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**Date:** 7/21/2011

**GAIN Report Number:** 11040

## China - Peoples Republic of

**Post:** Beijing

### Stone Fruit Annual Report

**Report Categories:**

Stone Fruit

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**Report Highlights:**

For marketing year (MY) 2011 (January-December), peach/nectarine production is forecast at 11.6 million metric tons (MMT), up 10 percent from MY2010. Cherry production is expected to continue at a fairly fast pace as new plantings have begun bearing fruit. In MY 2011, cherry production is forecast at 210,000 MT, up nearly 11 percent from the previous year. Colder-than-normal temperatures have delayed harvest, but no significant damage is expected. China's peach/nectarine exports in MY 2011 are forecast at 42,000 metric tons, up 50 percent from the previous year. This increase is partly due to Russia's decision in April 2011 to eliminate import tariffs for China-origin peaches/nectarines and kiwis. Cherry imports in MY 2011 are forecast at 28,000 metric tons, up 150 percent from MY2010, due to stronger import demand.

## **Production:**

### *Peaches/Nectarines*

For marketing year (MY) 2011 (January-December), peach/nectarine production is forecast at 11.6 million metric tons (MMT), up 10 percent from MY2010. Similar to last year's Annual, cold weather in northern China continues to cause fewer blossoms in the spring; but, surprisingly, total production is expected to increase with larger-than-expected fruit sizes. Peaches are planted in many provinces across China with harvest seasons between mid-June and early October. Producing areas are located close to the large urban consumption cities.

Acreage is forecast at 720,000 hectares in MY 2011, up a mere one percent from the previous year. Market returns for growing peaches are still favorable, especially in southern provinces. Although some farmers in northern Chinese provinces like Shandong and Hebei are replacing peaches with more profitable crops such as cherries, key producing provinces in the south and northwest (particularly Jiangsu and Shaanxi) are slowly increasing planting area for peaches because it's less labor intensive and sensitive to weather than other fruit trees such as cherries and apples.

Over the past year, production costs have increased dramatically. For example, in Shandong province (one of the leading producing provinces), fertilizer prices increased 25 percent; and, with more farmers starting new management practices such as bagging their peaches for pesticide protection and better appearances, the cost for labor can be as high as 120 Yuan (\$18.5) per day, which is 50 percent higher than last year.

### *Cherries*

Cherry production is expected to continue at a fairly fast pace as new plantings have begun bearing fruit. In MY 2011, cherry production is forecast at 210,000 MT, up nearly 11 percent from the previous year. Colder-than-normal temperatures have delayed harvest, but no significant damage is expected.

Acreage is forecast at 63,000 hectares in MY 2011, up 5 percent from 2010. High market returns have inspired farmers to expand planting areas in non-traditional areas such as Taian and Zaozhuang in Shandong, Chengdu in Sichuan, and Xi'an in Shaanxi. As reported last year, most of China's cherry production is achieved through small plots of land (no larger than 0.6 hectares). In an effort to achieve sustainable production and fruit quality, individuals have contracted land from multiple farmers. For instance, an individual in Taian contracted and dedicated 133 hectares of farmland exclusively for cherry production. This contractor plans to double the size of his cherry orchard by investing finances and research in further developing cherry seedlings.

The most dominant variety in China is Red Lantern (accounts for 40 percent of total acreage), which is comparable to the U.S. Brooks variety. Other varieties that originated from overseas include Sweetheart, Bing, Tieton, Ukraine Series, Black Tartarian, Rainier, Van, Lapins, and Stella. There are no sour cherries grown in

China.

### **Prices:**

Peach/nectarine prices have been quite stable in recent years. Peach prices vary significantly throughout China. In southern Guangxi and Sichuan provinces, the farm gate prices for fresh peaches are higher than other provinces at 5Yuan (\$0.77) per kilo. In South China, there are fewer processing facilities and lower production, so peach supplies are only used for fresh consumption. On the other hand, in Northern provinces like Shandong, early mature peaches are priced at 2.4 Yuan (\$0.37) per kilo. The majority of China's processing facilities are located in the North within the top five producing provinces (see the table below on acreage and production).

There are two harvest seasons for cherries, greenhouse and open field. Greenhouse cherries are the first available on the market (starting late February in certain provinces). With lower supplies compared to open-field production and early availability to the market, greenhouse cherries are initially higher priced. That said, when open-field production is available to the market in May, farm gate prices for greenhouse cherries dropped from 90 yuan (\$13.8) per kilo in early May to 10 yuan (\$1.5) per kilo in mid-June.

### **Consumption:**

Despite rising fruit prices, peach consumption is steadily rising and peach prices have been quite stable. Peach juice/drinks have become the second largest juice beverage consumed in China, just behind orange juice/drink. Canned yellow peaches are also very popular, particularly in northern China.

Cherry consumption has been increasing quickly and the trend is expected to continue in the near future, as production and distribution system continues to improve. Imported cherries are very attractive to urban high-end consumers and are served as popular gifts during Chinese New Year. Compared with locally-produced cherries, imported cherries have a sweeter taste with firmer flesh. Since the local varieties are juicier and cannot be stored for extended time, farmers normally pick the cherries before full maturity, so the cherries can stay fresh longer and travel farther. This method affects the taste of the local cherries. In South China, Guangzhou and Shenzhen remain as the key consumption markets as middle class are more aware of the healthy benefits and affordability of high-quality imported cherries. Several years of continuous education and promotion have increased demands for imported cherries in retail outlets, mom-and-pop stores, and street vendors located in emerging markets such as Guangdong, Fujian, Hainan, Hunan and Guangxi.

As domestic production for fresh cherries increase, more supplies are expected to be processed into brandy and canned and preserved fruits.

### **Trade:**

Imports:

China does not import peaches/nectarines.

Cherry imports in MY 2011 are forecast at 28,000 metric tons, up 150 percent from MY2010, due to stronger import demand. Additional exportable supplies from the United States also encouraged more import demand. The United States is the second largest supplier of fresh cherries to China. Chile's supply season coincides with the peak of local consumption during the Chinese New Year (in January or February). Chile remains the top cherry exporter to China.

Exports:

China's peach/nectarine exports in MY 2011 are forecast at 42,000 metric tons, up 50 percent from the previous year. This increase is partly due to Russia's decision in April 2011 to eliminate import tariffs for China-origin peaches/nectarines and kiwis. Russia is China's second largest buyer of these fruit products. **Post revised the export estimate for MY2010 to 27,802 due to Customs Statistics.**

China does not export cherries due to inadequate varieties and fresh-keeping technologies.

### **Policy:**

The central government does not provide direct support to the fruit industry, but general policies on agriculture could benefit production and/or distribution. In an effort to reduce distribution cost and protect farmers' long-term interest, the Ministry of Agriculture (MOA) and the Ministry of Commerce (MOFCOM) launched a pilot program in July 2009 that subsidizes supermarkets to enter into direct purchase contracts with farm cooperatives (see the 2009 Stone Fruit report for more information). In March 2011, the two ministries issued another joint circular to further regulate the practices of direct purchasing. The goal is for retailers to purchase 50 percent of their fresh agricultural products directly from farmers by 2012. Currently, direct purchases account for 15 percent. Reportedly, direct purchasing would lower distribution costs by 20-30 percent.

MOFCOM created an online platform to share information about buying and selling of agricultural products. This effort was aim to educate farmers on how to sell their products with timely market intelligence on interested buyers and sellers in different regions. This matchmaking strategy by MOFCOM led to transactions that totaled 50 billion Yuan (\$7.7 billion).

Local governments provide support to help increase fruit production in their respective areas. For instance, in Shandong's Penglai, the local government provides cherry farmers 400 yuan (\$61.5) per mu (15 mu=1 hectare) to build irrigation systems for orchards.

### **Marketing:**

*Peaches*

As mentioned earlier, U.S. peaches/nectarines do not have market access to China.

It is worth noting that local governments and/or farm cooperatives in peach growing regions are organizing marketing activities to help peach growers/brokers sell their peaches. Some local varieties of peaches are registered as “famous brands” in the name of its growing region. A peach blossom festival is held every year during the blossom season. It serves as a good platform for social networking as growers/brokers invite their clients such as retailers, institutional buyers, and wholesalers to visit production areas and discuss orders. With massive media exposure during the festival, more consumers become familiar with certain regional peaches. For example, the local government in Feicheng, a city in Shandong province, hosts a peach harvest festival in April each year.

### *Cherries*

The rapid growth of cherry exports to China continued in 2010, reaching a record 88 million dollars or 11,222 metric tons. The United States was the second largest exporter to China with 2,987 tons. Traders indicate that continued growth can be expected over the next few years. Direct fresh cherry shipments to Beijing from the United States have increased rapidly since 2008. Imports into Beijing in 2010 were up 184.6 percent from 2009 and ranked second after Shanghai. Importers stated that fresh cherries are air shipped from U.S. packinghouses to wholesale markets in Beijing in just 2 working days. The rapid transportation time guarantees superior quality of fresh cherries. The major upscale supermarkets as well as hypermarkets in Beijing offer fresh U.S. cherries during harvest season. ATO/Beijing is working with local distributors to expand the promotion of these high value products in second and third tier cities, however, deficiencies in the cold chain remain a significant obstacle.

<b>China Import Statistics</b>							
<b>Commodity: 080920, Cherries, Fresh</b>							
Annual Series: 2005 - 2010							
Partner Country	Unit	Quantity					
		2005	2006	2007	2008	2009	2010
World	T	286	189	611	3344	6184	11222
Chile	T	0	37	247	2845	3818	8196
United States	T	42	151	360	499	2343	2987
New Zealand	T	244	1	5	1	22	40

**Source: World Trade Atlas**

### **Distribution:**

Guangzhou remains the distribution hub for all imported cherries, accounting for almost 50 percent, ahead of Shanghai’s 30 percent and Beijing’s 10 percent. For imports of U.S. cherries, Shanghai is the dominant port, accounting for half of total imports. Beijing is second at 33 percent, followed by Guangzhou at 16 percent.

### Ports of Entry for U.S. Cherries

District	United States Dollars					
	2005	2006	2007	2008	2009	2010
All Districts	148,457	554,750	1,333,964	2,341,240	12,226,331	22,795,400
Shanghai	97,567	95,113	650,031	1,160,970	5,538,110	10,960,736
Beijing	0	0	37,322	249,074	1,819,861	7,636,270
Guangzhou	50,890	459,637	646,611	931,196	4,764,680	3,540,446
Tianjin	0	0	0	0	0	311,306
Dalian	0	0	0	0	103,680	277,193
Xiamen	0	0	0	0	0	69,449

**Source: Global Trade Atlas**

Internet business for fresh fruits is growing in China, including stone fruits. Online stores are selling high-end fresh cherries with packaging boxes (5kg or 10 kg) to their consumers.

Consumer education about U.S. cherry characteristics and health benefits remains critical to expanding distribution networks in China. Characteristics such as seasonal availability, cherry varieties, packaging, and proper storage and handling techniques have been highlighted by key importers. Trade buying missions to visit U.S. production areas and establish relationships between U.S. exporters and local traders will also increase confidence and imports for U.S. cherries.

### **Competition:**

Imported U.S. cherries, especially California cherries, face more domestic competition in North China because of increased production in key growing areas such as Shandong and Liaoning where the majority of their supplies overlap with the imports of California cherries. Chinese growers continue to improve the quality and attributes of the cherries that are similar to U.S. varieties. For example, MeiZao is similar to Bing cherries and LeiNi is similar to Rainier. Although, by appearance, it is difficult to distinguish the difference between China's premium quality cherries and U.S. varieties, the taste of Chinese cherries is still inferior to U.S. cherries.

China is still improving its post harvest practices and cold chain management such as a national grading system and state-of-art packing line. During the harvest season, growers will sell their fruits to the broker at the collection center. The broker will then sort based on variety and size, and then pack into white plastic boxes. Large brokers organize cooperatives to create better packaging for exports to the East Asian market or sell domestically as a premium product.





**Cooperatives use better packaging.**



**Collection and sorting of cherries**

### ***Consumer/Trade Education***

The United States is viewed as the epitome of a high quality fruits supplier. Creating and enhancing the image of premium quality U.S. stone fruit in China is essential to boost U.S. exports to China over the long term. In-store promotions, tastings, and display of point-of-purchase materials have proven to be effective in increasing product awareness among Chinese consumers. Sales of U.S. cherries have doubled and sometimes tripled during these promotion periods. Training seminars targeting traders and retail managers on product handling and tips to increase profitability can help build trade confidence, wholly helping to address an important link in the cold chain.

In addition to on-site promotional activities, reaching targeted consumers through media exposure also plays an important role in raising consumer awareness of the premium quality of U.S. cherries. The unique growing conditions in the United States, health benefits, and high U.S. food safety standards make U.S. stone fruits appealing to China's affluent middle class.

Packaging is another effective way to stimulate sales, especially during holiday seasons. Chinese consumers tend to buy visually attractive, well-packaged products as gifts for important contacts or relatives. The same is true with high quality seasonal products. When domestic cherries are available, local growers and wholesalers will prepare well designed retail-size packages mainly for two reasons: (1) to avoid excessive touching by consumers; and (2) to promote premium quality cherries for better branding.

In terms of imported cherries, 18 or 20lb and 5kg or 2.5kg boxes are well accepted in East China, as consumers purchase a whole box for imported cherries for personal consumption or as a gift. Smaller packages like 2.5kg or 2 kg will become more popular if the unit price matches the 18 or 20 lb boxes. An importer in Shanghai indicated that retail outlets like Carrefour and Metro would prefer the one-pound cherries in clam-shelled packaging.

Local governments in major cherry growing regions, like Dalian and Yantai are promoting the cherries through local cherry festivals. The Yantai International Cherry Festival (from May 28-June 26, 2011) attracted thousands of visitors to pick and eat the fruit in the orchard upon paying the entry fee. The Festival not only served as a good channel to sell fruits, but also saved labor costs at harvest.

Taste preferences for imported cherries vary geographically. Consumers in first-tier cities tend to prefer larger cherries (9.5-10 row cherries), while the 10.5-11 row cherries sell faster in emerging city markets (ECMs). The majority of Chinese consumers prefer darker, firm skin cherries, as they believe they are sweeter and fresher.



### ***Opportunities***

Emerging city markets such as Hangzhou, Nanjing, Ningbo, Wenzhou, Shenzhen, Dongguan, Qingdao, and Chengdu offer untapped opportunities for U.S. stone fruits. The growing population in ECMs has had limited exposure to imported food products, compared to high-end luxury imported products. Once distribution channels are identified and consumer education is increased in these ECMs, a new wave of demand will form for U.S. stone fruits.

Modern fruit specialty shops equipped with produce coolers are emerging in some cities, especially in the Pearl Delta and Yangtze Delta, and becoming an important channel for imported fruits. Industry insiders even commented that sales of imported fruits in specialty shops could have more sales than hypermarkets or supermarkets.

E commerce has become a popular retail channel among consumers between the age of 25-45 in first-tier and second tier cities. TV shopping is attracting a wider demographic. The advantage of these channels is that the fruits are stored in fairly decent cold chain facilities and delivered to consumers in one or two days after receipt of the purchase order. Secondly, on-line shopping websites and TV shopping channels provide a good platform to educate consumers about the benefits of imported fruits and how the fruits are produced and harvested.

### ***Challenges***

#### ***Cherries***



U.S. cherries compete with local cherries between the end of May and the end of June. With Increased production in Northern China, improved quality, and lower prices, local cherries are becoming more competitive to U.S. cherries. Chinese cherry growers, with the help of research institutes, are developing or introducing new varieties that have a longer shelf life. Although China's cold chain logistics cannot currently transport large quantities of cherries from production areas to coastal cities like Shanghai and Guangzhou, this current challenge is expected to improve as China continues to invest in infrastructure improvements. Cold chain in China remains a challenge for U.S. cherry exports as well. Although cold storage facilities exist at most fruit wholesale markets, retailer distribution, proper cold chain management cannot be guaranteed.

## **Tables**

### **2006-2009 China Peach Acreage and Production by Province**

China Peach Production (1000 Ha and MT) by Province 2006-2009
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Province	2006		2007		2008		2009	
	100 0 ha	MT	100 0 ha	MT	100 0 ha	MT	100 0 ha	MT
Shandong	114.3	2,156,308	108.8	2,347,485	98.1	2,437,846	95.2	2,442,602
Hebei	94.0	1,316,853	94.6	1,370,654	93.9	1,430,416	89.0	1,444,854
Henan	64.4	650,108	76.0	774,759	69.5	850,939	70.3	938,641
Hubei	39.3	483,510	44.2	502,347	44.9	510,596	46.9	566,623
Liaoning	21.2	417,828	24.5	439,844	27.4	461,049	26.7	506,750
Shaanxi	26.9	326,387	27.2	391,111	28.1	441,236	31.4	485,471
Jiangsu	31.3	349,959	30.7	389,910	31.6	433,765	33.1	437,898
Sichuan	36.5	330,331	40.9	358,781	43.4	392,854	43.8	410,342
Beijing	17.9	299,783	22.7	414,913	22.0	403,630	21.7	408,517
Anhui	20.1	226,789	15.8	289,864	24.2	326,213	23.1	380,300
Zhejiang	24.5	311,648	25.5	316,166	25.9	346,219	26.3	365,679
Shanxi	10.9	161,768	12.1	178,106	12.0	210,210	13.5	260,852
Fujian	25.6	198,336	25.9	212,800	26.8	226,214	26.8	229,173
Yunnan	20.6	118,974	21.5	137,245	22.2	162,502	24.6	173,082
Gansu	14.2	139,340	13.8	142,204	13.6	152,605	12.9	161,822
Guangxi	15.9	125,757	16.5	153,369	16.7	139,389	18.4	155,297
Hunan	21.7	102,296	26.7	107,971	23.5	106,278	25.9	112,055
Xinjiang	10.1	72,038	10.6	86,137	11.7	61,447	12.8	96,306
Shanghai	7.2	113,167	7.3	108,921	7.5	90,290	6.7	95,098
Guizhou	16.1	70,621	16.8	80,805	17.9	79,920	19.5	84,796
Guangdong	7.5	87,352	7.6	89,537	6.4	79,119	6.6	78,011
Chongqing	10.4	52,649	10.8	64,665	10.6	70,636	10.8	78,000
Tianjin	4.2	52,399	4.0	48,776	3.9	53,254	3.9	61,544
Jiangxi	10.8	40,496	10.1	35,786	11.4	45,916	10.8	45,745
Ningxia	3.6	7,693	2.0	7,225	1.9	19,453	2.4	18,239
Tibet	0.1	1,148	0.2	1,249	0.2	1,307	N/A	1,250
Jilin	0.2	676	0.2	666	0.2	678	0.4	720
Qinghai	N/A	486	N/A	479	N/A	370	N/A	533
National total	669.5	8,214,700	697.0	9,051,774	695.1	9,534,351	703.3	10,040,200

## Production, Supply and Demand Data Statistics :

### Fresh peaches/nectarines

Fresh Peaches & Nectarines China	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	690,000	703,000	688,000	714,000		720,000
Area Harvested	0	0	0	0		0
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total Trees	0	0	0	0		0
Commercial Production	9,800,000	10,025,200	10,000,000	10,500,000		11,550,000
Non-Comm. Production	15,000	15,000	15,000	15,000		0
Production	9,815,000	10,040,200	10,015,000	10,515,000		11,550,000
Imports	0	0	0	0		0
Total Supply	9,815,000	10,040,200	10,015,000	10,515,000		11,550,000
Fresh Dom. Consumption	8,425,009	8,650,209	8,663,000	9,187,198		9,758,000
Exports	39,991	39,991	52,000	27,802		42,000
For Processing	1,350,000	1,350,000	1,300,000	1,300,000		1,750,000
Withdrawal From Market	0	0	0	0		0
Total Distribution	9,815,000	10,040,200	10,015,000	10,515,000		11,550,000

### Fresh cherries

Fresh Cherries,(Sweet&Sour) China	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	57,750	57,750	60,000	60,000		63,000
Area Harvested	0	0	0	0		0
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total Trees	0	0	0	0		0
Commercial Production	185,000	185,000	190,000	190,000		210,000
Non-Comm. Production	0	0	0	0		0
Production	185,000	185,000	190,000	190,000		210,000
Imports	6,184	6,184	9,600	11,222		28,000
Total Supply	191,184	191,184	199,600	201,222		238,000
Fresh Dom. Consumption	189,982	189,982	198,250	199,865		227,990
Exports	2	2	0	7		10
For Processing	1,200	1,200	1,350	1,350		10,000

Withdrawal From Market	0	0	0	0		0
Total Distribution	191,184	191,184	199,600	201,222		238,000