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**BARBATELLI
& PARTNERS**
MANAGEMENT
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SHANGHAI COMPANY LTD.

China Market for Italian wines and Import Procedures

Market wine

From 2013 China became the first consumer of wine worldwide, passing both France and Italy in the global ranking. And already after only the first year, the amount of red wine bottles uncorked in China was by far higher than the one for France and Italy: 1.86 billion in China vs. 150 million in France and 141 in Italy.

Only 19% of the whole wine market in China is represented by import, leaving the remaining to be occupied by local production, with brands like Changyu, Changcheng, Weilong and Wangchao holding the largest market shares.

Although being the country with the highest production of wine worldwide, Italy still struggles to enter and assert its position in the Chinese market. France is the leader of wine market in China occupying 45% of imported wines; Australia (14%), Chile and Italy (9%) and Spain (8%) follow in the ranking.

In the last year the Italian wine market in China experienced a huge increase that has led to the overtaking of Spain, reaching Chile. The previous year (2014) imports of Spanish and Chilean wine were more copious than the Italian ones.

Thanks to the growth of imports of Italian wines and to the continuous increase of wine consumption, both white and red wines there is hope that the market will keep growing for Italian wines.

It is a duty of Italian wine-producing companies to allow China, the biggest consumer of wine, to better understand the quality, the history and the peculiarities of the Italian wine.

A change of the export dynamics must be taken into consideration by Italian companies that want to enter the market that are not yet competitive in a prosperous and, at the same time, complex market as China.

Distribution

The distributor of wine in China is a key player, this is why it is very important to choose the partner wisely after having evaluated other competitors. In China not all importers are necessarily also distributors; there are numerous big importers that do not manage the distribution network. At the same time many distributors, holding no import/export license, are not authorized to operate in the import of a product and they only deal with national distribution, mainly through local networks.

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Wine import occurs through the main ports of the country: Dalian, Tianjin and Qingdao in northern China, Shanghai and Ningbo in central China, Xiamen and Guangzhou in southern China.

Which distribution channel is experiencing a major expansion?

In China, as far the wine distribution is concerned, two main distribution channels are the most chosen: big and small retails or Horeca channel (**Hotel Restaurant Catering**). Most recent data show a strong increase of the latter, which occupy about half of the wine market, with an exponential increase during the years.

Where is wine more consumed?

Chinese cities are conventionally divided into three different tiers. Economically advanced cities, with developed infrastructures and services, like Shanghai, Beijing, Guangzhou and Shenzhen, belong to the first tier. The wine market in these cities is well developed but saturated, in fact the population, also thanks to wages and welfare by far higher than the rest of the country, has already been “educated” and it is completely aware of brands and the wine characteristics, and it is now seeking new flavors.

A different situation is shown in second tier cities, like Suzhou, Tianjin, Nanjing, Dalian, Yantai, Dongguang etc., most of them satellite cities to the first tier’s ones. With an incessantly growing economy and year by year more developed services, second tier cities have become the target of many companies, not only belonging to the oenological business, thanks to a market that has not been “educated” yet and then not as competitive as the first tier city market. The population knows the quality of Italian and French wines but they have not reached full awareness of the product and the brand yet.

Third tier cities presents a different scenario. In these areas competition is almost absent since only Chinese wine is consumed, even if the quantity is by far inferior to the amount of first and second tier cities. The two main reason are to be found in a different economic situation for the consumer that cannot all afford the cost of imported wine; the second being the complexity and the cost to promote brand due to the still “not educated” local market that, before reaching single brand awareness, needs to be aware of the quality of Italian wine.

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Procedure for importing wine to China

1. Finding a Chinese partner

In order to export products to China, it is necessary to closely collaborate with the importer that must be in possess of a valid wine import Business License. In addition to that, other documents are requested by the customs from the importer:

- Personal Customs Certificate (报关员资格证书)
- Company Customs Certificate (中华人民共和国海关报关企业报关注册登记证书)
- Personal CIQ certificate (报检员资格证书)
- Company CIQ certificate (代理报检单位注册登记证书)

Only Chinese registered companies or citizens can obtain all the above-mentioned documents. The majority of importers have all the needed certificates, but in certain cases company can be rented on occasion.

Before proceeding with the import of the products, the importer often requires samples. Since the exporter is not officially exporting wine to China, the goods have no commercial value.

The amount of samples cannot exceed three bottles with capacity 50-750 ml. If the sample receives the approval of the importer, the two parties can sign the contract. We would like to remind that, before signing the contract, an accurate due diligence must be carried out.

Transportation conditions, commonly known as incoterms, take on great importance: in China the most used are CIF and FOB.

2. Registration with AQSIQ

After signing the contract with the importer, the registration of the exporter and importer with the "General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China", known as AQSIQ, is required. The compulsory registration can also be submitted online through the website <http://ire.eciq.cn>.

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3. Labeling

All alcoholic beverages must be labeled according to Chinese Standards¹. In the case of wine, the standards are GB7718-2011 for pre-packed foodstuffs and GB10344-2005 for pre-packed alcoholic beverages. Chinese legislation requires both the original label and the Chinese version. During the first import to China, it will be necessary to prepare and register an electronic version with the CIQ (China Inspection and Quarantine) office of the arrival port. Later it will be necessary to proceed with the translation in Chinese of the original label. Once translated, the CIQ office will approve the conformity of the label the standards. The Chinese importer is able to help the company to conform the label to the Chinese standards. After the approval and the registration, the labels should be printed. Due to the several standards to to meet, generally it's advisable that the labels should be printed in a local printer associated with the customs or the CIQ. The Chinese importer will later carry out the application of labels on bottles after the CIQ inspections.

4. Shipping

Shipping is usually run by a local agent associated with a larger shipping company. The shipping company will deliver the products at the Chinese entry port. The liability of goods during the shipping must be defined through earlier agreed incoterms.

5. Document checking and Customs

Once the goods have been sent, it will be necessary to send the importer copies of all documents concerning the shipment and the custom. Some of the documents required are:

- Country of origin and health certificate;
- Product ingredients list or product analysis report;
- Registration document of the product and approval for the sales of the product;
- Packing list;
- Invoice;
- Contract;
- Bills of loading.

¹ GB standards (国标 guóbiào) are the Chinese national standards released by SAC (*Standardization Administration of China*), the Chinese National Committee of ISO and IEC. All the standards referred as GB are compulsory, whereas those referred as GB/T are suggested (推荐 tuījiàn).

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It is extremely important to check that information is the same on all documents, which will be forwarded from the importer to the agent who will wait the arrival of goods. After the arrival, the agent will carry out all the procedures in order to reduce the waiting time of the goods at the customs. A quicker procedure occurs almost always in case of perishable products. We also remind that the time of free storage at the customs is limited.

6. CIQ inspections and release of the commodity inspection's sheet

Once the goods have arrived at the port, and after obtaining all documents required, the agent will claim the goods on behalf of the importer. The customs will notify the arrival of the goods to the CIQ, which will take out the inspection of samples that have been taken from each container. The cost of the inspections will be completely borne by the exporter. The wine must be in compliance with the Chinese standard GB15037-2006. Once passed the test, CIQ will release a commodity inspection's sheet to the customs, which will give it to the agent upon payment. Now the label can be put on the bottles.

7. Customs duties clearance

When the commodity inspection's sheet is transferred, the Customs will levy the Customs duties, VAT and other taxes. The earlier agreed incoterms will ratify which part will bear these costs. After receiving the customs clearance document, the importer can collect the goods deposited at the customs warehouse. Once ascertained that all the bottles have been labeled, the importer will be able to deliver the product to the final client or the distributor.

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