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Date: 8/30/2012

GAIN Report Number: CH11828

China - Peoples Republic of

Post: Guangzhou

2012 South China Raisin Report 2012

Report Categories:

Market Development Reports

Dried Fruit

Exporter Guide

Approved By:

Jorge Sanchez

Prepared By:

Crystal Tang

Report Highlights:

Summary: The Pearl River Delta region has historically been China's trade hub for both imported and domestic dried fruit and tree nuts. The region boasts a mature distribution channel across the country on its numerous delta tributaries which has allows traders, processors and packers to easily access dried fruit and tree nuts both domestically and from abroad. U.S. dried fruit has been a dominant player in the last three decades; however, increased competition from South American producers have raised price sensitivity issues that not only impact growth, but threaten market share. U.S. producer associations have been strongly advised by ATO Guangzhou to take action and manage this key market with greater trade servicing activities. In 2011, South China imported \$478,651- worth in U.S. raisins, a dramatic 200 percent drop compared with 2010.

This report provides a market overview and analysis of South China's wholesale, retail and internet purchases, as well as recommendations on each sector.

General Information:

South China Market overview

-Wholesale market: Yidelu St. wholesale market

As the largest dried fruit and tree nut supplier market in world, Yidelu Street of old Guangzhou has over 2,000 shops across a 2-mile stretch. These wholesalers built the market in China the on backs of their trading activities. recently interviewed some of the most influential shop owners and discovered that over 80 percent of raisins currently sold in Yidelu Street are domestically produced raisins from Xinjiang Province (Northeast China), and the remaining 20 percent are represented by three suppliers: South Africa, U.S. and Chile.



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Price is the main factor for the recent switch from U.S. raisins to those produced in Xinjiang. According to the trade, Xinjiang producers have been busy building up the market starting with raisins' branding and image. They built up and strengthen marketing efforts and raised output levels to 500,000 ton per year. As a result of significant improvements to cleaning, drying techniques, and food safety controls, Xinjiang has raised the impression with traders, and the market has quickly taken notice. In contrast, the California Raisin Committee has not organized any trader meetings or technical seminars protecting its market share or supporting loyal buyers.

Turban (the main raisin producing region in Xinjiang) green seedless raisins are the top traded variety in Yidelu Street. These raisins can now be prominently found in the retail sector and in the food service industry, mainly for bakery and confectionary products. In second-third tier cities across China, these can be found in wholesale markets or peddled by street vendors.

-Retail Sector

Retail consumers mainly purchase domestic raisins, while a small portion of imported raisins are primarily purchased in snack package formats in first tier cities. In premier retail stores in first-tier cities, imported raisins are packed in plastic bags, cans, or paper boxes, and are marketed as healthy, tasty and convenient snack foods consumed by the middle-class. China's hospitality industry has also helped overall raisin consumption as more hotels feature raisins in their food service, bakery products, and mini-bar menus.

Besides the largest retail channels such as supermarkets/hypermarkets in big cities, independent food

stores like gas station stores and convenient stores are new channels for U.S. raisins. Pricing varies between these channels due to the distribution costs and entry fees. Xinjiang green raisins sell in Huadu (second tier city and suburb of Guangzhou) Louts supermarket at \$11.1 per kg, the high-end Guangzhou Friendship (located at the heart of new Guangzhou city center) store sells the same raisins for per kg. Imported raisins are much more expensive than domestic counterparts. For example, in Guangzhou Ole Supermarket (highest end supermarket format in China), raisins are priced \$15.87per kg and in Shenzhen priced at \$17.46 per kg.

Based on discussions with managers of five major national chains located in Shenzhen, ATO Guangzhou expects sales volumes to grow by 20 percent in 2013.

-On-line merchandize

Since 2007, China's on-line consumption entered a surge purchasing era with over 50 percent increases by netizens over the past five years. Among 33,440 million line buyers spent over \$317 on average in 2011. This emerging purchasing channel will soon reach consumers composed of a younger generation and office employers (white collar) who enjoy the convenience, greater options, and better pricing that come with on-line purchasing. Group purchasing, a particular on-line purchase promotion scheme allows consumers to directly contact the factory or distributor which attracts encourages netizens to purchase larger package formats with whole sale prices. Given strong demand and intense competition with on-line stores, many retail stores have launched on-line shopping websites with free delivery and personal advisory services. The China Academy of Social Sciences estimates China's internet trading will reach \$21 million in 2013.

Recommendations

Demand for high quality food products increased rapidly as well as the options available to consumers. U.S. raisins enjoy a high reputation and long trading history in China, but the sudden decline also delivers a message of insufficient attention and lax promotion by the California Raisin Council (RAC). Post suggests RAC to work swiftly and closely with the ATO Guangzhou and Pearl River Delta traders to launch more promotional events to strengthen the bond with distributors and end users with the purpose of reinforcing the image of U.S. raisins and recognizing important trade relationships in South



Guangzhou Ole supermarket
Source: ATO GZ



Guangzhou Friendship store online
shopping website

China that are the backbone of China's booming raisin market.