

China Coffee Market Assessment, By Type [Arabica, Robusta, Others], By Form [Instant, Ground, Whole Grain, Others], By Distribution Channel [Supermarkets/Hypermarkets, Grocery Stores, Specialty Stores, Online, Others], By End-use [Residential, Commercial, Institutional], By Region, Opportunities and Forecast, 2018-2032F

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Report description:

China coffee market is projected to witness a CAGR of 2.75% during the forecast period 2025-2032, growing from USD 24.61 billion in 2024 to USD 30.57 billion in 2032F. Several key factors drive the growth of the China coffee market, primarily the increasing disposable income, westernized younger generations, urban and fast paced lifestyle, aggressive expansion of coffee chains and fierce competition between local and multinational corporations.

Rapid urbanization has created demand for convenient caffeine solutions and cafe spaces that serve as modern "third places" for work and socialization.

The industry's infrastructure is expanding at enormous speed, driven by aggressive franchising models and the strategic capitalization in lower-tier cities while domestic production in Yunnan province is strengthening the supply chain.

Yunnan: The Brewing Heart of China's Coffee Boom

China's coffee production is almost entirely driven by Yunnan province, which makes up over 98% of the country's total output. This southwestern region stands as the heart of China's coffee industry, thanks to its ideal climate, high altitudes, and fertile soil which are perfect conditions for growing Arabica, the dominant coffee variety in China. By the end of 2024, Yunnan's coffee harvest was substantial, with key areas like Pu'er, Baoshan, and Dehong leading the way. Pu'er stands out, producing about 60% of the nation's coffee, making it the most vital region in the province.

For instance, in 2024, Yunnan's coffee exports increased by 358% from the previous year, reaching markets like Germany, the Netherlands, the United States and Vietnam. This boost highlights Yunnan's focus on crafting higher-quality, specialty-grade

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coffee that's gaining global attention.

As of the 2023/24 crop year (ending June 2024), China produced approximately 1.8 million 60-kg bags (around 108,000 tons) of coffee, a figure expected to rise slightly to 1.9 million bags in 2024/25, as per USDA foreign agricultural service forecasts.

China's Coffee Revolution: Global Brands and Local Disruptors Reshape the Market

China's coffee market has undergone a remarkable transformation since Starbucks first introduced its premium cafe culture in 1999. Starbucks, with its "third space" philosophy and localized offerings like green tea frappuccinos, has grown to over 6,500 stores as of 2023, aiming for 9,000 by 2025 but its market leadership is being challenged by domestic players.

Leading this disruption is Luckin Coffee, which in just seven years has overtaken Starbucks with an astonishing 18,360 stores by early 2024. Luckin's digital-first model of app-based ordering, fast delivery, and budget-friendly prices, has proven perfectly tailored to China's on-the-go consumers. Its growth has been staggering, adding over 5,000 locations in 2023 alone. Meanwhile, Cotti Coffee, launched by Luckin's founders in 2022, has pursued an even more aggressive expansion, opening 6,004 stores in a single year by targeting cost-conscious customers.

For instance, Luckin's collaboration with liquor brand Moutai produced a viral sensation of "Sauce-Flavored Latte", that sold 5.42 million cups on its first day.

The Social Shift: Coffee as Lifestyle

China's cafe culture has seen remarkable growth in recent years, transforming a traditionally tea drinking nation into one of the world's fastest expanding coffee markets. This shift is driven by urbanization, a rising middle class, and the influence of younger generations particularly millennials and Gen Z, who view coffee as a symbol of modernity, social status, and a cosmopolitan lifestyle. For China's younger generations, coffee shops are no longer just about caffeine, they are social hubs, workspaces, and photogenic destinations. Cafes have evolved beyond mere places to grab a drink, they have become social hubs where people meet friends, work remotely, or simply enjoy a modern atmosphere. The growth isn't limited to big cities, coffee culture is expanding into new first-tier cities.

For instance, Chengdu, which saw an average of one new coffee shop open daily in 2020, reaching over 6,000 by 2022. As a result, the number of coffee shops continues to increase nationwide, especially in first and second tier cities.

The rise of coffee tourism in cities like Shanghai and Chengdu, where themed cafes and barista competitions thrive, reflects this cultural shift. With Yunnan province emerging as a major coffee producer, China is gaining more control over its supply chain, thus creating a fast-growing market.

Future Market Scenario (2025 - 2032F)

- The coffee market will continue to grow due to strong demand from domestic consumers and increasing cafe culture.
- The market will grow strongly based on rising competition between multinational corporations and local competitors.
- The demand for coffee will continue to expand further with the growth of e-commerce and institutional sales.
- The demand for 'Ready to Drink' and 'Coffee Pods' will continue to increase due to fast-paced lifestyle and priority for convenient products.

Key Players Landscape and Outlook

The coffee market in China is highly competitive and growing, with local brands expanding at exponential rate while constantly challenging foreign brands. Some of the expanding factors for this market are developing cafe culture, increasing disposable incomes, influence of western lifestyle on younger populations and expanding coffee chains. Looking at the opportunities available in China coffee market, many foreign brands are entering the land with the goal of rapid expansion while newer local brands are pushing the market with innovation in brewing methods and competitive pricing with focus on increasing the number of outlets in tier 2 and tier 3 cities.

For instance, Tim Hortons China, known locally as Tims China, is embarking on an ambitious journey that will see the Chinese edition of one of Canada's most famous restaurant brands open nearly 3,000 restaurants in China by 2026, just seven years after it entered the market.

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