

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

Voluntary Public

Date: 12/21/2012

GAIN Report Number: 12078

China - Peoples Republic of

Post: Beijing

Canned Deciduous Fruit Annual

Report Categories:

Canned Deciduous Fruit

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Report Highlights:

Weak world demand and high stocks depressed China's canned fruit production in MY 2012/13 (June-May), causing peaches to fall seven percent to 420,000 metric tons (MT) and pears to fall fifteen percent to 68,000 MT. Similarly, China's exports of canned peach and pear products are forecast down to 130,000 MT and 48,000 MT, respectively, from the previous year. China's consumption of canned peaches for MY 2012/13 is forecast to increase as imported canned peaches are becoming popular in China's growing bakery industry. The United States, South Africa and Greece are major sources of canned peaches to China.

Production:

Canned peaches

The Office of Agricultural Affairs (OAA/Beijing) forecasts that China's canned peach production in MY 2012/13 (June-May) will decline by seven percent to 420,000 metric tons (MT) from the revised MY 2011/12 estimate of 450,000 MT, largely due to carryover stocks and weak demand from major export markets. Reduced demand from canning facilities has weakened grower prices compared to last year (see Price section). Although China's yellow peach acreage remains stable, the industry is concerned that continued low prices may cause the loss of peach orchard acreage as farmers switch to more profitable crops.

In addition to lower prices, rising annual input costs of 10-15 percent are another concern for the industry. To address these issues, canneries are mechanizing operations such as washing, sorting and peeling, to replace workers and reduce costs. Furthermore, canned fruit enterprises are seeking new investment through overseas partners, building new processing facilities in locations with lower costs and developing regional brands and distribution networks to capitalize on positive canned fruit consumption trends.

Major peach canneries enter into production contracts with producers. These contracts may provide for the provision of technical and input support and establish a guaranteed purchase price provided the commodities meet the company requirements.

Canned pears

Sluggish demand in key export markets will negatively impact China's canned pear production in MY 2012/13 (June-May), down 15 percent to 68,000 MT. Less than one percent of China's fresh pear production is processed into canned products, and more than 70 percent of canned pears are exported. (See Exports)

Prices

Weak export demand in MY2012/13 has reduced cannery purchases of domestic peaches and dropped farm-gate prices 40 percent compared to record high export prices of \$1,315 per ton in MY2011/12. During the beginning months of MY2012/13 (starting June 2012), export prices declined from 1,458 per ton to \$1,239 in October 2012.

Consumption:

Canned yellow peaches are China's most popular canned fruit. Its consumption trend remains on the rise, albeit leveling somewhat in MY 2011/12, as soaring production costs (including raw fruit, labor, and sugar) pushed retail prices up by 20 percent in MY 2011/12. Consumption forecasts for MY 2012/13 are expected to increase as imported canned peaches are becoming popular in China's growing bakery industry (see Imports).

Consumption of canned pears is also on the upswing, but at a much slower pace. With the exception of canned yellow peaches, consumers prefer to eat fresh deciduous fruits as they believe canned fruit contains harmful preservatives. To overcome this hurdle, some canneries have developed new plastic packaging options and developed new marketing vehicles such as online stores to boost consumption.

Trade:*Imports*

OAA/Beijing forecast China's canned peach imports in MY 2012/13 at 12,000 MT, up 16 percent from the previous year, due to strong demand from China's baking industry. Compared with domestically-produced canned yellow peaches, imported peaches feature a firm texture and bright yellow color which are attractive attributes to the baking industry. In addition, rising production costs in China have narrowed China's canned yellow peach price advantage over imported peaches. The United States, South Africa and Greece are major sources of canned peach imports.

Exports

OAA/Beijing estimates that China's canned peach exports in MY 2012/13 will fall to 130,000 MT, down eight percent from the previous year, due to reduced demand from major international buyers like the United States. China's canned peach exports to the United States, its largest buyer, dropped by 15 percent in MY 2011/12. Japan, the largest buyer of Chinese canned white peaches, may also reduce purchases from China due to unfulfilled purchase orders from MY 2011/12 which will likely lower demand in MY 2012/13.

Canned pear exports are forecast at 48,000 MT in MY 2012/13, down four percent from the previous year, largely due to shrinking demand from the United States, the largest buyer of China-origin canned pears. U.S. canned pear import volume from China has been declining over the past six years, from 35,458 MT in MY 2006/07 to 23,070 MT in MY 2011/12.

Policy:

Government support for canned fruit production differs among provinces. Some provincial governments may subsidize equipment purchases of leading agro-businesses. State-owned banks may subsidize loans for canneries to purchase fruit from farmers. Local governments may subsidize the construction of demonstration farms/orchards. In Anhui province, for example, a major cannery has turned its contracted orchards into a demonstration farm based on Good Agricultural Practices (GAP) guidelines for which the provincial government reimbursed half of the company’s investment.

Marketing:

More on Pricing:

In supermarkets and hyper-markets, competing domestic canned fruit brands are similarly priced, but imported canned fruit is priced approximately 50-400 percent higher than domestic counterparts due to high import costs (tariff rate is 10 percent, and value added tax is 17 percent). Competition with higher quality imported products has caused some domestic canneries to produce higher quality canned fruit at relatively cheaper prices.

Packaging:

Packaging plays a very important role in marketing canned fruit products. Chinese consumers traditionally inspect fruit products before making purchases, so canneries often place their canned fruit in transparent glass or plastic jars to facilitate visual inspection. In addition, transparent containers distinguish their products from canned products which have a negative impression with Chinese consumers. The food service sector (e.g. restaurants), however, still purchases both domestic and imported canned fruit. As shown in the table below, each form of packaging has its pros and cons.

Comparison of Different Packages			
	Tin Cans	Glass Jars	Soft Cans
Ease of transportation	Yes	No	Yes
Ease for consumer inspection	No	Yes	Yes
Facilitates conservation	Yes	No	No

Distribution:

Imported canned peaches, pears, and apricots are primarily purchased by the Chinese baking industry because of their superior taste, uniform shape and firm texture. Premium bakery shops often garnish bakery items with canned sliced fruit. Sales of imported canned peaches, pears and apricots through high-end retail channels are primarily to expatriate and wealthy Chinese consumers.

Promotion

Chinese canneries are very optimistic about the untapped opportunities in the domestic market and plan to broaden their consumer base beyond the wealthy. Industry marketing efforts focus primarily on northeast China, which has a high consumption of canned fruits. Billboards, bus advertisements, and free tastings are common promotional tools. As domestic retail channels can involve high slotting fees and marketing budgets, some leading canneries are pursuing niche markets in the food service sector, such as four and five star hotels, VIP clubs and karaoke bars.

Opportunities and Challenges

Industry experts believe consumption of locally produced and imported canned yellow peaches shows the strongest potential amongst canned fruits, with baking industry demands playing a key role in the growth rate, with consumption of other canned fruits likely to grow at a slower level. The industry must overcome consumer resistance to canned fruits and continue efforts to promote them as a healthy alternative to fresh fruit.

Production, Supply and Demand Data Statistics:

Canned Peaches

Peaches, Canned China	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jun 2010		Market Year Begin: Jun 2011		Market Year Begin: Jun 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	555,000	555,000	600,000	675,000		540,000
Beginning Stocks	17,000	17,000	0	0		28,249
Production	370,000	370,000	400,000	450,000		420,000
Imports	7,651	7,651	9,000	10,362		12,000
Total Supply	394,651	394,651	409,000	460,362		460,249
Exports	139,001	139,001	130,000	142,113		130,000
Domestic Consumption	255,650	255,650	279,000	290,000		330,249
Ending Stocks	0	0	0	28,249		0
Total Distribution	394,651	394,651	409,000	460,362		460,249

Canned pears

Pears, Canned China	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jun 2010		Market Year Begin: Jun 2011		Market Year Begin: Jun 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	124,800	124,800	123,200	128,000		108,800
Beginning Stocks	0	0	0	0		7,378
Production	78,000	78,000	80,000	80,000		68,000
Imports	164	164	175	163		120
Total Supply	78,164	78,164	80,175	80,163		75,498
Exports	57,126	57,126	52,000	49,785		48,000
Domestic Consumption	21,038	21,038	25,000	23,000		25,000
Ending Stocks	0	0	0	7,378		2,498
Total Distribution	78,164	78,164	80,175	80,163		75,498