

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** FAS and USGC Encourage Chinese Brewers to Increase US Imports

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

**Post:** Beijing ATO

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**Report Highlights:**

FAS and the U.S. Grains Council (USGC) in China worked together to educate, train, and promote Chinese breweries on how to use U.S. craft beer ingredients including hops and barely malts. Although U.S. hops and barley malts are priced higher than competitors, brewers have increasingly sought out U.S. ingredients for their high quality and stable supply. According to industry contacts who participated in a USGC reverse trade mission to North Dakota, Idaho, and Colorado in 2019, the trip and subsequent support from FAS China have been the major reasons why they continue to purchase U.S. craft beer ingredients.

## **Background**

In 2002, China overtook the United States to become the world's largest producer of beer. It has also become the top beer consumption country. According to industry sources, in the early 2010s craft beer as a proportion of overall beer consumption in China amounted to less than one percent. By 2021, industry sources estimated that it had grown to 5 percent, and they expected craft beer consumption in China to grow 30 percent annually through 2025. Barley malts and hops are two of the major brewing ingredients. China imported 7,742 metric tons of barley malts in 2020, however U.S. barley malts represented less than one percent of these imports. In regards of hops, China imported 4434 metric tons of hops in 2020, and 525 metric tons are from the U.S., accounted for 11.8% of total hop imports.

## **Brewers Thoughts on U.S. Craft Beer Ingredients**

In 2019, the USGC led a team of Chinese craft brewers to North Dakota, Idaho, and Colorado to visit small, medium, and industrial-sized malting operations, barley farms, and research operations. One of the trip participants was Mr. Yang Guang, General Manager of SUPERMALT, who imported \$100,000 U.S. barley malts after the trip. He was very impressed by the barley production and malting process. He noted that most brewers who have used U.S. malts are those who have been to the United States and have visited hops, barley producers, and malts processors. Another trip participant, Mr. Jiang Qi, master brewer of the Wuhan No. 18 Brewery, spoke highly of his experience and noted how innovative the U.S. craft beer industry was and the inspiration it brings to Chinese craft beer breweries. Although China's beer industry has been dominated by large producers making typical lagers, there is a small but steadily growing craft beer industry. Mr. Jiang noted that while U.S. barley malts and hops are roughly twice the price of competing products from Australia and Europe meant for lagers, U.S. ingredients have the diverse taste profiles, quality, and stable production that best suits craft brewers.

In 2020-2021, FAS China collaborated with the USGC to support these and other Chinese brewers using U.S. hops and barley malts. In September 2020, FAS China invited the USGC's two contacts, SUPERMALT, a Beijing based U.S. malts importer, and NB Craft Beer, a Beijing brewery, to participate in the Embassy's Constitution Day Celebration. Over 500 visitors attended the event which was the first large scale U.S.-led in-person agricultural trade promotion event in China since the pandemic began in February 2020. USGC worked with the malts importer and the brewer to create a special craft beer using U.S. hops and barley malts for the occasion. The brewers appreciated USGC and FAS China efforts to assist them in promoting products using U.S. ingredients.



*USGC, SUPERMALT and NB Craft Beer at the Embassy Constitution Day*

In April 2021, ATO Beijing organized the U.S. Food and Beverage Expo in Chengdu. This was the first U.S. agricultural trade promotion event held in Chengdu since the Agricultural Trade Office closed in June 2020. ATO Beijing and USGC again worked together to promote U.S. craft beer ingredients by inviting nine Chinese breweries who use U.S. ingredients to showcase their craft beer during the event. Among the nine exhibitors, three had joined USGC’s trade mission to the United States in 2019.



*Minister Counsellor of Agricultural Affairs Awards Certificate to U.S. Malts Importer*

According to USGC, the primary constraint of U.S. barley malts exports to China is that craft brewers in China are not aware of the import opportunities. Although the pandemic prevented additional trade missions to the United States, USGC planned to provide barley malts samples to additional Chinese breweries. USGC launched a craft beer barley malts promotion in September 2021. 12 breweries

participated in the program by brewing different styles of beer using U.S. ingredients for a promotional launch in Beijing. The event was attended by nearly 100 professional participants, including well-known breweries from all over China, such as Slow Boat, No. 18 Brewery, and Dream Brewing.

## **Challenges**

Price is one of the major constraints for U.S. barley malts exports. Many Chinese brewers reported that U.S. barley malts were too expensive. According to USGC, the price of base malts from U.S. is about 15% higher than malts imported from other countries.

Supply consistency is another concern for many breweries. Brewers that have used free U.S. barley malts sample all agreed that using U.S. barley malts can produce very good beer. However, they are concerned about the bilateral political tensions and worried that bilateral business might be impacted, either in the format of tariff increases or detained shipments at ports of entry and so on. Considering the potential risks, many breweries prefer to wait and see how U.S.-China relations develop before deciding to incorporate U.S. barley malts into their recipe.

There are only two U.S. maltsters available in China market. Compared to France, Germany, the Netherlands, and Australia, U.S. malts don't yet enjoy wide recognition in China. Malts from the above-mentioned countries have been on the market in China for years and accordingly received recognition and built-up stable supply chains. For new-to-market products, marketing and recognition require a lot of investment. However, big U.S. malts exporters are reluctant in making investment in China market while small and mid-sized U.S. exporters are interested in the market, but their quotations don't have any advantage to compete with early comers. Noticing this barrier, FAS will continue working with USGC on trade shows, seminars, and other promotion opportunities to expand awareness of U.S. malts are available in China.

## **Conclusions**

Trade missions to U.S. are the most efficient way to help increase awareness of U.S. barley malts among Chinese breweries. All of trade mission members spoke highly of how the trip help them gain a comprehensive understanding of U.S. barley malts. While the pandemic has prevented additional trade missions to the United States, exposure of U.S. barley malts brewed beers at various FAS events greatly help attract industry professionals' attention on U.S. barley malts and its application in brewing beers. The Wuhan No. 18 Brewery expressed interest in developing a special craft beer using U.S. ingredients and hope to work with FAS in promoting this beer.

“Brewing is believing.” Providing breweries with trial use of free barley malts turned out to be a very efficient promotion. More than ten breweries who are potential U.S. barley malts users were selected and provided with a small quantity of free U.S. samples to brew beers. The first-hand sample usage experience helps breweries have a comprehensive understanding of U.S. barley malts quality and the difference it makes in brewing beer. All brewers who tried using U.S. barley malts spoke very highly of it and are seriously considering adding U.S. barley malts to their ingredient's varieties.

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**Attachments:**

No Attachments.