of coffee production and consumption.

Descriptors: **Coffee, Exports, Imports, Trade Statistics, Production, Consumption, Import Regulations, Standards, China.**

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English

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Foreword

The International Trade Centre (ITC) has a comprehensive approach to assist least developed countries' exporters in market development and the need of market diversification for key products in some priority sectors. This includes the improvement of market networks, increased knowledge of new market opportunities in emerging markets such as those of BRIC countries (Brazil, Russian Federation, India and China), as well as the promotion of South-South trade along the value chain.

Due to the negative impact of the global financial crisis, exporters from developing countries have recently faced shrinking or marginal export growth in many developed country markets. Traditional developed country markets account for around 80% of world imports, but the imports in large emerging markets, such as those of BRIC countries, are growing faster and have significant potential for exporters.

This report is one of several market studies on BRIC countries published by ITC in 2010. It has been prepared with many potential readers in mind: producers, exporters, importers, processors, organizations and other stakeholders in the coffee sector – both in China and in other parts of the world.

China is both an exporter and importer of green coffee as well as roasted coffee. The quantities of coffee produced and consumed are modest in a global context but are foreseen to grow significantly in the years to come. China produces around 40,000 tons of green coffee annually which is 0.5% of the world production of 8 million tons. Annual consumption is around 30,000 tons (0.025 kg only per capita) which is very low but increasing significantly – in particular among China's growing urban middle class.

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1. Introduction

1.1. Content of the report

The report comprises information on coffee production, export, import, processing and consumption in China. In addition to traditional data on the past, the present and some projections the report also describes:

- Special import regulations, such as certain types of declarations or inspections,
- Packaging, marketing and labelling requirements (mainly relevant for roasted/ground/packed coffee),
- Specific domestic business practices,
- Data on coffee niche markets,
- Foreign trade relations influence,
- Types of coffee traded (Arabica/Robusta),
- Countries of origin of the coffees imported.

1.2. Geographical scope

This report covers the mainland of the People's Republic of China, hereinafter referred to as China, but does not include Hong Kong SAR (Special Administrative Region) and Macao SAR, unless otherwise noted. Furthermore, figures and other information do not include Chinese Taipei, unless otherwise noted.

1.3. Sources

As the Chinese consumer market for coffee is still in the early stages of maturation, traditional institutions for record keeping and tracking industry trends do not yet exist as they do in more developed coffee markets. This report is based on a combination of primary and secondary data, collected from telephone interviews, news articles, press releases, published market research reports, and government statistical reporting.

2. General introduction to China

Figure 22.1 Map of China and surrounding countries



General information (2009)	Economic indicators (2009)
<p>Area: 9.6 million sq km</p> <p>Borders: 13 countries incl. India, Russian Federation and Viet Nam</p> <p>Time Zone: GMT+8</p> <p>Currency: RMB – Chinese Yuan</p> <p>Language: Mandarin (many local dialects)</p> <p>Population: 1.34 billion (annual growth rate: 0.66%)</p>	<p>GDP (PPP): US\$ 8,765 billion</p> <p>GDP per capita (PPP): US\$ 6,567</p> <p>GDP real growth rate: 8.7%</p> <p>Annual inflation rate: 1.9%</p> <p>Unemployment rate: 4.6% in urban areas</p>

Source: International Monetary Fund, CIA Fact Book, official government statistics.

With nearly 30 years of focused economic reform, China has emerged as one of the world’s biggest economies. At the end of 2009, China’s GDP surpassed Germany’s, making it the third largest economy in the world behind the United States and Japan.

China’s GDP grew by 8.7% in 2009, compared to increases of 9% in 2008 and 13% in 2007. The manufacturing industry was severely affected by lower consumption and shrinking export demand, especially in the first half of 2009. Moreover, some people lost their jobs or experienced salary cuts in 2009.

Stronger growth in the fourth quarter 2009 and first quarter 2010, partly resulting from government stimulus spending, led to fears that China’s rapidly expanding economy was overheating, particularly within the property market. Measures implemented by the government, which aimed to ease inflation and slow growth in the property sector, in early 2010 appear to be working. Second quarter GDP grew 10.3% in 2010, compared to 11.9% in the first quarter.

With China now playing an increasingly integral role in the global economy, the government now faces the challenge of balancing its long-term goal to shift the economy away from manufacturing and heavy industry, and more toward services, with its short-term goal of supporting continued economic growth.

A large, complex population segment, the urban middle class, will soon redefine the Chinese market. Throughout the 1980s and most of the 1990s, urban middle class consumers were almost non-existent. The Chinese Academy of Social Sciences (CASS), however, estimates that China’s “middle class” accounted for 19% of the total population in 2003. And this group is expected to grow to 40% of the total population in 2020. In recent years this phenomenon has led to an explosion in demand for luxury goods and services across all consumer sectors.

3. Coffee imports and exports

3.1. Imports and exports in 2009

Table 3.1 Figures for import and export of coffee in all forms in 2009

	Imports		Exports	
	Volume (tons)	Value* (US\$ '000)	Volume (tons)	Value (US\$ '000)
Coffee, not roasted – not decaffeinated (090111)	19,840	33,698	32,150	77,725
Coffee, not roasted – decaffeinated (090112)	28	128	0	0
Coffee, roasted – not decaffeinated (090121)	1,349	12,119	473	3,475
Coffee, roasted – decaffeinated (090122)	592	5,000	110	295
Coffee husks and skins (090130)	0	0	0	0
Coffee husks and skins, coffee substitutes (090190)	112	46	0	0
Coffee in all forms (0901)	21,921	50,991	32,733	81,495

Source: ITC Trade Map figures.

*All import values reported by China Customs are equal to cost plus insurance plus freight (CIF). Import values are net and do not include import duties.

**The figures in the first two rows (090111 and 090112) represent imports and exports of green coffee.

Table 3.2 Figures for import and export of extracts, essences, and concentrates of coffee

	Imports		Exports	
	Volume (tons)	Value (US\$ '000)	Volume (tons)	Value (US\$ '000)
Coffee extracts essences and concentrates (210111)	974	6,671	51	623
Coffee preparations based on extract/essence/concentrates (210112)	1,982	11,319	17,865	32,347
Tea or mate extracts, essences and concentrates and preparations (210120)	556	7,279	5,969	34,822
Chicory and other coffee substitutes (210130)	69	182	763	514
Total extracts essences and concentrates of coffee and tea (2101)	3,581	25,451	24,648	68,306

Source: ITC Trade Map figures.

*All export values reported by China Customs are FOB.

3.1.1. Imports

Green coffee made up 90% of imports in 2009. This trend has changed very little over the previous five years, based on China Customs data. China accounted for 0.25% of world gross imports of green coffee in 2008.¹

Total imports of green coffee equalled 19,868 tons. The main green coffee supplier was Viet Nam, with 86% of imports. This was followed by Indonesia with 6%, Brazil with 4% and Colombia with 1%. Also

¹ Most recent year for which worldwide figures are available. World import value was US\$ 16.25 billion; China import value was US\$ 40.88 million.

among the top-ten supplying countries, but each accounting for less than 2% of total imports by China, are Ethiopia, United Republic of Tanzania, Italy, Guatemala, Uganda and Costa Rica. Roughly 15 other countries combined provided the remaining 2% (See appendix I for a comprehensive list of countries supplying green coffee to China).

Table 3.3 Top ten suppliers of green coffee, by volume and value 2009

Top 10 ranked by volume			Top 10 ranked by value		
Rank	Country	Volume of imports by China 2009 (tons)	Rank	Country	Value of imports by China 2009 (US\$ '000)
1	Viet Nam	17,131	1	Viet Nam	27,511
2	Indonesia	1,228	2	Brazil	2,185
3	Brazil	855	3	Indonesia	2,107
4	Colombia	202	4	Colombia	666
5	Ethiopia	121	5	Ethiopia	362
6	United Republic of Tanzania	74	6	Italy	193
7	Italy	45	7	Guatemala	145
8	Guatemala	39	8	United Republic of Tanzania	141
9	Uganda	21	9	Costa Rica	72
10	Costa Rica	20	10	Papua New Guinea	50

China Customs does not maintain detailed records for the trade volumes and values for types of coffee beans. It is estimated, however, that Robusta accounts for around 85% to 95% of green coffee imports. This estimation is based mainly on the high percentage of imports from Viet Nam, where Robusta is the prominent variety produced. The relatively higher value of exports compared to imports also supports this (see section 3.1.3. below regarding ratio calculations for value of imports and exports).

While African countries account for a small share of China's coffee imports, it is worth noting that China provides a "special preferential duty" of 0% on imports of green coffee from 31 countries in Africa (see Appendix II).

3.1.2. Exports

Green coffee accounted for 98% of China's exports of coffee in all forms in 2009. Customs data indicate that 100% of green coffee exports were non-decaffeinated. The value of China's green coffee exports accounted for 0.37% of world gross exports in 2008.²

China's coffee exports experienced a significant volume spike in 2009, rising 51% from the previous year. But because of the worldwide decline in coffee prices in 2009, the growth in value of China's exports in US dollars during the same period was 29%. Exported green coffee comprises 80%-90% of the coffee produced in China, which mostly originates from the south-western provinces of Yunnan and Hainan.

A small contributor to the growth in exports was an agreement signed in February between Yunnan Dehong Hogood Co., Ltd. and Switzerland-based ECOM Coffee Group. The accord called for the Chinese company to export 240 tons of coffee per month, starting in April 2009, directly to ECOM's subsidiary Atlantic Inc., a US-based green coffee importer. This agreement came about as part of Yunnan Hogood's increasing efforts to establish its own brand on the global market. In 2008 Yunnan Hogood had announced that it would phase out the selling of beans to Nestlé, ending a 10-year partnership between the two companies. The agreement was also significant because it signalled the first time that China would directly

² Most recent year for which complete worldwide figures are available. World export value was US\$ 16 billion; China export value was US\$ 60 million.

export its own coffee. Before, Chinese coffee only reached foreign consumers through multinational coffee suppliers, such as Nestlé and Starbucks.³

Total exports of green coffee from China equalled 32,734 tons. Major export destinations for green coffee were Germany with 52%, Japan (20%), Republic of Korea (6%), Saudi Arabia (5%), Belgium (5%), the United States (4%), and France (3%). Around 18 other countries account for the remaining 4% of exports.

3.1.3. Value ratios for exports and imports

The average price of exported green coffee was US\$ 2.42 per kg, while the average price for imported green coffee was US\$ 1.70 per kg. The export/import price ratio of 140% would suggest that green coffee exports are primarily Arabica varieties, while imports are primarily the cheaper Robusta variety.

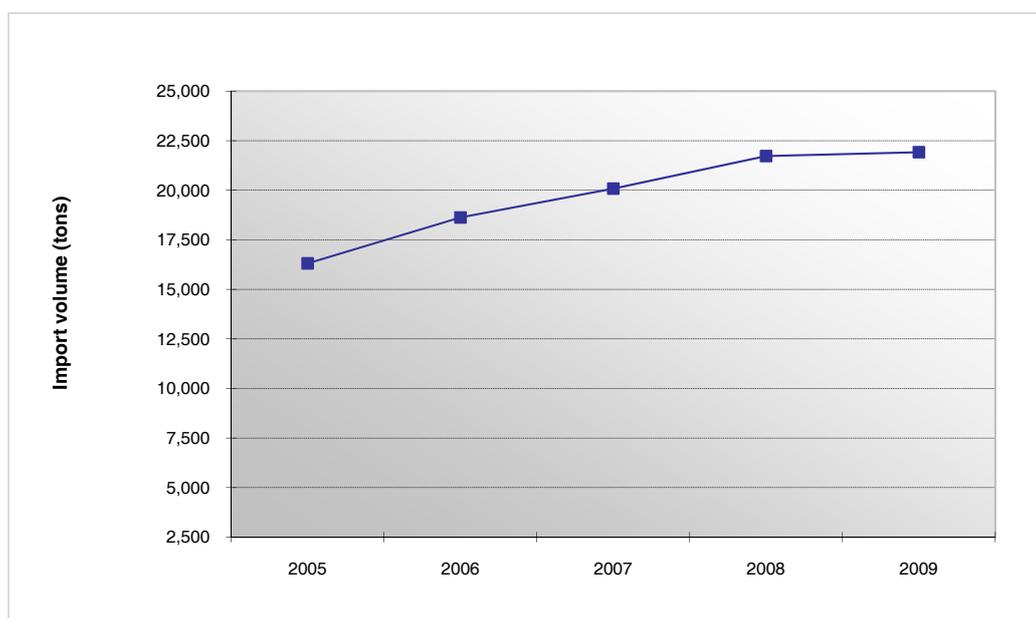
The export/import price ratio for roasted coffees is 73% only (6.47 US\$ for exports vs. US\$ 8.82 for imports), which is explained by a combination of factors: firstly, the values of exports are FOB and the values of imports are CIF; secondly, the grade and quality of imports is higher than that of exports. This second point most likely reflects the ever growing number of international hotel chains and specialty coffee chains opening in China, where higher quality, imported coffee is often served.

3.2. Import and export trends 2004-2009

3.2.1. Coffee import trends

Coffee imports rose steadily from 2004 through 2008. The effects of a global decline in total coffee exports in 2009 were evident, however, in a mere 0.08% increase in imports for China in 2009 over the previous year. This is compared to an average annual increase of 10% for the years 2005 to 2008.

Figure 3.1 Total coffee (HS0901) imported, 2005-2009



Source: Data obtained from ITC Trade Map website.

While imports for 2010 are not expected to return immediately to the trend of 10% year-on-year growth, they are expected to continue to increase, according to local industry experts.

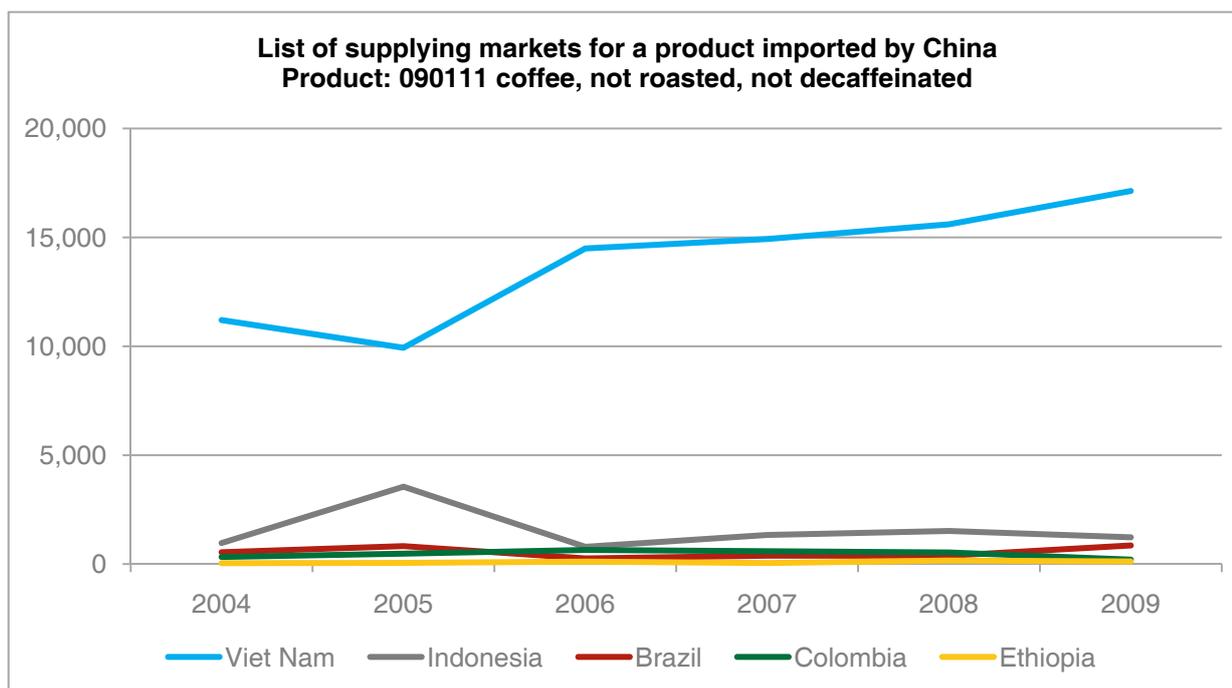
³ Xinhua News Agency.

According to ITC calculations, the average estimated tariff applied by China for coffee in all forms during the period 2004-2008 was 12.4%. This was nearly double the world average of 6.5%.

3.2.2. Major suppliers of green coffee to China

Viet Nam has been the top supplier of green coffee to China for at least the past 10 years. China experienced a 53% increase in green coffee imports from Viet Nam between 2004 and 2009. This is compared to a 48% increase in green coffee imports from all suppliers worldwide in the same time period. Non-decaffeinated beans comprise 99% to 100% of China's annual green coffee imports for the past ten years.

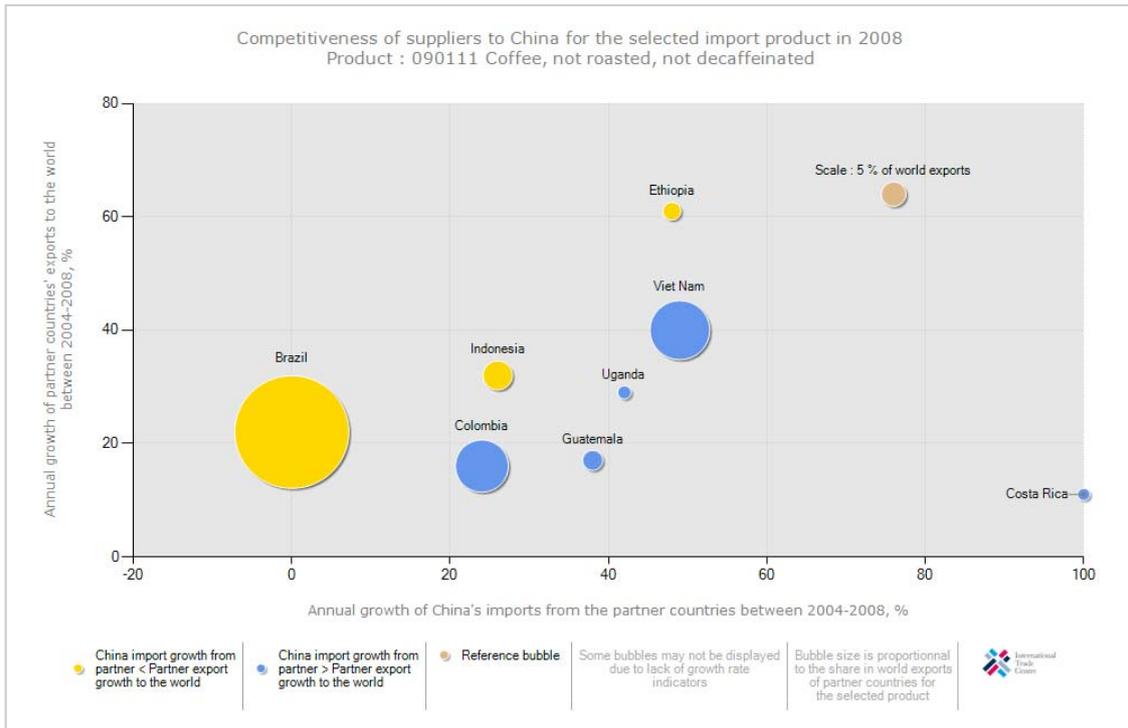
Figure 3.2 Supplying markets for green coffee imported by China



Source: ITC Trade Map website.

Despite Viet Nam's dominant share of the market for green coffee supplied to China, it is notable that the increase in imports from Colombia, Guatemala, Uganda, and Costa Rica between 2004 and 2008 exceeded each of these countries' respective export growth to the rest of the world during the same period (See chart below).

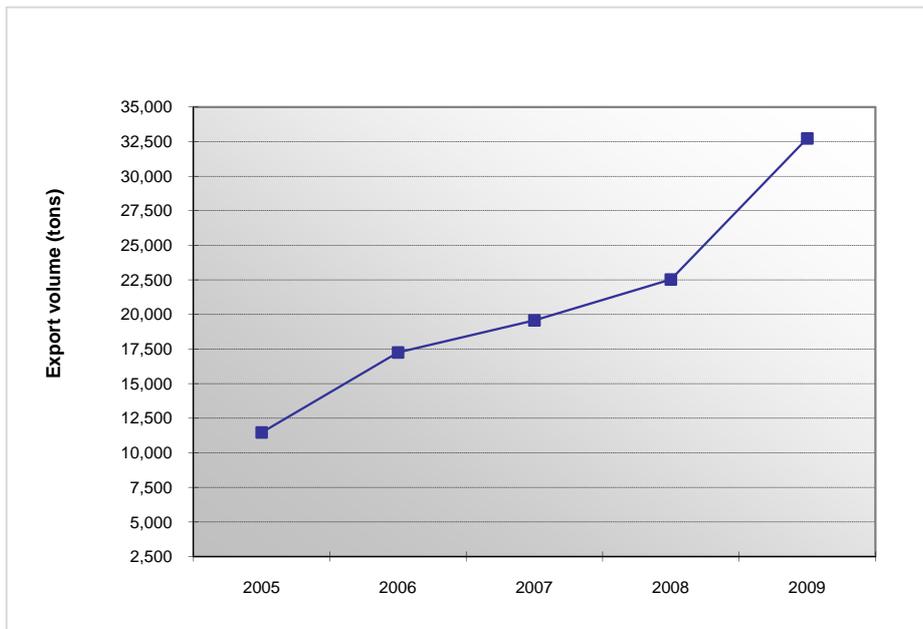
Figure 3.3 Growth in exports of green coffee to China for selected suppliers



3.2.3. Coffee export trends

China exported a total of 103,564 tons of coffee in all forms from 2005 to 2009, nearly 96% of which was green coffee. The average annual growth in exports of green coffee during the period was 32%, with the largest single year-on-year growth in exports occurring in 2009 (51%) and the smallest growth in 2007 (12%).

Figure 3.4 Total coffee (HS0901) exported, 2005-2009



Source: Data obtained from ITC Trade Map website.

Exports of green coffee primarily went to Germany and Japan in the previous five years – together accounting for 70% of the volume of green coffee exports from China from 2005 to 2009. Germany's share of China's green coffee exports jumped from around 41% in 2008 to 52% in 2009. This is primarily because the volume of green coffee exported to Germany nearly doubled, going from 8,665 tons in 2008 to 16,576 tons in 2009.

Other countries that saw large volume increases (more than 400 tons) in imports of green coffee from China were the Republic of Korea, 2,001 tons in 2009 compared to 452 tons in 2008; the United States with 1,199 tons in 2009 compared to 310 tons in 2008; and France with 1,041 tons in 2009 compared to 629 tons in 2008.

The export volume of roasted coffee, though small in absolute terms in comparison to green coffee, jumped 228% between 2005 and 2008. The volume dropped 52% in 2009 over the previous year, however.

Hong Kong SAR and the Republic of Korea have consistently been the two main importers of roasted coffee from China, each accounting for just less than 50% of total exports from 2006 to 2008. However, when the volume of roasted coffee exports was cut roughly in half in 2009, it translated to only a 13% decrease in exports to Hong Kong, while there was a more than 93% decrease in exports to the Republic of Korea. While this could indicate a growing trend for domestic consumption of roasted and ground coffee in China, customs data available from ITC suggests that another contributing factor was the Republic of Korea's large increase in imports of roasted coffee from Singapore in 2009.

4. Coffee consumption

4.1. Coffee consumption in 2009

The retail sales volume of coffee in China was slightly more than 30,000 tons in 2009. This translates to just over 0.02 kg per capita per year. However, it is China's growing urban population of 600 million people that accounts for an estimated 90% of coffee consumption in the country. This would put annual per capita consumption by the target consumer market around 0.05 kg.

Table 4.1 Per capita coffee consumption in selected countries

Country	Coffee consumption (per capita, per annum, kilograms)
Finland	12.0
Norway	9.6
Denmark	8.9
Sweden	8.4
Germany	6.5
Italy	5.8
France	5.3
Brazil	5.3
United States	4.1
Japan	3.4
United Kingdom	2.8
Russian Federation	1.6
Ethiopia	1.4
Mexico	1.1
Viet Nam	0.6
Indonesia	0.5
Chinese Taipei	0.5
India	0.08
China	0.02

Source: ITC estimations in 2009.

Rising consumer income and increasing standards of living, as well as awareness of better-off lifestyles, especially among the growing number of middle-class consumers, have boosted the demand for high-quality products. According to Euromonitor International, fresh coffee, though much more expensive than instant coffee, grew by double digits in both volume and value in 2009, faster than growth for instant coffee.

Although there has been a consistent increase in consumption of roasted and ground coffee in recent years, instant coffee still accounts for well over 90% of consumptions, with some estimates as high as 99%. Fresh coffee remains a niche category of the coffee market. This is partly because of relatively high prices and the low penetration of coffee machines in China. But fresh coffee manufacturers are exploring ways to develop the Chinese market. For example, to promote sales of fresh coffee beans, some manufacturers and distributors provide coffee machines free of charge to offices and households.

As such, fresh coffee is primarily consumed by Chinese drinkers outside of the home (in cafés and restaurants) because many coffee drinkers do not know how to brew coffee or do not want to invest in the cost of a coffee machine.

Chinese coffee drinkers tend to eat while they drink. Therefore, “coffee-to-go” sales are not as prevalent as in Western countries. But the trend for on-the-go consumption is rising. Nestlé launched single-cup packaging for instant coffee in 2009. The product is widely available in convenience stores in China’s more developed cities.⁴ In early 2010 Starbucks announced that it plans to enter the instant coffee market in China with the launch of its VIA Coffee Essence line, currently available in Japan, the United States, Canada, and the United Kingdom.

There were around 560 cafés belonging to coffee chains in China in 2009, according to Euromonitor International. Starbucks currently has more than 300 outlets in mainland China. The company has around 400 outlets in Hong Kong SAR, Macao SAR, and Chinese Taipei. Starbucks expects China eventually to surpass Japan to become the company’s second largest market in the world.⁵

China’s café culture

Coffee house regulars are mostly young (20-40 years), affluent, fashion-conscious, urban Chinese. Foreign travellers and expatriates account for 15% to 25% of coffee house customers.

Chinese patrons of gourmet and specialty coffee houses prefer lattes, cappuccinos, and mochas to espressos, which they consider to be too bitter.

Coffee-themed, casual dining restaurants (i.e. DIO Coffee, New Island Coffee,) experienced booming popularity in the early 2000s, and are still very common in most first and second-tier cities in China. This is not necessarily for coffee consumption – but possibly because of coffeehouse-style atmosphere.

Chinese primarily **go to coffee shops for:**

- Music and ambience
- Branded wares – coffee mugs, thermoses, etc.
- Variety of fresh pastries, cookies, etc.

Most Chinese **patrons in coffee shops are:**

- Business people meeting
- Friends meeting
- Couples (on a date)

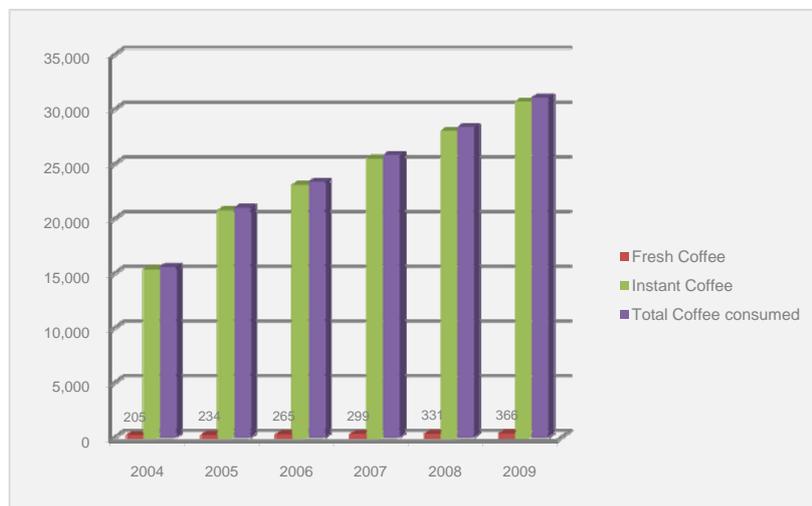
⁴ Chinese cities are classified into tiers based on a range of socio-economic, historical, and cultural factors. The criteria for different tier classifications are loosely defined, though are often referred to in general terms by the government, local and foreign media as well as economists and market research firms when discussing stages of development of different cities and urban development plans. First-tier cities comprise China’s political capital Beijing, its financial capital Shanghai and the centres of its export-based economy, Guangzhou and Shenzhen. Most China experts agree on this classification of tier-one cities, but opinions vary greatly when trying to define tier-two, tier-three cities (and beyond), with some experts claiming there are as many as 60 Chinese cities that fit into tier-two status while others limit the number to 15.

⁵ www.economicstimes.indiatimes.com/articleshow/5802125.cms.

4.2. Trends in coffee consumption 2004-2009

Instant coffee (including 3-in-1, i.e. coffee, sugar and creamer) has always been the predominant form of coffee consumed in China. Base sales of fresh coffee remain relatively low compared to instant coffee, but the trend is toward increased consumption of coffee in this form.

Figure 4.1 Retail sales of coffee by type, 2004-2009 (kilograms)



Source: Industry associations, media reports, company research, tele-interviews, Euromonitor International.

Sales of fresh coffee, which includes fresh ground coffee as well as fresh coffee beans, rose by an average of 12% per year from 2004 to 2009. The rate of increase declined by 1%-2% each year during that period, however, the low base sales of fresh coffee make it difficult to forecast whether this trend will continue in the next five years.

5. Coffee production

Detailed figures for production coffee are not readily available in China. According to local media and the Forestry Department of Yunnan Province, green coffee production was close to 40,000 tons in 2009, but some sources say 30,000 tons only.

China's primary coffee growing region is in Yunnan Province, which accounts for 98% of China's coffee bean production. Nearly 100% of Yunnan's coffee bean production is Arabica, predominately of the Catimor variety. Some Bourbon and Typica varieties are also found in the province's Baoshan area. Yunnan is unsuitable for most other bean varieties because of its generally high altitude and mountainous terrain, which experience frequent frost during the winter. Previous attempts to grow Robusta, Liberica, and Excelsa beans in Yunnan have been largely unsuccessful.

Robusta beans are mainly grown in Hainan provinces, with around 300 tons of green beans produced annually.

Figure 5.1 Coffee growing regions in China



As noted earlier, most of the coffee grown in China is eventually exported – usually indirectly by international coffee suppliers. Instant coffee (including 3-in-1), which accounts for the majority of coffee consumed domestically, is mainly produced from imported Robusta varieties.

Table 5.1 Coffee planting areas and coffee tonnage in Yunnan; 2003-2009

Region	Year	Planting area (hectares)	Production (tons)
Yunnan Province	2003	20,062	20,207
	2004	~20,000	21,000
	2007	23,333	28,500
	2008	25,333	30,000
	2009	26,667	~40,000

Source: Forestry Department of Yunnan Province.

As of April 2010, the total planting area in Yunnan province was around 29,000 hectares, 54% of which was experiencing severe drought. According to Yunnan Daily News, 40% of the new coffee saplings planted in 2009 withered and died because of extended periods without rain. The economic loss was estimated at about RMB 600 million (US\$ 88 million)⁶.

It is expected that 2010 will see a decline in output compared to recent years, and this trend likely will continue for several years because the growing period for coffee plants, from planting to fruit, is around three years. The draught not only will influence the quality and quantity in 2010, but also outputs in 2011 and 2012. Industry experts estimate that coffee output may decline by about 19% in 2010, 15% in 2011 and 14% in 2012 – others see it increase.

⁶ US\$ 1 = RMB 6.83 (as of April 2010).

Some sources suggest that Chinese coffee authorities exaggerate the effect of the drought on coffee production. According to some ITC sources, Yunnan's coffee production is estimated to increase by as much as 80% between 2009 and 2016.⁷

6. Domestic competition landscape

6.1. Estimated market shares

Nestlé and Guangzhou Kraft accounted for more than 80% of retail value sales of coffee in China in 2009. This trend has been consistent for several years. Nestlé's dominant market share is largely attributed to "first-comer advantage", given that it set up a Nescafé factory in Guangzhou Province in 1988. This has made it difficult for domestic players to compete with these multinational companies.

Table 6.1 Estimated coffee company shares 2009; per cent of retail value

Company	Coffee brands	2009
Nestlé (China) Ltd.	Nescafé	68
Guangzhou Kraft Food Co., Ltd.	Maxwell House	14
Jiangsu Mocca Food Co., Ltd.	Mocca	1
Dalian UCC Ueshima Coffee Co., Ltd.	UCC	1
Shantou Gold Roast Food International Co., Ltd.	Bencafé	<1
Hainan Haikou Lisheng Coffee & Foods Co., Ltd.	Lisun	<1
Changzhou Super Coffee Beverage Co., Ltd.	Super	<1
Others	-	14
Total		100

Source: Industry associations, media reports, company research, tele-interviews, Euromonitor International.

6.2. Development of local coffee producers

The following introduction to Dehong Hugu Coffee Co. (referred to elsewhere in this report as "Yunnan Hogood") was adapted from the English-language product sourcing website, www.tradekey.com. It is reprinted here (slightly shortened) to provide an example of how some Chinese coffee producers are expanding their businesses and developing their approach to both the Chinese and international markets.

⁷ This estimation was made before the announcement on promotion of coffee cultivation by the Yunnan and Pu'er governments.

'Dehong Hugu Coffee Co., Ltd. was founded by Dehong Hongtian Industry (Group) Co., Ltd. and Yunnan Investment Administration Co., Ltd., with a registered capital of RMB 150 million. Our planting area covers nearly 6,666 hectares. Annual production capacity will be over 10,000 tons after all coffee is put into production. Based on plans for continuous expansion, our planting areas will reach 13,334 hectares, which can produce 25,000 tons of green beans, in 2012 as expected.

We carry out GAP standard to cultivate and manage plantations in unification, which ensures coffee quality is steady and superior. Our high altitude Arabica coffee beans are known for special flavour and aroma. We have been nominated as priority supplier by several multinational companies.

Now, we have a 3,000-ton spray-drier instant coffee plant. Our products are popular both at home and abroad. With continuous business development, we plan to introduce key techniques and equipment from Brazil to build a freeze-dried instant coffee plant with production capacity of 4,000 tons, and a 4,000-ton agglomerated instant coffee plant.⁷

Our company has been confirmed as a high-tech enterprise of Yunnan and has been ranked by Yunnan Science Administration as one of the first batch of enterprises preparing to appear on the stock-market. We are planning to go on the market in 2011, which will be the first listed coffee enterprise in China.⁸

6.3. Coffee companies and brands

The following list is an unrefined ranking of the top 20 coffee companies on the Chinese market in terms of sales turnover. The list contains the most recent (2008 or 2009) turnover figures reported by the individual companies to local authorities. The main criterion for companies to appear on the list is that coffee processing be included in the business scope. The figures in red indicate companies where sales turnover may include sales of non-coffee products. For this reason, the list might not be exhaustive. It is provided here for reference purposes.

Table 6.2 Coffee companies, brands and turnover

	Company	Area	Ownership type	Turnover (US\$ m)	Brands	Coffee-related business	Product scope
1	Nestlé Guangdong Co., Ltd.	Guangdong	Foreign investment	343.21	Nescafé, Nespresso	Processor, coffee retail shops	Instant coffee powder, 3-in-1 coffee powder
2	Kraft Guangdong Food Co., Ltd.	Guangdong	Foreign investment	22.37	Maxwell House	Processor	Instant coffee powder, 3-in-1 coffee powder
3	Changzhou Super Coffee Beverage Co., Ltd.	Jiangsu	Foreign investment	13.36	Super	Processor	Instant oatmeal, instant coffee, compound beverage, expanded food, milk tea
4	Zhuhai Jierong Food Co., Ltd.	Guangdong	Joint venture	9.67	TWG	Processor	Coffee beans, coffee powder, English style tea powder, coffee machines
5	Mocca Food Co., Ltd.	Jiangsu	Foreign investment	8.85	Mocca	Processor	Coffee production

⁸ Figures in this text box are claims made by Dehong Hugu and have not been verified for this report.

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	Company	Area	Ownership type	Turnover (US\$ m)	Brands	Coffee-related business	Product scope
6	Hainan Haikou Lisheng Coffee & Foods Co., Ltd.	Hainan	Shareholding	3.58	Lisun	Processor	Instant coffee powder, 3-in-1 coffee powder, coconut powder
7	Yunnan Coffee Co., Ltd.	Yunnan	State owned	1.92	Leshou, Jin Xiagu	Processor	Roasted coffee beans, R&G coffee powder
8	Beijing G.E.O. Coffee Co., Ltd.	Beijing	Foreign investment	1.77	GEO	Processor	Roasted coffee beans, instant coffee powder
9	Shanghai Dehui Food Co., Ltd.	Shanghai	Foreign investment	1.35	Yuanshuai	Processor	Roasted coffee beans, instant coffee powder, 3-in-1 coffee powder, sugar
10	Ruixu Food (Shanghai) Co., Ltd.	Shanghai	Foreign investment	1.31	Ruichang	Processor	Instant coffee powder, coffee mate, other soft drinks
11	Render Coffee (Shanghai) Co., Ltd.	Shanghai	Foreign investment	0.90	YMIR, OCEAN, ORO, IRIS and CIRC	Processor	Roasted coffee beans, coffee machines
12	Arabica Roasters Beijing Co., Ltd.	Beijing	Foreign investment	0.75	Arabica Roasters Coffee, Youdai Coffee	Processor	Roasted coffee beans, R&G coffee powder
13	Aroma Coffee (Shanghai) Co., Ltd.	Shanghai	Foreign investment	0.44	AROMA	Processor	Instant coffee powder, 3-in-1 coffee powder
14	Shanghai UBCCN Coffee Food Co., Ltd.	Shanghai	Foreign investment	0.38	U.B.C	Processor, coffee retail shops	R&G coffee, instant coffee
15	Qiaosheng Coffee (Shanghai) Co., Ltd.	Shanghai	Foreign investment	0.37	FIGARO	Processor	Roasted coffee beans, R&G coffee powder
16	East Daling Beijing Coffee Food Co., Ltd.	Beijing	Foreign investment	0.30	Daling	Processor	Roasted coffee beans, coffee drinks, cocoa powder
17	Beijing Ruigele Coffee & Foods Co., Ltd.	Beijing	Foreign investment	0.29	Rugular	Processor, coffee retail shops	Roasted coffee beans, R&G coffee powder
18	Shanghai Rongyi Food Co., Ltd.	Shanghai	-	0.13	Rongyi	Processor, coffee pot agent	R&G coffee powder
19	Carmo Coffee Co., Ltd.	Shanghai	Foreign investment	0.11	Carmo	Processor, coffee retail shops	Roasted coffee beans, R&G coffee powder
20	Shanghai Jiachun Coffee Co., Ltd.	Shanghai	-	0.08	Leishen	Processor, coffee agent	R&G coffee

Source: Administration of Industry and Commerce, People's Republic of China.

Appendix I Green coffee suppliers to China

Exporters	2005 Imported quantity, tons	2006 Imported quantity, tons	2007 Imported quantity, tons	2008 Imported quantity, tons	2009 Imported quantity, tons
World	15,011	16,741	17,580	18,746	19,840
Viet Nam	9,931	14,492	14,927	15,601	17,131
Indonesia	3,552	793	1,337	1,521	1,228
Brazil	823	259	382	385	855
Colombia	478	645	587	533	202
Ethiopia	71	115	47	163	121
United Republic of Tanzania	7	16	1	0	74
Italy	0	18	4	3	45
Guatemala	5	12	12	16	39
Malawi	0	0	0	1	34
Uganda	54	227	156	257	21
Costa Rica	8	0	1	96	20
Papua New Guinea	7	7	61	0	18
Rwanda	0	19	0	58	18
Mexico	2	0	0	0	17
Republic of Korea	0	0	0	0	12
India	19	0	0	0	7
Dominican Republic	7	9	7	5	5
Honduras	12	1	3	5	5
Cameroon	0	0	0	0	3
Nepal	0	0	0	0	2
Jamaica	0	0	1	1	1
Kenya	1	55	3	5	1
Chinese Taipei	15	22	42	13	1
Nicaragua	0	0	0	38	1
Peru	4	4	2	1	1
United States of America	4	7	3	6	1
Zambia	0	0	0	19	1
Guinea	8	10	0	0	0
Haiti	0	1	0	0	0
Syrian Arab Republic	0	0	0	0	0
United Arab Emirates	0	0	0	0	0
Australia	5	0	0	0	0
Austria	0	0	0	0	0
Belgium	0	0	0	0	0
Bolivia	0	0	0	0	0
Belarus	0	0	0	0	0
China	0	2	0	0	0
Cuba	0	0	1	0	0
Denmark	0	0	0	0	0
Dominica	0	0	1	0	0
Ecuador	4	0	0	0	0
El Salvador	0	0	0	17	0
France	0	0	0	0	0
Germany	1	0	0	0	2

Exporters	2005 Imported quantity, tons	2006 Imported quantity, tons	2007 Imported quantity, tons	2008 Imported quantity, tons	2009 Imported quantity, tons
Israel	0	0	0	0	0
Japan	4	0	0	0	0
Kuwait	0	0	0	0	0
Netherlands	0	0	0	0	0
Panama	0	10	0	0	0
Philippines	4	0	1	2	0
Portugal	0	0	0	0	0
Timor-Leste	0	15	0	18	0
Russian Federation	0	0	0	0	0
Saudi Arabia	0	0	0	0	0
Singapore	0	0	0	0	0
Sweden	0	0	0	0	0
Switzerland	0	0	0	0	0
Thailand	0	0	0	0	0
United Kingdom	0	0	0	0	0
Yemen	0	0	0	0	0

Source: ITC Trade Map website.

Appendix II Tariff tables for coffee and coffee related products

The following tariff tables were adapted from ITC's Market Access Map website.

(090111) Coffee, not roasted, not decaffeinated	
(090112) Coffee, not roasted, decaffeinated	
Trade regime	Aggregated applied ad valorem tariff
MFN duties (applied)	8.00%
Non-MFN tariff	50.00%
Regional tariff preference (ASEAN) for Thailand	0.00%
Preferential tariff for Lao People's Democratic Republic	0.00%
Preferential tariff for Chile	0.00%
Special Preferential Duty (SP) for 31 African countries	0.00%
Preferential tariff for New Zealand	4.80%

(090121) Coffee, roasted, not decaffeinated	
Trade regime	Aggregated applied ad valorem tariff
MFN duties (applied)	15.00%
Non-MFN tariff	80.00%
Regional tariff preference (ASEAN) for Thailand	0.00%
Preferential tariff for Lao People's Democratic Republic	0.00%
Preferential tariff for Hong Kong SAR	0.00%
Preferential tariff for Macao SAR	0.00%
Preferential tariff for Chile	9.00%
Preferential tariff for New Zealand	9.00%

(090122) Coffee, roasted, decaffeinated	
Trade regime	Aggregated applied ad valorem tariff
MFN duties (applied)	15.00%
Non-MFN tariff	80.00%
Regional tariff preference (ASEAN) for Thailand	0.00%
Preferential tariff for Lao People's Democratic Republic	0.00%
Regional tariff preference (ASEAN) for Brunei	5.00%
Regional tariff preference (ASEAN) for Indonesia	0.00%
Regional tariff preference (ASEAN) for Myanmar	5.00%
Regional tariff preference (ASEAN) for Malaysia	0.00%
Regional tariff preference (ASEAN) for Philippines	5.00%
Regional tariff preference (ASEAN) for Singapore	0.00%
Regional tariff preference (ASEAN) for Thailand	5.00%
Regional tariff preference (ASEAN) for Viet Nam	5.00%
Preferential tariff for Macao SAR	0.00%
Preferential tariff for Pakistan	13.50%
Preferential tariff for Chile	9.00%
Special Preferential Duty (SP) for 31 African countries	0.00%
Preferential tariff for New Zealand	9.00%

Appendix III Relevant industry associations

No.	Association (EN)	Web	Address (EN)	Contact information
1	China Coffee Association Beijing	www.ccab.org.cn	1 Floor, D Building, No. 8, Chaoyang Gate North Avenue, Beijing	Tel: +86 010 6554 2738 Fax: +86 010 6554 2075
2	China Coffee Information	www.coffeeinfo.com.cn	208 Room, 2 Floor, Leyou Hotel, No. 13, South 3rd Ring Road, Chaoyang District, Beijing	Tel: +86 010 6605 8203 Fax: +86 010 6605 8203
3	Yunnan Province Coffee Association	N/A	N/A	Tel: +86 0879-2122585
4	China Fruit Marketing Association; Coffee Beans Branch	www.china-fruit.com.cn	No. 45, Nei Avenue, Fuxing Gate, Beijing	Tel: +86 010-66024208
5	Coffee Association of Fujian	www.fjcoffee.org	12 Floor, A Building, Tianli Building, Wusi Road, Fuzhou, Fujian Province	Tel: +86 591 8785 0709
6	Hainan Coffee Association	www.hncoffee.org	A3 Room, 9 Floor, Zhongyan Building, No. 11, National Trade Yusha Road, Haikou, Hainan Province	Tel: +86 898 6852 1268 Fax: +86 898 6855 7018
7	Coffee Association of Guangzhou	www.gzcoffee.cn	7 Floor, No. 318, Guangyuan Middle Road, Guangzhou, Guangdong Province	Tel: +86 020 8156 8165 Fax: +86 020 8155 4657
8	Hangzhou Coffee Western-style Food Association	N/A	No. 133, Fengqi Eastern Road, Hangzhou, Zhejiang Province	Tel: +86 571 8377 0391
9	Specialty Coffee Association Of China	www.scacoffee.org	309 Room, Yuexing Yuan, No. 5, Zhuzi Backstreet, Panfu Road, Guangzhou, Guangdong Province	Tel: +86 020 3971 6819 Fax: +86 020 8354 0054

Appendix IV Selected industry standards and regulations

Note: this section is not a comprehensive list of all relevant coffee industry standards and regulations. Local trade associations and commerce ministries, located within exporting countries, may be able to provide a more comprehensive list of relevant regulations.

Requirements for imported instant coffee

- The Chinese government requires a certificate of origin, sanitary inspection and production date on all imported instant coffee.
- The Chinese government requires food labelling on consumer packages, including the food's name, ingredients used, country of origin, name and address of the franchisee in China, date it was produced, date of expiration and storage information. (The food labelling in Chinese can be applied to the package before entering China, but it should pass a "CCIB" audit).
- The Chinese government requires that imported packets of instant coffee pass through the animal and plant quarantine with the relevant government department.
- The Chinese government requires importers to have an import and export permit, and an import sanitation licence.

Requirements for handling import-export food labelling

Scope of products that require import-export food labelling verification:

1. All imported and exported prepackaged food.
2. All imported food that is repackaged in smaller units within China or forfeited to Chinese customs.
3. All tax-free food.
4. All food that international airlines sell during international service. (The verification of this kind of imported food will be coordinated by the State Bureau of the Administration for Industry and Commerce.)

Files that must be submitted by applicants include:

1. Application form for import and export food labelling verification.
 2. Business licence from the producer and distributor.
 3. Seven food label samples. The samples should be complete labels that are identical to those which will actually be used during the import-export and retail processes.
 4. When claims have been specifically emphasized on the food labelling (for instance: "natural ingredients", "high-calcium", "low in calories"); or there are claims about age, wine storage time, or other special qualities, the producers or distributors should provide explanatory materials for these characterizations.
- The imported food labelling should also include the official certificate allowing its sale in the country of origin and a certificate stating its production origin.
 - The exported food labelling should also provide the export sanitation licence; applicants should affix the official seal to the application materials.
 - All of the imported food's information that is in English must be translated into Chinese.
 - Two copies of all the application materials (except the food labelling sample) must be provided; one for an entrusted third party inspection organization and one for the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China. Seven food label samples are required: one for an entrusted third party inspection organization and six for the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China.

- Ensure that the characters, images, and symbols on the food label samples are legible and complete. The food label samples must be submitted in paper format.
 1. The samples will be used to make certificates; if the sample is larger than A4 paper, the label's material is difficult to make into a certificate, or the actual package of samples is difficult to display the sample should be submitted as a photograph or in scanned format (any scaling should be noted on the labelling)
 2. The size of the sample submitted cannot be larger than A4 paper.
- Translations of the imported food label should be duplicated, with one given to an entrusted third party inspection organization and one for the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China.
- For imported food that requires a Chinese food label to be attached to it, the Chinese label should be attached in a fixed position on the principal layout page. The applicant should submit a complete label with the Chinese food label attached. (The position and content of the attached food label in Chinese should be the same as the one which passed the earlier verification). There is no need to translate the content covered by the attached Chinese food labelling.

Appendix V The international coffee trade – ITC's Coffee Guide website

For more information about the coffee trade:

www.thecoffeeguide.org

The Coffee Guide website, www.thecoffeeguide.org is based on one of the International Trade Centre's most demanded publications over time: *Coffee – An exporter's guide*.

The website contains more than 500 continuously updated text boxes in 14 Chapters:

- 01 World coffee trade
- 02 The markets for coffee
- 03 Niche markets, environment and social aspects
- 04 Contracts
- 05 Logistics and insurance
- 06 E-commerce and supply chain management
- 07 Arbitration
- 08 Futures markets
- 09 Hedging and other operations
- 10 Risk and the relation to trade credit
- 11 Coffee quality
- 12 Quality control issues
- 13 Climate change and the coffee industry
- 14 Training and the coffee industry

The website has an inter-active Question & Answer service, which has posted over 200 detailed answers to questions primarily from coffee producing countries.

The entire website is available in English (www.thecoffeeguide.org), French (www.leguideducafe.org) and Spanish (www.laguiadelcafe.org)

Appendix VI World maps of coffee production and consumption

Coffee Production



Produced by the SASI group (Sheffield) and Mark Newman (Michigan)

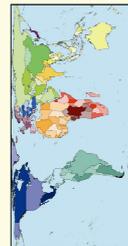
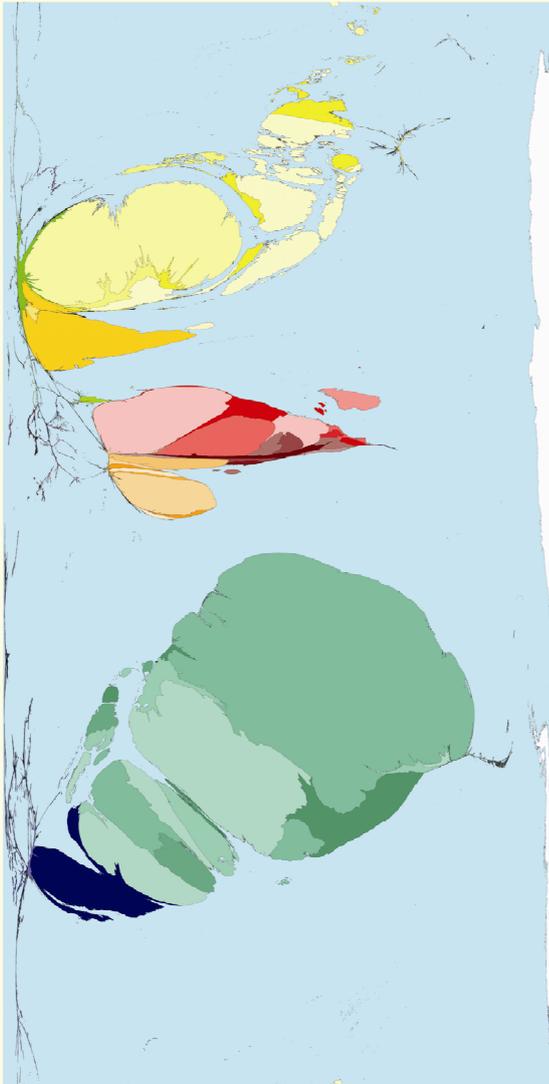
Coffee is produced in more than 60 countries of which three account for more than half of the world's production: Brazil, Vietnam and Colombia.

Arabica coffee, the fine-flavoured, aromatic type makes up 60-65% of the total production and usually fetches the highest prices. The other variety, robusta, is easier to produce and is more resistant to disease.

Around 75% of all coffee is exported. Only Brazil and Ethiopia enjoy high domestic consumption.

The world's annual production is currently around 115 million 60-kg bags or 7 million tonnes. It takes 420,000 containers (20 ft.) to carry this much coffee. Placed in a row these would stretch over more than 2,500 km.

The territory size shows the proportion of all coffee worldwide that is produced there.



Land area

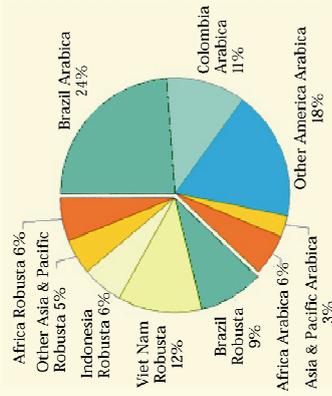
Technical notes

- Green coffee beans (for hot and robust) used for roasted and soluble coffee.
- Data source: International Coffee Organization, ICO, London and ITCO's World Coffee Outlook, Geneva.
- Production varies significantly from one year to another, e.g. due to climatic conditions. These data reflect average production for three years (e.g. 2001-03 production for 2002) or 2003-06 for reporting years.

HIGHEST COFFEE PRODUCTION

Rank	Territory	Value	Rank	Territory	Value
1	Brazil	38.0	11	Cote d'Ivoire	2.4
2	Viet Nam	14.5	12	Uganda	2.4
3	Colombia	12.3	13	Costa Rica	1.8
4	Indonesia	7.4	14	El Salvador	1.4
5	Ethiopia	4.9	15	Nicaragua	1.3
6	India	4.7	16	Ecuador	1.1
7	Mexico	4.2	17	Papua New Guinea	0.9
8	Guatemala	3.8	18	Venezuela	0.8
9	Peru	3.4	19	Kenya	0.8
10	Honduras	2.9	20	Cameroon	0.8

Annual production in millions of 60-kg bags of green coffee beans



"The best coffee is what is sold at a profit" Jan van Hilten, 2002

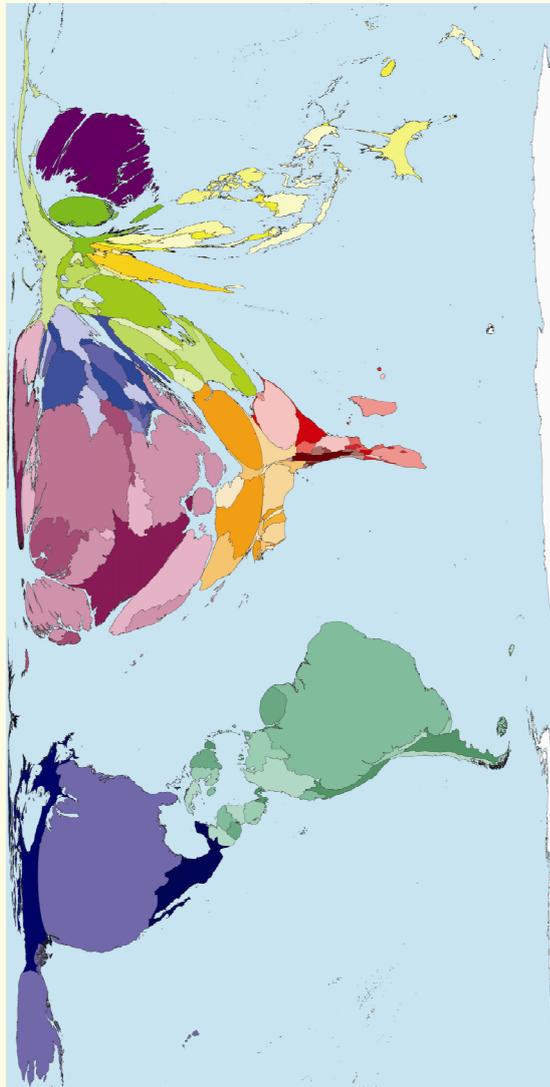
www.worldmapper.org © Copyright 2006 SASI Group (University of Sheffield) and Mark Newman (University of Michigan) Data and text prepared by Morten Scholer

Map 1037

Coffee Consumption



Produced by the SASI group (Sheffield) and Mark Newman (Michigan)



The United States is currently the world's largest market for coffee. Annual consumption per capita is just over 4 kg compared with 5 kg on average in Europe.

Consumption in Europe varies from around 10 kg per capita per year in the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) to around 3 kg in the United Kingdom and most of Eastern Europe.

The annual consumption of over 5 kg per capita in Brazil is exceptionally high among the over 60 coffee-producing countries. Brazil's annual production of around 2.4 million tonnes (40 million 60-kg bags) makes up a third of the world production of just over 7 million tonnes.

Territory size shows the proportion of all coffee worldwide that is consumed in that territory.



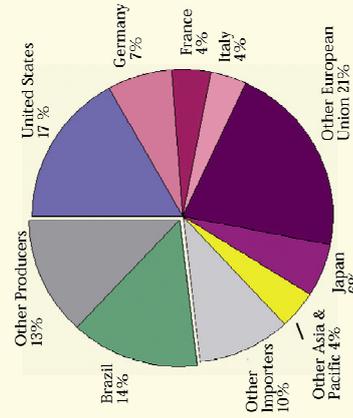
Land area

- Technical notes
- Coffee is roasted and soluble coffee based on green coffee beans (arabica and robusta).
- 1 kg of roasted coffee requires 1.19 kg of green coffee beans.
- Source: International Coffee Organization (ICO), ICA International Marketing, Brazil, and ITC's Coffee Guide, www.thecoffeeguide.org.
- 2006 and 2007 (2005 & 2006 in a grey case)
- Territories with populations below 0.5 million are not listed here although several of them have a high consumption per capita.

HIGHEST COFFEE CONSUMPTION

Rank	Territory	Value	Rank	Territory	Value
1	Finland	12.0	11	Italy	5.8
2	Norway	9.6	12	Slovenia	5.6
3	Denmark	8.9	13	Austria	5.3
4	Netherlands	8.2	14	France	5.3
5	Sweden	8.0	15	Brazil	5.2
6	Switzerland	7.7	16	Greece	5.1
7	Belgium/Luxembourg	7.6	17	Costa Rica	4.5
8	Germany	6.5	18	Cyprus	4.4
9	Canada	6.1	19	Spain	4.2
10	Estonia	6.0	20	United States	4.1

Annual consumption of coffee in kg per capita (green bean equivalent)



Map 1038

"A day without coffee is like ... a day without coffee !" Text on a billboard in the US, 2005

Data and text prepared by Morten Scholer

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The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.