

New wine world from Asia Development, regional comparison and opportunities for the wine industry in China

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Recently, China has become a huge wine consumer market as China had the fifth largest global wine consumption and the largest global red wine consumption in 2015 with most of the wine consumed (approximately 70%) being produced domestically. With the growing economy and technological advance, the Chinese domestic wine industry has seen significant development. The Chinese wine industry has flourished across the broad territory from the east coastal area to the west desert area with distinct climatic and geographic conditions. Regarding with the fact that China had the second largest vineyard area (table grape, wine grape and dried grape) just after Spain and the world's eighth largest wine production by volume in 2015, China has been an important wine producer as well.

Keywords: China, Wine industry, Development, Comparison, Opportunity

Materials and Methods

The main purpose of this research is to specify the perspectives and the situation of wine industry in China and analysis opportunities for the future development of Chinese wine industry.

In order to achieve this goal, the paper is structured as follows. The first part of this paper is presenting a brief overview about where produce wine and what variety of wine grapes are planted in China. Further, in the second part a geographical and historical profile of main wine producing regions is conducted with a goal to illustrate the wine history, wine industry development and local wine characteristics of China in different regions. The third part of this paper makes quantitative comparison of Chinese wine regions. In the fourth part, this paper analyzes opportunities for the further development of Chinese wine industries.

Preliminary Results

1. Several archaeological discoveries have proofed the activities of grape producing and grape fermentation in China with a span of 8,000 B.C. to 3,000 B.C. historically. The Chinese wine history can be traced back to the Han Dynasty (202

B.C.-220 A.D.) when Chinese Explorer Zhangqian (164 B.C.-114 B.C.) visited Central Asia and brought back *Vitis vinifera* (common grape vine) to China (Wang and Huang, 2009). The first wine factory was established by Zhang Bishi (1841-1916) in Yantai of Shandong Province in 1892 which began the modern wine history of China. Since then several wine factories were built in China but the wine yield was not high.

2. With decades of vineyard expansion, China has surpassed France in 2014 as the country with the world second largest vineyard area after Spain and this number accounted for 830,000 ha for wine grape, table grape and dried grape in 2015 amounting for 11.1% of the world' total vineyard area (Table 1; Figure 1). Even though there is only a total acreage approximately 86,700 ha for wine grape planting occupying 10% of the whole vineyard of China, large size of expansion of vineyard for wine grape may be observed in China due to the huge size of wine consuming market and vast suitable lands for wine grape planting.

Table 1. World grape and wine production

World Grape and Wine Production							
Country 2015	Vineyard (1,000 ha)	Country 2015	Wine (Mhl)	Country 2015	Grape (million T)	Country 2014	Wine Grape (million T)
Spain	1021	Italy	50.0	China	12.6	France	6.04
China	830	France	47.4	Italy	8.2	Italy	5.87
France	786	Spain	37.3	USA	7.0	Sapin	5.19
Italy	682	USA	22.1	France	6.3	USA	3.20
Turkey	497	Argentina	13.4	Spain	6.0	Argentina	2.03
USA	419	Chile	12.9	Turkey	3.6	Australia	1.56
Argentina	225	Australia	11.9	Chile	3.1	China	1.48
Iran	225	China	11.5	India	2.6	South Africa	1.46
Portugal	217	South Africa	11.2	Argentina	2.4	Chile	1.37
Chile	211	Germany	8.8	Iran	2.1	Germnay	1.18
World	7,511	World	274.0	World	75.7	World	36.10

Source: OIV (2016) and calculated by author

3. In 1949 when the People's Republic of China was established, the total wine production recorded was 2,200 T and in 1978 when the 'Reform and Opening Up' policy was released wine production jumped up to 65,100 (29.6 times). In the 1990's, a tiny decreasing trend could be observed during this period, wine industry in China had several adjustment in production. In 1994 a national standard "Standard Half-juice Wine GB/T 1980-1994" was released introducing a prohibition of the production of wines containing less than 50% of natural grape juice. Since 2001 when China became a member of the World Trade Organization (WTO) in 2001 a significant increase of wine production in China was encouraged by competition of imported wines, foreign advanced technology and

administrative experience. In 2004 production of so called “half juice wine” which did not contain 100% of natural grape juice was totally prohibited which help Chinese wine industry improve wine quality (Li and Bardají, 2016). A drop of wine production since 2013 to a certain degree was due to the slowdown of Chinese economy’s growth rate, the “anti-corruption” campaign of Chinese new government, fierce competition of foreign imported wines. In 2015, China posed the world’s eighth largest wine production with 11.5 million hectoliters representing to 4.20% of the world’s total wine production (Table 1).

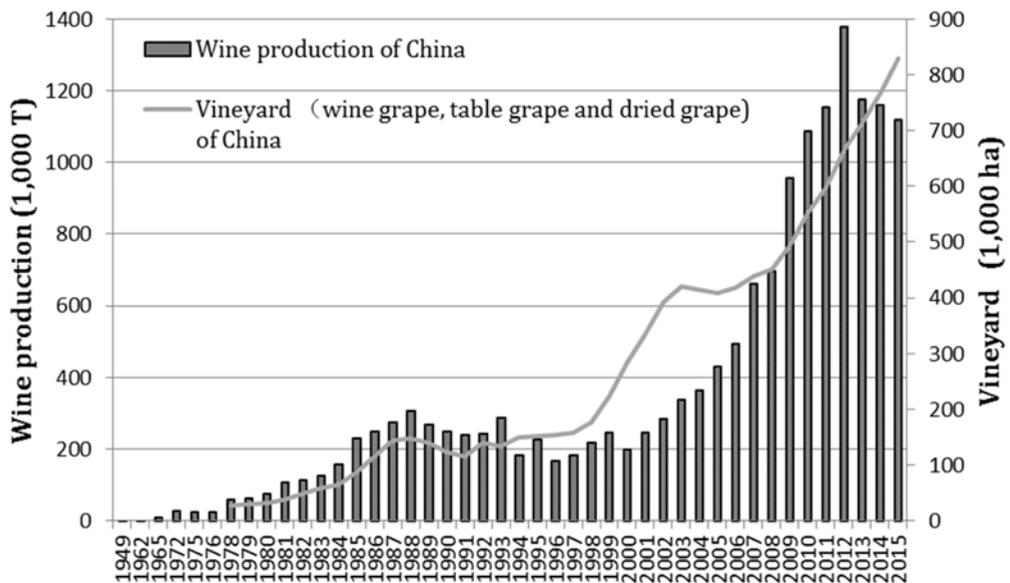


Figure 1. Wine production and vineyard of China Source: *Yearbook of China Alcoholic Drinks Industry (2001)*, *China Sugar&Liquor Yearbook (2003-2011)*, *ASKCI 2016*, *OIV 2016*

4. Cabernet Sauvignon is the most widely planted wine grape with more than 20,000 ha and Chardonnay, Cabernet Franc, Syrah, Pinot Noir are main wine grape varieties as well (Li et al. 2009). In the Northeast China local *Vitis Amurensis* and its hybrids are the main wine grape varieties and local wines made by them have special characteristics. Main wine producing provinces and regions are: Shandong (Yantai, Weihai and Qingdao); Henan (Minquan and Lankao); Jilin (Tonghua, Jilin and Yanbian); Gansu (Jiuquan, Zhangye and Wuwei); Hebei (Qinhuangdao, Zhangjiakou, Tangshan, Langfang and Shijiazhuang); Xinjiang (Turpan, Hami, Hetian, Changji, Kizilsu, Kshagar, Yili and Aksu); Shaanxi (Huxian, Jingyang and Danfeng); Liaoning (Fushun and Shenyang); Heilongjiang (Mudanjiang and Jixi); Yunnan (Diqing, Hani and Wenshan); Tianjin (Jixian and Hangu); Ningxia (Helan Mountains East Piedmont Region and Wuzhong); Beijing

(Yanqing, Miyun and Fangshan). Each wine producing province or region has its own history and culture of wine.

5. The wine production of China increased 2.34 times from 495.10 million L in 2006 to 1160.99 million L in 2014 when the total wine production of 13 main wine producing regions increased 2.32 times from 484.30 million L (97.82% of China) in 2006 to 1124.90 million L (96.89% of China) in 2014. Given the fact that the GDP growth rate of China has been declining which affects the wine consuming market and there is a fierce competition from foreign imported wines, it also shows that after a continuous growth from 2006 to 2012, the total wine production dropped by 14.71% from 1,381.61 million T in 2012 to 1,178.34 million T in 2013 and further dropped by 1.47% to 1,160.99 million T in 2014 and wine production of 13 wine producing provinces decreased from 1,349.30 million T in 2012 to 1,153.46 million T in 2013 by 14.51% and future decreased to 1,124.90 million T in 2014 by 2.48%. Shandong, Henan and Jilin had the largest wine production while the wine production share of Shandong decreased from 46.37% in 2006 to 33.79% in 2014 and in Henan and Jilin the wine production share increased from 5.43%, 5.82% in 2006 to 14.45%, and 14.26%.

6. Even though China was the world's fifth largest wine market in 2015, the average wine consumption per capita (1.18 liters) is still small compared with other main wine consuming countries. With the growing economy, improved life standards and the urbanization process of China, there is a big space for the increase of wine consumption per capita and then the amount of total wine consumption. For wine producing regions, how to combine the development of local wine industries with the provincial and regional development of society and economy is a key issue. Fully making use of local wine history, wine culture and wine characteristics can contribute to a diverse and competitive developing way of wine industry. Beside this, geographical location advantage of certain wine producing regions and national strategies such as the "Silk Road Economic Belt" and the "21st Century Maritime Silk Road" will help Chinese wine industry explore international market.

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