Title
A New Wine Superpower? An Analysis of the Chinese Wine Industry

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Conference Presentation

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Keywords
China, Wine industry, SWOT, New conditions

Research Question
What is the current situation of the Chinese wine industry under both traditional as well as new conditions? How can the Chinese wine industry seize opportunities and overcome difficulties?

Methods
This research is mainly based on literature review and the SWOT and SWOT Matrix analysis. Secondary data were collected from government reports, organization reports, online resources, research papers.

Results
Although the Chinese wine industry has developed significantly there are many problems. New conditions of the Chinese wine industry present both challenges and opportunities.

Abstract
Current studies about wine in China pay more attention on the Chinese wine market but seldom analyze the Chinese domestic wine industry which contributes to more than 80% of the wine consumed in China while Westerners know little of it. The paper aims to analyze the current situation of the domestic wine industry of China considering both traditional conditions such as history, policies and education as well as new conditions such as e-commerce commerce, climate change and domestic economy trend and establish a “SWOT” analysis to explore the strengths, weaknesses, opportunities and threats of the wine industry of China. Then we give suggestions for the development of the Chinese wine industry.
1. Introduction
The dramatic growth of the Chinese economy over the past three decades has encouraged the international wine companies to enter the Chinese market and also supported the development of the domestic wine industry. China now is the largest world red wine consumer with a population of 1.3 billion and the second largest economy, meanwhile China is an important wine producer. According to the International Organization of Wine and Vine (OIV), China has surpassed France as the second-largest world wine–growing area after Spain in the world. Now more than 80% of the wine consumed in China is produced domestically which offers a huge market for the wine industry of China.

Even though the Chinese wine industry has developed significantly, still remain many problems to deal with such as the scarcity of technology and administrative experience, distinct wine making standards, high cost and low yield that hinder the further development of the domestic wine industry. After becoming a member of WTO, Chinese domestic wine industry has faced more competition from international wine suppliers. However, new conditions such as e-commerce, wine tourism, global climate change, “new normality” of the Chinese economy and “anti-corruption” campaign present both challenges and opportunities for the Chinese wine industry.

2. Objective
Therefor there is a need to analyze the domestic wine industry of China and evaluate the impact from both traditional and new conditions and provide suitable suggestions.

3. Methodology and material
Firstly, we analyze the Chinese wine industry under both traditional and new conditions. This part of research is mainly based on literature review and secondary data were collected from government reports, organization reports, online resources, research papers and business reports. Secondly, we use the SWOT (strength, weakness, opportunity, threat) analysis which can develop a strategic analysis considering the current strengths and weakness and the impact of the potential opportunities and threats to explore the internal and external factors(Corsi et al. 2013) that can decide the future development of the Chinese wine industry. Thirdly, we divide both internal and external factors in four sectors (producing, processing, selling and consuming) of the wine industry to better understand their roles and then we establish SWOT matrix strategies of strength-opportunity, weakness-opportunity, strength-threat, and weakness-threat for the Chinese wine industry. Finally we identify strategies to help the development of the Chinese wine industry.

4. Result and discussion
4.1 Wine production in China
Even though wine is not the major liquor consumed in China, the Chinese grape wine history can be traced back more than 4600 years by archaeological excavations. According to historical records, in Han Dynasty (206BC-220AD) wine was introduced from central Asian. Grape was planted and wine was produced in the Yellow River region in the northeast (Liu and Murphy, 2007). Now grape is planted across the Chinese territory and wine producing regions are widely distributed. The domestic wine industry has developed significantly since the reform and opening up policy in 1978. China has one of the largest vineyard acreages in the world. From the data of FAOSTAT, in 2013 China had the largest grape production with 11.6 million tons even though most of them are consumed as table grape. The domestic wine production had increased from 0.015 million tons in 1978 to 1.7 million tons in 2013 almost 113 times larger. Worldwide, China has become the 7th world largest wine producing country and has had around 4.3% of the world wine production in 2014. Enterprises are participating in the domestic wine market and many of them possess vineyard lands in different parts of China to produce domestic wines. Both the total market share and individual market share of the top 10 wine enterprises have a decreasing trend and more and more enterprises are participating in the Chinese wine market. In spite of the significant development in the Chinese wine industry there still are many challenges to face. Main problems such as low yield and poor quality, homogeneity of products, generally distinct standards, are hindering the development of Chinese wineries (Wang et al. 2010). There have been major gaps in the progress of development among distinct clusters at the same time industrial concentration is the current trend of the domestic wine industry(Ma and Qiao 2009). Improved regulations and legislation are necessary to solve the
existing confusion and irregularity in the whole process from wine grape planting to wine making. The impacts on viticulture of global climate change have been and are likely to be highly variable (Jones et al. 2005). Global climate change influences the quality, quantity and distribution of wine. The sensitivity of wine production to changing climate will ultimately pose significant effects prices and revenue (Bardaji and Iraizoz 2015). China is one of the fastest growing wine producing countries and has vast suitable areas for viticulture presenting new latitude regions and diverse sites (de Orduña 2010; Hannah 2013). For the whole Chinese wine industry, both challenges and opportunities are expected.

4.2 Government support
Politically, to support and guide the domestic wine industry China has released several national legislations and policies but compared to other wine producing countries which have complete legal system China still has a long way. There is a great need for a complete legal system such as the wine classification system for the domestic wines in China. In this approach to the complete wine legal system the small in-land province Ningxia that has become the first Chinese province/region to be accepted as an official observer of OIV(2012) has got one step further.

Institutionally, the wine knowledge and training are of great importance for the wine industry development and talents with professional knowledge of both wine making and wine culture are more and more being welcomed in China. The need to develop Chinese domestic wine industry urges the broadcast of high level education of wine. Until 2015, in China there are 16 universities that have opened the major of Viticulture and Enology Engineering in the bachelor education and this number will keep rising. Among them the Northwest Agriculture and Forest University and China Agricultural University are universities in the “211” project and “985” project of China which means they not only have good reputation but also have advanced technologies and national support. Except domestic efforts, more international cooperation and communication are necessary as well.

In the meantime another trend has been observed that there is an increasing interest of professional wine knowledge and culture in China. The need to develop Chinese domestic wine industry urges the broadcast of high level education of wine. China has been one of the most important markets for the Wine&Spirit Education Trust (WSET) Organization and from its web site there are 34 cities (2015) in China Mainland where students can participate in the class. In big cities like Beijing and Shanghai among middle-class and business people there exists such a belief that a good knowledge of wine can improve their self-cultivation and help their personal career.

4.3 Wine demand
China is the 5th world largest wine market and due to the rapid economic growth and improved living standard, there is a rising trend in both the total alcohol consumption and the total wine consumption. Ever since 2008 China has surpassed the United States as the country with the most number of Internet users. At the same time the number of Internet shoppers in China keeps growing with dramatic pace and the scale of e-commerce is enlarging with a high speed. With the growing demand and consumption of wine, the Chinese E-commerce offers a new option for wine consumers and a hopeful new market channel for wine companies. The rising trend of wine consumption in China also arouses the interest of wine culture and history. Chinese people do appreciate travelling with the purpose to relax themselves and acquire new knowledge. As a response to the interest of wine and the desire of leisure, wine tourism has occurred in China (Qiu et al. 2013). The wine tourism includes breweries visiting and wineries visiting during which the visitors may have several activities such as wine and food tasting, grape picking and wine culture and knowledge learning. Many local governments intend to develop the wine tourism to support the local wine industry and bring incomes and investment. The Chinese annual GDP growth rate of 2015 has been predicted to be around 7% with 0.4% less compared to 2014 officially. The slowdown of the economic growth rate or the “new normality” of the Chinese economy affects both the consumption of wine market and the production of wine industry. At the same time the “anti-corruption” campaign by the new government of China to some extent leads to the sale fall of wine especially luxury wines that are often given as a gift to government officials or businessmen. In 2013 compared to 2012 the wine consumption decreased 3.8% to 16.82 million hectoliters and the wine production decreased more sharply from 13.82 million hectoliters to 11.78 million hectoliters with a decreasing rate of 14.7%. In 2014 even though the wine production decreased less than 2013 with 1.4%, the wine consumption decreased more with 6.1%. This trend gave a lot of pressure to the domestic wine industry.
4.4 Wine trade

The rising trend of wine consumption in China also arouses the interest of wine culture and history. Chinese people do appreciate travelling with the purpose to relax themselves and acquire new knowledge. As a response to the interest of wine and the desire of leisure, wine tourism has occurred in China (Qiu et al. 2013). The wine tourism includes breweries visiting and wineries visiting during which the visitors may have several activities such as wine and food tasting, grape picking and wine culture and knowledge learning. Many local governments intend to develop the wine tourism to support the local wine industry and bring incomes and investment. The Chinese annual GDP growth rate of 2015 has been predicted to be around 7% with 0.4% less compared to 2014 officially. The slowdown of the economic growth rate or the “new normality” of the Chinese economy affects both the consumption of wine market and the production of wine industry. At the same time the “anti-corruption” campaign by the new government of China to some extent leads to the sale fall of wine especially luxury wines that are often given as a gift to government officials or businessmen. In 2013 compared to 2012 the wine consumption decreased 3.8% to 16.82 million hectoliters and the wine production decreased more sharply from 13.82 million hectoliters to 11.78 million hectoliters with a decreasing rate of 14.7%. In 2014 even though the wine production decreased less than 2013 with 1.4%, the wine consumption decreased more with 6.1%. This trend gave a lot of pressure to the domestic wine industry.

We have analyzed the situation of wine production in China, government support on the wine industry of China, wine demand of China, wine trade of China. We have identified the strengths, weakness, opportunities and threats of the Chinese wine industry considering both traditional and new conditions and established SWOT matrix strategies. We will give suggestions for the Chinese wine industry.