



FDI in China Series

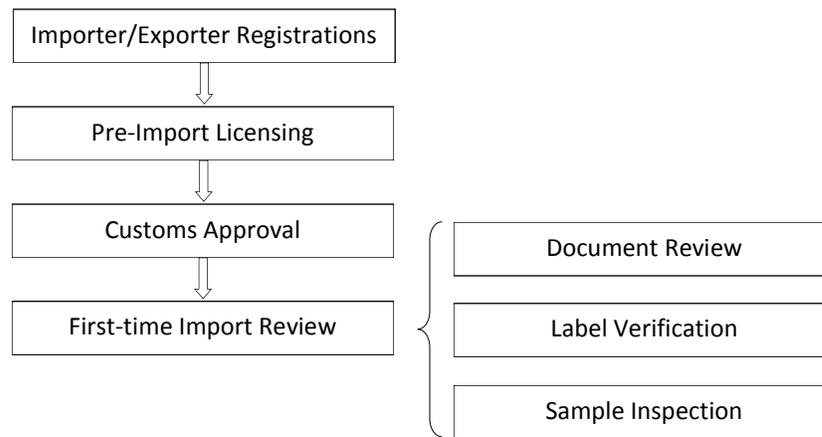
Importing Food into China – Steps and Strategic Considerations

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Importing into China requires familiarity with relevant procedures, certifications, and regulations, as well as corresponding challenges. This is all the more crucial when importing food products, which are highly regulated. This CS Alert discusses key steps to import food products into China, as well as strategic considerations for food exporters or producers.

Key Import Steps

The flow chart below reflects key steps to import food products into China.



Importer/Exporter Registrations

Both the importer and exporter must comply with registration requirements in order to import food products into China. Regardless of whether the importer is Chinese-owned or non-Chinese owned, all importers of food products must be established in China with a registered business scope that includes the business activities of (a) importing and (b) distributing food products (even if the importer does not intend to commercially distribute the products). An importer must also be registered as a foreign trade operator with the Ministry of Commerce (“MOFCOM”).

Additionally, producers must register with the State Certification

and Accreditation Administration if the food in question is on the “List of Food Imports Subject to Enterprise Registration.” Typically, the food on this list requires additional registration because it has heightened safety requirements (e.g. meat, health products).

Additionally, as of October 2012, importers and exporters must register each shipment online with the Administration of Quality Supervision, Inspection and Quarantine (“AQSIQ”) for tracking purposes.

Pre-Import Licensing

The three most common licensing structures are described below.

	License-Free	Automatic Import License	Tariff Rate Quota License
Description	No license required	License automatically issued	If within quota, license allows avoidance of heavy tariff
License Application Process	N/A	Issued by MOFCOM within three to 10 days of application	MOFCOM issues quota to importer on annual basis
Food Type	Foods free of import restrictions	Foods free of import restrictions, but still tracked by MOFCOM	Foods subject to import quotas set by MOFCOM
Example Foods	Packaged foods	Unprocessed foods such as poultry, dairy products	Food commodities such as sugar, wheat, rice

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Customs Approval

Once the food products arrive in China, they are inspected by Customs. Customs reviews the commercial invoice, packing list, and bill of lading, and inspects the food products, in order to confirm their declared value. Customs then issues a corresponding duty memo, which must be paid to Customs within 15 days.

First-Time Import Review

For food products that are imported in to China for the first time, AQSIQ conducts a first-time import review, which includes:

- (i) Document review;
- (ii) Label verification; and
- (iii) Sample inspection.

Document Review

The AQSIQ conducts a review of documents that demonstrate compliance with shipping requirements and permission to manufacture and sell the food products in the country of origin. The documents reviewed include the manufacturer's business license, a certificate for export from the country of origin, the supply contract with the Chinese buyer, a detailed packing list, and a description of the packaging materials.

These documents are typically submitted prior to the arrival of the shipment, but they are not reviewed until after product arrival and Customs approval.

Label Verification

The AQSIQ inspects the Chinese language labels of pre-packaged food products that are imported for the first time. Label requirements vary by food type, but generally include standard information such as a list of ingredients, storage requirements, and the contact information of the distributor. The AQSIQ also has strict formatting requirements that include specifications on font and label placement.

Once AQSIQ approves the label, it issues a Food Label Verification Certificate, which is valid for two years.

Sample Inspection

The AQSIQ inspects food samples to ensure that they meet safety requirements and match their labels. Samples are chosen at the AQSIQ's discretion, and are inspected using x-ray, trained dog, sieve checks, etc.

Once the food product passes the inspection, the AQSIQ issues a sanitary certificate for the products, which is valid for three years. The goods are then released to the importer.

Summary of First-Time Import

Food products that are imported for the first time invariably undergo complicated procedures as described above. However,

after the first import and after the products are shipped more regularly, the process becomes more straightforward. For subsequent shipments, AQSIQ officials will still randomly inspect labels and samples even after a first-time import, but such inspections are cursory and less frequent, especially as officials become familiar with the products.

Strategic Considerations

Importing food products into China requires significant resources. Food producers/exporters considering shipping their products to China should remain aware of the strategic considerations involved in such an endeavor.

Procedural Opaqueness

China's import regulatory environment is dynamic. Regulations may vary across types of food, and may not be consistently applied and enforced across ports, bureaus, and officers. Given this procedural opaqueness, it is important to allow for additional time and money to resolve issues, start with small import volumes, and work with a trusted importer (and perhaps multiple importers).

Time

After taking the time to search for a trusted importer and understand import requirements, the actual process of importing food products for the first time can be a significant undertaking. Certain food products, such as health foods, can take up to 19 months to obtain relevant registrations. Even the Customs and first-time import review alone generally take up to one month for a first-time shipment, but unpredictable delays have been known to delay a first-time import for longer.

Cost

Costs, like timeframes, are never firm and depend on many variables. Additional costs may include label verification costs, the cost of samples for testing, Customs daily storage fees, and importer service fees.

Trusted Importer

The import of food products has a much higher chance of success when working with a trusted, experienced importer that can handle import procedures, especially as the importer holds the relevant import registrations and licenses, and acts as the liaison between the exporter and the relevant government bureaus. It is advisable to conduct due diligence on potential importers to verify that they are duly established and registered and have a history of successful operations. At the outset, you may want to work with multiple importers (despite the additional cost) to evaluate the quality of their support.

Learn More

This article is part of an ongoing series on foreign direct investment in China. To access the series or to learn more visit www.chinasolutionsllc.com/cs-alerts or contact Nestor Gounaris at info@chinasolutionsllc.com.

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