



# **Export Market Guide**

# China

September 2019



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# Updates

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# China overview

China is Australia's number one export market, our largest source of international students, our most valuable tourism market, a major source of foreign direct investment and our largest agricultural goods market.<sup>1</sup>

China has been implementing its move to a market-based economy since 1978. While the country still retains its communist political framework, a relaxation of the government's central control over certain aspects of the community has helped China become the largest developing economy in the world. In 2014 China became the largest economy in the world when measured by Purchasing Power Parity (PPP) although per capita income still lags below the world average. China is the world's largest exporter.

The continuance of the communist political framework and the existence of bureaucracy can make access to the Chinese market more difficult, but it should not be viewed as a major impediment to exporting. A sound knowledge of the target market and sensitivity to any cultural differences, along with preparation and patience, will provide exporters with a better idea of how to embark upon any export venture.

China has signed Free Trade Agreements with Chile and New Zealand which has resulted in significant reduction of import duties for products originating in these countries. In June 2015, Australia and China signed the China-Australia Free Trade Agreement (ChAFTA) which came into effect 20 December 2015. ChAFTA has delivered substantial benefits for the Australian economy, building on this highly complementary relationship.

<sup>&</sup>lt;sup>1</sup> Austrade China Profile

# Demographics

(2018 est.)

Population	1,384,688,986 (July 2018 est.)
Capital city	Beijing
Language	Standard Chinese or Mandarin (official) and other minor dialects
Population growth rate	0.37%
Ethnic groups	Han Chinese 91.6%, Zhuang 1.3%, other (includes Hui, Manchu, Uighur, Miao, Yi, Tujia, Tibetan, Mongol, Dong, Buyei, Yao, Bai, Korean, Hani, Li, Kazakh, Dai and other nationalities) 7.1% (2010 est.)
Religions	Buddhist 18.2%, Christian 5.1%, Muslim 1.8%, folk religion 21.9%, Hindu < .1%, Jewish < .1%, other 0.7% (includes Daoist (Taoist)), unaffiliated 52.2% <i>note:</i> officially atheist (2010 est.)
Major cities	Shanghai 23.7 million; Beijing (capital) 20.3 million; Chongqing 13.3 million; Guangdong 12.4 million; Tianjin 11.2 million; Shenzhen 10.7 million (2015)

Source: CIA World Factbook

# **Economics**

Currency	Chinese Yuan Renminbi (CNY)
Exchange rates	(Sept 2019 AUD \$1 = 4.854 CNY) <u>www.xe.com</u>
GDP per capita (PPP)	US \$16,700 (#105 in global comparison)
Inflation	1.6%
Unemployment rate	3.9%
Government type	Communist state
Ports and harbours	Dalian, Ningbo, Qingdao, Qinhuangdao, Shanghai, Shenzhen, Tianjin

Source: CIA World Factbook

# **Regulatory Environment**

In March 2018, the National People's Congress approved a sweeping government restructuring plan. China has established a new super regulator – the State Administration for Market Regulation (SAMR). The SAMR has a broad mandate, overseeing everything from drug safety supervision, quality inspection, fair competition and commercial bribery, issuance of business registrations, certifications and accreditations, management of intellectual property rights and comprehensive supervision and management of the market order.

Other key regulators include the General Administration of Customs China (GACC) and the Ministry of Agriculture and Rural Affairs (MARA).

There remains much food law reform in the pipeline including a revised Regulations on the Implementation of the Food Safety Law of the People's Republic of China.

Currently, the legal framework for food safety in China is governed principally by the Food Safety Law 2015 and the Import and Export Commodity Inspection Law 2018.

The regulatory framework for cider is established under the following national standards:

- GB 7718-2011 National Food Safety Standard for the Labelling of Pre-Packaged Foods
- GB 2758-2012 National Food Safety Standard on Fermented Alcoholic Beverages
- GB 2760-2014 National Food Safety Standard for Usage of Food Additives
- GB 2762-2017 Maximum Levels of Contaminants in Food
- GB/T 17204-2008 Classification of Alcoholic Beverages

Products sold through e-commerce channels (CBEC) are subject to different regulatory requirements. Products in this channel <u>do not need</u> to comply with Chinese national standards including Chinese labelling, product formula compliance, pre-market registration and other regulatory requirements. Further details can be seen in Duties and Taxes.

# **Duties and Taxes**

The Chinese Government levies three taxes on cider and perry:

- Customs Duty
- Consumption Tax
- Value Added Tax

## **Customs Duty**

Under the China-Australia Free Trade Agreement (ChAFTA) customs duty for Australian cider is reduced to zero when accompanied by a certificate of origin.

ChAFTA was signed on 17 June 2015 and entered into force on 20 December 2015. Tariffs of 40 per cent on cider and tariffs up to 65 per cent on other alcoholic beverages and spirits were eliminated in 5 stages, reaching zero on 1 January 2019. The text of the Free Trade Agreement can be viewed <u>here</u>.

Customs duty is based on the CIF (cost + insurance + freight) value.

Tariff Heading	Description	Base rate %	Customs Duty ChAFTA 1/1/2019*
22.06	Other fermented beverages (for example, cider, perry, mead, saké); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included.		
2206.00.10	Chinese rice wine	40	0
2206.00.90	Other (i.e. cider and perry)	40	0

Source: ChAFTA Schedule of Chinese Tariff Commitments

\* The ChAFTA rate of duty applies to Australian cider

# **Consumption Tax**

China levies a consumption tax on a number of consumer goods including alcohol. The tax payable for imported taxable consumers goods = (CIF Value + Customs Duty) / (1- Consumption Tax Rate) × consumption tax rate.

The current rate for cider is **10%**.

### VAT

On 1 May 2019, China lowered its Value-Added Tax (VAT) rate for manufactured goods including the sale or import of goods from 16% to 13%.

VAT rate is calculated based on the CIF value + Customs Duty value.

#### Tax Calculation Method for Cider

General Trade Example	Amount in RMB
Purchase price (ex-tax)	1,000
Import duty (if conditions met)	0
Consumption Tax (10%)	100
Total	1,100
VAT 13%	143
Total Tax	243
Purchase Price (inc-tax)	1,243
Total Tax Rate	24.3%

All taxes should be paid in CNY.

# Cross-Border E-Commerce (CBEC)

China's e-commerce law applies broadly to the business of selling commodities online. Products on two lists of 1,293 HS codes can be imported into approved CBEC bonded warehouse zones across China or shipped from an overseas distribution centre linked to Chinese customs authorities. Cider is on the 'positive list' of approved HS codes. A flat tax of 11.9 per cent is applied to the final online retail price at the time of purchase (calculated as a 30 per cent discount on VAT and Consumption Tax).

Conditions:

- The value of a single order cannot exceed 5,000 RMB
- An individual can purchase no more than 26,000 RMB of goods each year

No tariff is payable if the above conditions are met and there is a 30% discount on VAT. The Consumption Tax still applies.

#### The applicable rate is as follows:

CBEC Example	Amount in RMB
Purchase price (ex-tax)	1,000
Import duty (if conditions met)	0
Consumption Tax (10%)	100
Total	1,100
VAT 13%	143
Total Tax	243
Less Discount (30%)	170
Purchase Price (inc-tax)	1,170
Total Tax Rate	17.0%

Visit Austrade's website for further information - www.austrade.gov.au/E-Commerce-in-China

#### **CBEC** vs General Trade

Cross-Border E-Commerce (CBEC) is classified as personal items which means that goods exported to China via this channel (unlike 'general trade' goods) <u>do not need</u> to comply with Chinese national standards, such as Chinese labelling, product formula compliance, pre-market registration and other regulatory requirements. Goods sold in 'general trade' channels (i.e., sold offline via retail stores) require regulatory compliance according to China GB (National) Standards. A comparison of the market access requirements between the two channels is outlined in the table below:

#### Requirements comparison for CBEC and General Trade

Items	CBEC	General Trade
Tax (Tariff and VAT)*	Yes	Yes
Ingredients compliance	No	Yes
Chinese label	No	Yes
GB standard compliance	No	Yes
Pre-market registration	No	Yes

\* See calculation example in table above

#### Route to Market: Which model is suitable for you?

As shown in the comparison table above, there are very clear benefits to exporting through CBEC from a regulatory and tariff perspective; however CBEC is only limited to online B2C sales, whereas general trade provides market access offline and B2B opportunities including distribution through retail stores, supermarkets, foodservices, wholesale and other offline channels.

Which model is right for you depends on the strategy of your company, stages of development, internal resources and other considerations. It may not be a question of either 'CBEC' or 'General Trade'; companies may choose to have a mixed presence in both channels depending on company and product circumstances. Online presence can often be a beneficial way for promotion and building brand awareness especially on special China shopping festivals like singles 11.11 day, Black Friday and Chinese New Year. The costs and resources required for establishing presence in both channels can be significant so it is important to take your time to understand and research the market and channels.

An alternative cost effective channel is 'Daigou', whereby an overseas-based person (such as Chinese students) purchase products for consumers in China and delivers it by international post/courier (as a personal parcel). Daigou can often earn a small margin by charging Chinese domestic consumers who want to buy overseas products. Similar to CBEC, products sold via Daigou channel do not need to comply with Chinese regulations and national standards. Promotion of the Daigou channel can be a cost effective way to test the market, build brand awareness and start your export journey to China locally. However, Daigou is an unoffical channel and may be subject to scrutiny and future policy changes.

# **Cider Standards**

The main cider standards can be found in GB 2760-2014 – Standards for Use of Food Additives; GB2761-2017 – Standards for Maximum Levels of Mycotoxins in Foods; GB 2762-2017 – Standards for Levels of Contaminants in Foods; and GB 2763-2017 – Standards for Maximum Levels of Pesticides in Foods.

GMP or Good Manufacturing Practice is defined in Codex Standard 192-1995 s 3.3 and requires that all food additives are used under conditions of good manufacturing practice, which include the following:

- a. The quantity of the additive added to food shall be limited to the lowest possible level necessary to accomplish its desired effect;
- b. The quantity of the additive that becomes a component of food as a result of its use in the manufacturing, processing or packaging of a food and which is not intended to accomplish any physical, or other technical effect in the food itself, is reduced to the extent reasonably possible; and,
- c. The additive is of appropriate food grade quality and is prepared and handled in the same way as a food ingredient.

Cidermaking practice	Specification Maximum	
	Function	Application Scope
Benzoic acid - INS 210	Preservative	0.8 g/kg as benzoic acid
Sodium benzoate – INS 211	Preservative	0.8 g/kg as benzoic acid
Neotame – INS 961	Sweetener	0.033 g/kg
Sulfur dioxide, potassium metabisulphite, sodium metabisulphite, sodium sulfite, sodium hydrogen sulfite, sodium hyposulfite – INS 220, 224, 223, 221, 222	Bleaching agent, preservative, antioxidant	
Fruit wine		0.25 g/L
Sweet fruit wine		0.4 g/L
Black currant red	Colour	GMP
Beta-carotene – INS 160a	Colour	0.6 g/kg
Mulberry red	Colour	1.5 g/kg
Sorbic acid, potassium sorbate – INS 200, 202	Preservative, antioxidant, stabilizer	0.6 g/kg as sorbic acid
Diacetyl tartaric acid ester of mono (di) glycerides (DATEM) – INS 472e	Emulsifier, thickener	5.0 g/kg
Hydrochloric acid - INS 507	Acidity regulator	0.2 g/kg (fermenting fruit wine only)
Gromwell red	Colour	0.1 g/kg
D-isoascorbic acid (erythorbic acid), sodium D- isoascorbate – INS 315, 316	Antioxidant	GMP
Malic acid – INS 296	Acidity regulator, processing aid	GMP
Acetic acid – INS 260	Acidity regulator, processing aid	GMP

Mono- and diglycerides of fatty acids – INS 471	Emulsifier	GMP
Ascorbic acid - INS 300	Antioxidant	GMP
Phospholipid - INS 322	Antioxidant, emulsifier, processing aid	GMP
Citric acid – INS 330	Acidity regulator, processing aid	GMP
Citric and fatty acid esters of glycerol - INS 472c	Emulsifier	GMP
Lactic acid – INS 270	Acidity regulator	GMP
Lactic and fatty acid esters of glycerol - INS 472b	Emulsifier	GMP
Calcium carbonates - INS 170i	Bulking agent, processing aid	GMP
Potassium carbonate - INS 501i	Acidity regulator, processing aid	GMP
Sodium carbonate - INS 500i	Acidity regulator, processing aid	GMP
Ammonium hydrogen carbonate - INS 503ii	Bulking agent	GMP
Potassium hydrogen carbonate – INS 501ii	Acidity regulator, processing aid	GMP
Sodium hydrogen carbonate – INS 500ii	Bulking agent, acidity regulator, stabilizer, processing aid	GMP
Acetylated mono- and diglyceride (acetic and fatty acid esters of glycerol) – INS 472a	Emulsifier	GMP
Oleic acid - N252	Natural Flavouring Substances	GMP
Tannic acid – N371	Natural Flavouring Substances	GMP
Activated carbon	Processing aid	GMP
Diatomaceous earth	Processing aid	GMP
Ammonia	Processing aid	GMP
Carbon dioxide	Processing aid	GMP
Lactic acid	Processing aid	GMP
Calcium sulfate	Processing aid	GMP
Sodium sulphate	Processing aid	GMP
Potassium hydroxide	Processing aid	GMP
Sodium hydroxide	Processing aid	GMP
Silicon dioxide	Processing aid	GMP
Insoluble polyvinylpolypyrrolidone (PVPP)	Adsorbent	Processing and fermentation of fruit wine
Silica gel	Clarifier	Processing of fruit wine
Kaolin	Clarifier, filter aid	Processing and fermentation of fruit wine
Polyoxyethylene polyoxypropylene amine ether (BAPE)	Antifoaming agent	Fermentation

Polyoxyethylene polyoxypropylene pentaerythritol ether (PPE)	Antifoaming agent	Fermentation	
Polyoxypropylene glycerol ether (GP)	Antifoaming agent	Fermentation	
Polyoxypropylene oxyethylene glycolether (GPE)	Antifoaming agent	Fermentation	
lon exchange resins	Decolourant, adsorbent	Processing of fruit wine	
Ammonium dihydrogen phosphate	Nutrient for fermentation	Fermentation	
Diammonium hydrogen phosphate	Nutrient for fermentation	Fermentation	
Ammonium phosphate	Nutrient for fermentation	Fermentation	
Potassium dihydrogen phosphate	Nutrient for fermentation	Fermentation	
Sodium dihydrogen phosphate	Nutrient for fermentation	Fermentation	
Ammonium sulfate	Nutrient for fermentation	Fermentation	
Gelatin	Clarifier	Fermentation of fruit wine	
Bentonite	Adsorbent, filter aid, clarifier, decolorant	Processing of fruit wine	
Pearl rock (perlite)	Filter aid	Processing of fruit wine	
Heavy Metals and Microbial Limits			
Lead	Maximum level	0.2 ppm	
Salmonella	Microbial limit	0/25 mL	
Staphylococcus aureus	Microbial limit	0/25 mL	

#### **Maximum Residue Limits**

This list is not exhaustive. For a complete list of MRLs refer to GB 2763-2017 – Standards for Maximum Levels of Pesticides in Foods.

MRL	Specification Maximum		
	Maximum Residue Limit Mg/kg	Type of Food	
Imidacloprid	0.5	apples, pears	
Acetamiprid	0.8	apples	
Carbendazim	5 3	apples pears	
Diphenylamine	5	apples, pears	
Hexaconazole	0.5	apples, pears	
Bifenthrin	0.5	apples, pears	
Kresoxim-methyl	0.2	apples	
Propargite	5	apples, pears	
Fosetyl-aluminium	30*	apples	
Triadimefon	1 0.5	apples pears	
Ethephon	5	apples	
Fenpyroximate	0.3	apples	
2,4-D	0.01	pome fruits	
Novaluron	3	pome fruits	
Methomyl	0.2	pome fruits	
Thiabendazole	3	pome fruits	
Fenitrothion	0.05*	pome fruits	
Methidathion	0.05	pome fruits	

\* The MRL is a temporary limit.

# Labelling

Reference	Mandatory Items	Height	Position
A1	Name of Product	> 1.8mm	Not defined
A2	Alcohol Statement	> 1.8mm	Not defined
Α3	Country of Origin	> 1.8mm	Not defined
Α4	Volume Statement	> 4mm	Same label as product name
А5	Name & Address	> 1.8mm	Not defined
A6	Ingredient List	> 1.8mm	Not defined
Α7	Bottling Date	> 1.8mm	Not defined
Α8	Minimum Durability Date	> 1.8mm	Not defined
Α9	Conditions for Storage	> 1.8mm	Not defined
A10	Health Warning	> 1.8mm	Not defined
Reference	Optional Items	Height	Position
A11	Sugar Content - Optional	> 1.8mm	Not defined
A12	Recommended Labelling Information	Not defined	Not defined

Cider labels should comply with GB 7718-2011 – General Standard of Pre-packaged Food Labelling as well as GB/T 17204-2008 – Classification of Alcoholic Beverages and GB-2758-2012 – Fermented Alcoholic Beverages.

Given the difficulties associated with translation and interpretation it is recommended that the following information be treated cautiously. Your importer or agent should be consulted for further details.

## Language

Mandatory items must be in normal Chinese characters with the exception of the registered trademark. All other information presented in English must be translated into corresponding Chinese characters of <u>at least</u> <u>equivalent print height</u>. The only exception is for the name and address of the manufacturer of the imported food, the name and address of the overseas distributor and website address.

# Labelling Item Position

Mandatory information must be clear, prominent, indelible and readily legible by consumers. Statements must be true and accurate and must not be false, misleading or deceptive, or likely to create an erroneous impression by means of different word size or colour contrast. Health claims or implied health benefits are prohibited. Labels must not be removable.

# **References to labelling requirements**

#### A1 Name of Product

The name of the product is mandatory in China and must be located in a prominent position and convey the true nature of the food. Cider is not defined in China and comes under the general 'fruit wine' definition. Fruit wine is defined as 'fermented wine made from fresh fruit or juice, fermented in whole or in part'.

Fruit wine should be named after the raw fruit name to distinguish it from grape wine. When using a fruit as a raw material, it can be named after the fruit name, such as 'apple wine' or 'pear wine'. It should also be acceptable to name the product 'apple cider' or 'pear cider'. When two or more fruits are used as raw materials, they can be named according to the name of the fruit with the largest proportion.

Fruit wines can be segmented into 3 main categories according to the carbon dioxide content (by pressure) and the processing technology used including still fruit wines, sparkling fruit wines and special fruit wines. It is not mandatory to include these sub-categories on the label but if used they must comply with the definitions in the table below:

Name	Definition
Fruit wine	<ul> <li>Fermented wine made from fresh fruit or juice, fermented in whole or in part.</li> <li>Examples include 'apple wine', 'pear wine', 'apple cider' or 'pear cider'.</li> </ul>
Still fruit wine	• Fruit wine with a carbon dioxide pressure of less than 0.05 MPa at 20 °C.
Sparkling fruit wine	<ul> <li>Fruit wine with a carbon dioxide pressure equal to or greater than 0.05 MPa at 20 °C.</li> </ul>
Special fruit wine	<ul> <li>Fruit wines brewed using specific methods during the harvesting and brewing phase. Special fruit wines are classified by the production process.</li> </ul>
Fruit brandy	<ul> <li>Brandy made from fresh fruit, whole or partially fermented or soaked and distilled with edible alcohol.</li> <li>The name of the fruit should be given, i.e., 'apple brandy'.</li> </ul>
Fruit spirit	• Formulated alcohols that have obvious fruit aroma, produced from processes such as soaking, using fruits as ingredients.

#### A2 Alcohol Content

The alcohol format is prescribed in Chinese regulations. The alcohol statement should be indicated by the title of 'Alcoholic strength' and in the unit of '%vol'. (ie, 'Alcoholic strength 5.5% vol'). It is recommended that the tolerance between the actual and the stated alcohol be within +/- 0.3% for China.

#### A3 Country of Origin

A country of origin statement is mandatory. Importers will usually request a Certificate of Origin to confirm this claim (and obtain a zero-tariff rate). Certificates of Origin can be obtained through the <u>Australian Chamber of Commerce and Industry</u> (ACCI) and the <u>Australian Industry Group</u> (AGI).

#### A4 Volume Statement

The volume statement must appear on the label. The statement must be on the same display panel as the name of the product. This should be marked as 'net content: xxx millilitres (ml)' for bottle sizes under a litre, or 'net content: x Litres (I)' for bottle sizes over a litre. The minimum font size is as follows:

Net content in millilitres	Minimum height of font (mm)
Less than or equal to 50	2.0
Greater than 50 and less than or equal to 200	3.0
Greater than 200 and less than or equal to 1000	4.0
Greater than 1000	6.0

#### A5 Name and Address

For imported food, the name, physical address and contact information (phone, fax, email or website) of the agent, importer or distributor registered in China must be shown on the label. The declaration of the name and address of the producer / manufacturer appears to be optional.

#### A6 Ingredient List

'Ingredients' is the marker word of the list of ingredients. Fruit wines are required to be marked with the original fruit juice content, represented by 'x.x%' in the list of ingredients.

If the raw materials used in the preparation process are converted into other ingredients (such as wine and other fermented products), the 'raw materials' or 'raw materials and supplementary materials' may be used to substitute 'ingredients'. The various raw materials, supplementary materials, and food additives should be listed.

Water added during preparation or processing of the food must also be declared in the list of ingredients. Water evaporated in the course of manufacture need not be declared. Processing aids need not be indicated.

Food additives listed in GB2760 must be labelled (refer to Cider Standards above for the items designated with an INS number). The statement should declare the specific name of the additive or the class name and the international code (INS Number) (e.g. 'sulphur dioxide' or 'preservative (220)'). Note, China does not generally accept the term 'contains sulphites' in the ingredient list. For example:

- 1. Raw Materials: 35.5% apple juice, water, sugar, ascorbic acid, sulphur dioxide.
- 2. Raw Materials: 35.5% apple juice, water, sugar, antioxidant (300), preservative (220).

#### A7 Bottling Date

The date of bottling is required on Chinese labels. The bottling date cannot be applied in the form of an over-sticker, supplement or amendment. The bottling date may be etched on the bottle but a reference to its placement should be stated on the label. It is suggested that negotiation with your bottler is required in order to satisfy this traceability requirement. The date coding must be marked in the sequence of the year, month and day, otherwise the order of the date coding must be declared. For example, if the product is bottled on 20 March 2020 the following would be acceptable:

2020 年3 月20 日 [2020 year - 3 month - 20 day]

#### A8 Minimum Durability Date

Cider with an alcohol content of 9.9% vol or less is required to include a minimum durability date. Alcoholic beverages 10% vol and over are exempt from this requirement (although it may still be advisable to include a statement such as 'recommended to drink before (year)' for such products).

The date of minimum durability may be declared as follows:

- 'Best before ....' Where the date is indicated;
- 'The date of minimum durability up to...' where the date is indicated;
- 'The date of minimum durability of ... (days, weeks, months or years)'.

#### A9 Conditions for Storage

Any special conditions for the storage of the food should be declared on the label. Some examples of special conditions include:

- Keep at room temperature/refrigerated, or in dark, or cool & dry place;
- Keep at X X X X °C;
- Please keep in cool and dry place;
- Refrigerate after opening.

#### A10 Health Warning

National Standard GB2758 – Food Safety Standard on Fermented Alcoholic Beverages mandates a warning statement on alcoholic beverages. From 1 August 2013, all alcoholic beverages must include the mandatory statement: 'Excessive drinking is harmful to health' (or similar). The statement must be in Mandarin, for example:

### 过度饮酒对你的健康有害

#### A11 Sugar Content - Optional

Fruit wines can be segmented in accordance with sugar content, i.e. dry, semi-dry, semi-sweet and sweet fruit wines. This information is optional on fruit wine labels but if stated, must be correct.

Care should be taken if including the sugar content on the label. Problems have arisen because sugar can be measured in several different ways. It is common, in Australia, to report glucose + fructose, whereas the official Chinese test method will report all residual sugar in the product, not only glucose and fructose. The Chinese method will, therefore, generally give a <u>higher</u> result than expected by an Australian exporter. The difference between the two methods should not be very high but can be critical, particularly if the product is close to the boundary between classifications.

It is recommended when designing a label for the Chinese market, you request your laboratory to report total reducing sugars, using the Lane-Eynon method, rather than glucose + fructose.

#### The Chinese classification system is summarised in the following table.

Product Type	Sugar Content		
Dry	<ul> <li>Less than or equal to 4.0 g/l sugar</li> <li>Or up to 9 g/l provided the total acid (expressed as g/l tartaric) is within 2 g/l of the sugar*</li> </ul>		
Semi-Dry	<ul> <li>Between 4.1 g/l and 12.0 g/l sugar</li> <li>Or up to 18 g/l if the sugar content and acid content do not differ by more than 2 g/l</li> </ul>		
Semi-Sweet	• Between 12.1 g/l and 45.0 g/l sugar		
Sweet	• Greater than 45.1 g/l sugar		

\* For example, content of 6g/l total acid with a sugar content between 4 - 8 g/l would qualify as 'Dry'

#### A12 Recommended Labelling Information

The following information is not mandatory for labelling requirements, however, the National Standard recommends labelling the following items:

#### **Batch Identification**

It is recommended to include the batch number or lot code on the label in order to enhance product identification and traceability.

#### Instructions for Use

Instructions for use including opening instructions, consumption method and other instructions which are helpful for consumers may be declared on the label.

#### **Allergens Labelling**

The current version of GB 7718-2011 <u>recommends</u> labelling for the presence of allergenic substances. This standard is currently under review and the revised standard proposes mandating allergen labelling on cider labels. It is not expected that this change would come into force until after 2020.

## **Trade Mark Protection**

Before you export, you should consider gaining protection of your brand as a trade mark in the importing country. Trade mark protection in Australia does not give you protection in other countries.

In some countries, including China, the trade mark system operates on a 'first in first served' basis. This means that even if your brand is protected in Australia and you have been selling cider in China for years, someone else can register your brand in China and stop you from using it.

Accordingly, before contemplating exporting your cider to China, you should consider engaging a trade mark specialist to register your brand, in both English and Chinese. You should avoid having a third party, such as your distributor, do this on your behalf to ensure the marks are registered in your name.

#### Austrade provides the following details on IP protection:

- Protecting your IP in China guide (PDF)
- Guide to searching the China trade marks register (PDF)
- <u>IP Australia</u>

## **Organic Claims**

Chinese certification systems and foreign organic certification systems are not mutually recognised. Organic products that have not been certified by China or products that have only been certified by an overseas organic certifying body cannot be labelled as 'organic' or 'in-conversion to organic' or other labelling terms claiming to be organic.<sup>2</sup>

In order to ensure the quality of imported organic products and to reinforce the regulation on organic produce, Chinese authorities have advised they will verify consignments in accordance with the <u>New</u> <u>Certification Regulations on Domestic Organic Products</u> (PDF).

#### Import procedures for organic products

If imported products are declared as organic or imported products are found at inspection to be labelled as 'organic' on their packages, labels, instructions or promotional materials; import verification will apply which includes:

- verification of the certificate and logo;
- consistency evaluation between the product and its label;
- determination of whether the product logo used is within the product scope;
- for single and multiple entries, verification of the quantity identified on the certificate;
- determination of compliance of any dual logo requirements.

A Chinese organic certificate can be verified using China's Food and Agriculture Products Certification Information System. Chinese port officials utilise a 'case-by-case' reporting system based on the entry of organic products. Each batch of imported organic products is reported to the Certification Supervision department within three days of inspection. Information reported includes inspection number, product name and quantity (weight), trading value, organic certificate number and the result of the inspection. If imported organic products have not received a Chinese organic certificate, but display 'organic' on product packages, labels, instructions, or promotional materials it will be reported as a 'major issue'.

Organic products that have not been issued a Chinese organic certificate can be imported as conventional products after they have been modified and comply with the relevant regulations and standards. If this is not possible, these products will be destroyed or re-exported.

It typically takes three to six months and over A\$10,000 to apply for and obtain a Chinese organic food certificate. An increasing number of Australian companies have chosen to make the investment, as organic products such as infant formula, beef and wine, sell at a premium price in China.

<sup>&</sup>lt;sup>2</sup> Austrade - <u>www.austrade.gov.au/China/Industries/Food-and-beverage</u>

According to <u>CNCA</u>, there are 25 certification agencies in China approved by the Administration to certify organic labels.

#### Australian-based certification

NASSA Organic (NCO) and Australian Certified Organic (ACO) have partnered with Chinese certification company China Organic Food Certification Center (COFCC) to offer certification to the Chinese Organic Regulation GB/T 19630. They can offer access to a Chinese Inspector based in Australia to ensure timely and cost-effective certification for exporters of organic products to China.

The Chinese Organic Regulation GB/T 19630 requires certification of the entire supply chain from farm through to manufacture. Certification includes submission and review of application documents and an audit of the facility. COFCC completes a review and issues certification. Re-certification requires a new application and audit.

According to ACO, the following documents are required for certification.<sup>3</sup>

- Application form
- Questionnaire
  - o Documents required
    - Business licence
    - Food licence (if applicable)
    - Map (locational, farm/processing/storage)
    - Water test, soil and product test results
    - Organic management plan
      - Quality Management plan
      - Environmental management plan
      - Procedures and templates
    - Sample records of inputs, seeds, planting, harvest, sales, livestock, cleaning, pest control, ingredient purchases, ingredient transport, product recall, complaints, staff training, internal audits, production records,
    - Pictures of the business

#### Chinese organic logos



<sup>&</sup>lt;sup>3</sup> See <u>aco.net.au/standard/china</u>

# Importing

The General Administration of Customs China (GACC) is responsible for the import and export inspection of cider. GACC is also responsible for the customs clearance procedures in China.

# **Import Certificates**

# Certificate of Free Sale or Health Certificate

Exporters are routinely requested to provide a Certificate of Free Sale or a Health Certificate. A Certificate of Free Sale will provide an attestation that the products are 'freely available for sale in [state of origin] and other states in Australia' and that 'there are no prohibitions against the export of these products'.

A Certificate of Health will attest that the product is produced in Australia in compliance with all legislative requirements and strict quality control standards, are fit for human consumption, are made in conformance with the Australian Food Standards Code and are available for export without restriction.

Certificates of Free Sale and Certificates of Health can be obtained from Chambers of Commerce in your state. Most Chambers provide a standard application form to enable them to make the attestation.

# **ChAFTA** Certificate of Origin

In order to benefit from tariff reductions from ChAFTA, cider consignments must be accompanied by an authorised ChAFTA Certificate of Origin. For exporters to China, Australia's authorised bodies are:

- Australian Chamber of Commerce and Industry (ACCI); and
- Australian Industry Group (AIG).

There are specific instructions for completing the template and exporters should familiarise themselves with the rules before submitting to ACCI or AIG for authorisation. The template can be downloaded from the authorised bodies' websites.

# **Import Procedures**

# **GACC Exporter Registration**

GACC administers Decree 55 under the Food Safety Law. The measures came into force on 1 October 2012 and require that all importers and exporters register with GACC via an online form. Only shipments from registered companies and agents are allowed into China. Successful registration with GACC will issue a 'Record Number' which is required by your consignee before they can submit an import declaration with China Customs.

The online form is currently only available in Mandarin. It can be found at this link – <u>app.singlewindow.cn/cas</u>.

Some important points:

- The name of the registered exporter and consignee will need to match the information on any accompanying export documentation. This includes Certificates of Origin and Free Sale.
- If you export to multiple consignees, each one must be listed on the registration.
- Consignee names and addresses must be entered in Chinese characters. Exporters are advised to contact their Chinese agents for assistance.
- Upon submitting the application you will obtain a Record Number and a Query Number (password) generated by the system. The two numbers can be used to check the progress of the application or modify any information as necessary. It is important to keep a record of these numbers.
- The registration information must be maintained and any change in an exporter's circumstances should be promptly updated in the system.
- The Record Number is needed by the consignee when submitting their entry inspection form. It is recommended that you do not provide the Query Number to your consignee.

Chinese consignees must also register via the online form and list all their related exporters. In addition, Decree 55 imposes a new traceability requirement on the consignee. They must record detailed information about the imported food as well as records about the movement of the imported goods. The required information includes the brand details, volume, value, country of origin, lot number, date of manufacture, as well as the manufacturer/producer of the goods (if different to the exporter).

## **Inspection and Supervision of Food Labels**

China introduced new measures in October 2018 for the inspection and supervision of imported prepackaged food labelling under the administration of GACC. However, on 22 April 2019 GACC issued a Public Notice on the Oversight of Labels for Imported and Exported Pre-packaged Foods (GACC Public Notice [2019] No.70). According to the notice, as of 1 October 2019 companies will no longer be required to file imported food labels with GACC before the first shipment. However, upon detection of any labelling nonconformities, GACC may take action pursuant to the relevant laws and regulations including detaining, destroying, or rejecting the non-compliant shipment.

Importers are responsible for reviewing labels of any pre-packaged foods they import and ensure the Chinese labels comply with the relevant laws, administrative regulations and national food safety standards.

If imported food is selected for on-site inspection or laboratory testing by GACC (further details under Customs Clearance below), the importer should submit to Customs any product conformity documents, the original label and its translation, a sample of the Chinese label and other supporting materials.

Failure to comply with Chinese labelling laws and regulations will mean the food cannot be imported and may require a voluntary recall of the food. Provision of false information may result in prohibition from import. Any non-conformance will result in more stringent supervision measures on subsequent imports.

Foods imported for exhibition, samples, duty-free or consular use are exempt from label inspection and supervision.

#### Insights and Commentary

Customs inspect product labelling and testing according to China GB national standards. Occasionally there can be a lack of consistency in rule interpretation and enforcement across the multiple ports of entry in China. Market access to different ports is not guaranteed even if it has been successfully gained in other ports. Exporters can still plan and partner with their designated Chinese importers and other stakeholders such as regulatory advisors to operate an efficient and smooth market access experience. A basic knowledge and understanding of the regulations and GB standards relevant to your products is recommended so you can prepare and provide supporting evidence to Customs if they have any questions.

#### **Options for China Labelling**

There are two common options for China labelling; either the Chinese label can be applied to products before leaving Australia or the Chinese 'white' label can be applied to the original artwork when shipment arrives in the Chinese port at the Customs designated warehouse before Customs inspection. For the latter option, it is often a value-added service offered by the import agent who often charges a fee for printing and pasting the Chinese sticky labels after shipment has landed in China. The main advantage is that if there are any China labelling problems raised by Customs, the importer agent can more conveniently make changes, re-print and reapply Chinese labels in China. In the short-term, this can be a cost-effective alternative compared to labelling in Australia.

## **Notification Requirement**

The China Customs Advanced Manifest (CCAM) system for imports and exports is designed to expedite clearance for air and sea shipments. Shipping companies are required to submit an advanced submission of manifest <u>24 hours</u> prior to loading, detailing complete and accurate cargo information.

As part of the prior notice requirements, exporters are required to include mandatory customer identifier codes when submitting Shipping Instructions to their freight forwarder for CCAM filing as required by Chinese Customs.

The following codes are required to be entered in either the shipper/consignee fields or the cargo description fields of the Shipping Instruction:

- Consignee Enterprise Code Uniform Social Credit Code (USCC) the USCC code is a unique number assigned by China Customs to consignees (you will need to obtain this code from your consignee). Each USCC contains 18 digits or letters. In case of 'to order B/L', the Shipping Instruction must also include the 'Tax (payer) Identification Number' (TIN No.) of the first Notify Party.
- 2. Shipper Enterprise Code your Australian Business Number (ABN)

In order to meet the advanced manifest deadline, exporters should submit their Shipping Instructions to their freight forwarder at least <u>40 hours</u> prior to vessel ETA at load port. Clarification on deadlines should be sought from your individual freight forwarders.

# **Customs Clearance**

#### Documents

Standard documents are required for customs clearance, including the following:

- Contract
- Commercial invoice
- Bill of Lading
- Customs Value Declaration
- Packing list
- Insurance Certificate
- Certificate of Origin (see Import Certificates above)
- Certificate of Free Sale/Health Certificate (see Import Certificates above)
- Certificate of wooden fumigation for wooden packing (ISPM 15)<sup>+</sup>

#### Import Commodity Inspection

After arrival at the Chinese port, the consignor or their import agent must declare the consignment to GACC. Customs officials conduct inspections of the container and may withdraw samples for testing. Labels may be inspected to ensure compliance with Chinese labelling requirements. Customs will issue a certificate of approval upon satisfactory completion of the inspection and the container will be released to the consignor or their agent.

#### Laboratory Inspection and Quarantine

If samples are selected for testing, the Customs laboratory conducts inspection and quality control based on *GB* 2758-2012 National Food Safety Standard for Fermented Wine and Integrated Alcoholic Beverages and the related indicators: *GB* 2761-2011 Maximum Levels of Mycotoxins in Foods and *GB* 2762-2017 National Food Safety Standard for Maximum Levels of Contaminants in Foods. The quality requirements and related test methods are shown in the table below (for reference only):

Items	Maximum level	Test methods
Pb	0.2 mg/L	GB 5009.12 National Food Safety Standard Determination of Lead in Foods, which includes 3 methods: 1) Graphite furnace atomic absorption spectrometry; 2) Inductively coupled plasma mass spectrometry; 3) Flame atomic absorption spectrometry.
Salmonella	None detected	Sampled with GB/T 4789.25 Microbiological examination of food hygiene—Examination of wines; Detect with GB 4789.4- 2016 National Food Safety Standard Food Microbiological Examination: Salmonella
Staphylococcus aureus	None detected	Sampled with GB/T 4789.25 Microbiological examination of food hygiene—Examination of wines; Detect with GB 4789.10- 2016 National Food Safety Standard Food Microbiological Examination: Staphylococcus aureus

<sup>4</sup> See <u>www.agriculture.gov.au/import/goods/timber-packaging/ispm-15</u>

#### **Customs Re-testing**

If goods fail to meet the testing limits during customs inspection, the importer may apply once for retesting within 15 days from receipt of the inspection results. Customs will generally complete the retest within 60 days from the receipt of application, however, this can be extended for another 30 days if technical reasons result in a delay. There are no costs for retesting so if your test results are questionable or only marginally exceed the test limits, it may be worth considering requesting a Customs retest.

#### Insights and Commentary

Testing methods in China can differ from testing methods in the exporting country. Pilot testing items which have a higher risk of exceeding the tolerance level of China's test limits can be the difference between a pass or fail during Customs inspection. For higher risk testing items, it is possible to pilot test in a China accredited laboratory which will give you more confidence that the test results meet China's test limits.

#### **Customs Inspection Duration and Sampling Program**

Institutional reform and paperless inspection and quarantine has resulted in a much simplified and more efficient import procedure. According to AQSIQ Announcement No.437 (2017), the inspection and quarantine duration that can be expected for alcohol is outlined in the table below (for reference only):

Procedure	Steps	Duration (working days)
Acceptance of inspection application	Customs review and handle the submitted inspection application documents	0.2
Document examination	Customs review the information on the inspection form and the accompanied documents comprehensively and supervise operation instructions for each step	0.3
On-site inspection and quarantine	Customs conduct inspection and quarantine on imported commodities at the stacking site	1
In-lab inspection and quarantine	Labs conduct testing on the received samples, or identify pests and suspicious symptoms that need to be confirmed, and issue the report	7
Quarantine treatment	The quarantine treatment department conducts disinfection and sanitation disposal on imported commodities, transport tools and other items, and submits the report of treatment results	0.5-5
Comprehensive assessment		
Release	Customs issue the release certificate or other inspection and quarantine certificates for imported commodities based on the results of the comprehensive assessment	
Archiving	Customs archive the complete and valid files and data submitted in each step	0.5

Notes:

1. The inspection and quarantine duration does not include the time for rectification due to non-compliance.

2. The quarantine treatment includes sanitisation and disinfection. Different treatment requires different duration: fumigating by methyl bromide requires 3 working days, fumigating by phosphine requires 5 working days, fumigating by sulfuryl fluoride requires 2 working days, spraying requires 0.5 working days.

If sampling inspection is not required, the cargo will generally obtain the release permit within 3 working days provided it conforms to the document examination requirements. For imported cider, on-site and laboratory sampling procedures are applied to <u>at least 3%</u> of all batches respectively. The sampling proportion can be increased up to 100% for goods that are non-compliant or assessed at a higher risk level, or for consignees or consignors with an inspection and quarantine credit level of C or below (see Customs Credit Management System below). A typical Customs clearance for cider would be completed within 12-16 working days.

#### **Commentary and Suggestions**

- The information provided to Customs for imported cider should be consistent with the declaration specifically the name, specification, quantity, country of origin, bottling date, etc.
- The storage conditions should meet the requirements stated on the label.
- Packing of the goods is in good order and the Chinese label is firmly attached.

#### Agency Arrangement and Distribution

Distribution remains the key obstacle preventing successful penetration of the Chinese market.

Austrade advises that the best path to enter the market is to identify one national agent or several regional agents/distributors as your marketing partners. Analyse the market comprehensively to define the target market segments for your cider. Differentiate your cider retailing by defining what might work best via e-commerce channels and traditional channels. Commit to the market by providing related Chinese language marketing materials, frequent visits to support importers/distributors, regular training to the distributors, etc and participate in key events to build up your brand in the market.<sup>5</sup>

Australian exporters should carefully examine the commercial bona fides and the distribution reach of any potential distributor or agent.

#### Pricing and Manner of Quoting

CIF quotations in US or Australian dollars are preferred.

## **Importer Qualification**

Only licensed importers can handle import procedures and have the right to import products, with different product categories requiring different import licences. The licence qualifications of your importer can be checked using the Customs Credit Management System outlined below.

<sup>&</sup>lt;sup>5</sup> Austrade China Profile

#### **Customs Credit Management System**

GACC administers the 'Measures for the Administration of Credit of Entry-exit Inspection and Quarantine Enterprises'. Under these measures, GACC record, process, use and publish the credit information of enterprises, and establish a unified credit management system.

GACC collects the credit information of recorded enterprises, evaluates and grants enterprises a certain credit rate according to their scores. The enterprises can be classified into one of 5 levels of rating: AA, A, B, C, D. 'AA' enterprises have the lowest credit risk, while 'D' is the highest credit risk.

Enterprises with higher ratings can enjoy customs preferential treatment resulting in smoother market access. Enterprises with lower ratings will often receive more stringent supervision.

The system impacts the following parties:

- 1. Exporters and Importers;
- 2. Agents for inspection declaration, entry-exit inspection operators and quarantine processing entities;
- 3. Food production and operation companies, storage entities, inspection and identification institutions at the port;

Rating	Preferential Treatment
ΑΑ	<ol> <li>All preferential treatment of rating A</li> <li>Priority for customs declaration, inspection and examination, and release</li> <li>Priority for appointment of customs declaration</li> <li>Priority for filing and registration</li> <li>Priority for trial of new preferential policies</li> </ol>
Α	<ol> <li>Enjoy customs encouragement policies</li> <li>Priority for implementation of 'Class One' management, green channel, direct release and other inspection measures</li> </ol>
В	Enjoy relevant customs encouragement policies in daily supervision, customs declaration, inspection and quarantine, and release
С	Stringent daily supervision, customs declaration, inspection and quarantine, and release
D	1. Under restrictive management 2. Enterprise qualifications re-evaluated

4. Other organisations for which credit management is necessary.

#### How to Check your Importer's Customs Credibility Score

Follow the step-by-step guide below on how to check your importer's score.

Step 1: Click on the GACC enterprise rating website below:

www.customs.gov.cn/customs/302427/302442/quqk/index.html.

**Step 2**: Enter the importer's company name (in Chinese only – ask your importer for help or check to see if the name is displayed in their email signature or website) and the verification code (example shown in the screenshot below):

90	Company basic information		
	企业基本情况查询		
Company name 企业名称:			
Verification code  验证码:	9AGJXX		
	查询 Search		

**Step 3**: Click search. You will see the importer's basic information including enterprise rating (as shown in screenshot highlighted below). You can see in the screenshot that the importer's Customs Credibility rating is 'B' grade, which is not bad... but could be better.

Company name	HS code Cu	istoms clearance category	Company rating	Term of validity
企业名称	海关编码	报关类别	企业管理类别	注册有效期
贸易有限公司		自理报关	В	2044/5/27 0:00:00

A higher Customs Creditability Score is a signal that the importer has less Customs compliance violations and more experience meaning a smoother Customs inspection and Preferential Treatment (as per table above). Conversely, the lower the credibility score, the more stringent Customs inspection and supervision will be applied.

#### Suggestions to Prevent or Avoid Customs Violations During Export:

- 1. When providing product certificates to the importer for customs clearance and inspection, make sure the product information on the certificates is consistent with the product which is exported to China, including country of origin, brand, product name, batch number, manufacturing date, etc.
- 2. When designing Chinese labels, check the contents for accuracy especially any claims made on the label against General Labelling Standard GB 7719 and GB 2758. Some claims such as 'nature' and 'contains sulphites' are not allowed on Chinese labels. Organic claims require Chinese organic registration.
- 3. Check the permitted food additives in cider according to GB 2760. If an additive is not listed in GB 2760 for cider, it is not permitted to be used in the product.
- 4. Compare the testing result with GB 2758 before exporting. For higher risk products and testing items that border China's regulatory limits, consider testing according to China GB standards to avoid inconsistent results which could be due to differences in testing methods.
- 5. If it is the first time you are exporting cider to China, consider conducting a trial export of a smaller quantity to check whether there are any problems during customs clearance and inspection before exporting larger quantities.

### **Samples**

Samples may be sent to China, however, labels should still comply with the import labelling requirements (even though samples are exempt from the inspection and supervision of labels procedures).

Samples imported for personal use are accepted but must be within the limits stated by the Customs authorities. Further, samples are still subject to any applicable taxes and tariffs. Trade shows will often provide assistance with importing samples for display at their show.

# Contacts

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# Website Resources

Cider Australia – <u>www.cideraustralia.org.au</u> Austrade Online – <u>www.austrade.gov.au</u> Department of Foreign Affairs & Trade – <u>www.dfat.gov.au</u> General Administration of Customs China – <u>english.customs.gov.cn</u> Administration of Quality Supervision, Inspection and Quarantine – <u>english.aqsiq.gov.cn</u>