

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **China - Peoples Republic of**

### **Stone Fruit Annual**

#### **Annual**

**Approved By:**

Melinda Meador

**Prepared By:**

Ryan Scott, Wu Bugang, Freddie Xu

**Report Highlights:**

China's peach/nectarine production in marketing year (MY) 2012 is forecast at 12 million metric tons (MMT), up four percent from 2011. Acreage for peaches/nectarines remains stable at 7.3 million hectares. Although China imports small amounts of peaches/nectarines during off-season production there is currently no market access for U.S. peaches/nectarines. Cherry production is expected to reach 170,000 MT, down nearly 20 percent because of heavy rains during the flowering period in Yantai, Shandong province, which is China's largest cherry producing area. Cherry imports are estimated to increase by five percent to 25,000 MT, due to reduced domestic production and additional imports from the United States. U.S. cherries compete with local cherries between late May and late June.

## **Production:**

### *Peaches/nectarines*

China's peach/nectarine production for marketing year (MY) 2012 is forecast at 12 million metric tons (MMT), up four percent from 2011. Low temperatures during the spring will delay harvest. Reportedly, early-mature nectarines and peaches in southern China are not as sweet as those in the previous year due to excessive rain during the fruit development stage. China has more than 20 peach/nectarine varieties, most of which are local varieties. Production acreage is forecast at 7.3 million hectares in MY 2012, up a mere one percent from the previous year.

Peaches/nectarines are planted in two major areas: 1) northern China, including Beijing, Hebei, Shandong, Henan, Liaoning, northern Jiangsu and Anhui, Shaanxi, Shanxi and Gansu; 2) along the Yangtze River: Shanghai, southern Jiangsu and Anhui, Zhejiang, Jiangxi, Hubei, Hunan and Sichuan basin. Currently, nectarines account for 20 percent of the total peach/nectarine production and this percentage is increasing annually. Compared with competing fruit crops like apples, peaches require less labor and investment and take less time to bear fruit. Nearly three percent of peaches/nectarines are produced in greenhouses. Field production for peaches/nectarines is harvested between May and October.

Market returns for peaches and nectarines varies significantly throughout China. For instance, production areas in Beijing, Zhejiang and Jiangsu are close to big cities where farmers find high market returns. In mid-western producing provinces like Shanxi and Shaanxi, farmers supply lower-end markets. Sources noted that acreage close to developed areas is not increasing due to limited land. Farmers in less developed areas are not expanding because of low market returns. (See Prices)

### *Cherries*

Although China does not provide official statistics on cherry production, MY 2012 production is forecast at 170,000 metric tons (MT) in MY 2012, down nearly 20 percent from 2011, as heavy rainfall in Shandong during flowering damaged production in China's largest cherry producing province. Similar to peaches, the cherry harvest will be delayed due to low temperatures in the spring, with fruit quality expected to be better than normal.

Acreage is forecast at 65,000 hectares in MY2012, up three percent from the previous year, due to favorable market returns. Among China's cherry varieties, Red Lantern (similar to Brooks variety) accounts for about 40 percent and other main varieties include Bing, Sweetheart, Ukraine Series, Black Tartarian, Rainier, and Lapins. The current national average for production cost is estimated at \$4,725 per hectare. In Jiangsu and Zhejiang provinces, where there's limited land and higher labor costs, production costs can be 50 percent higher than China's national average.

Recent rapid expansion in cherry acreage seems to be slowing. Newly planted cherries in parts of Shaanxi province have not been successful because of soil and weather conditions. Furthermore, in more suitable areas like Shandong province, private companies have started to contract collective land (owned by counties or

villages). This type of operation is relatively small as land has already been allocated to farmers, and it's very difficult to contract land from profitable cherry farmers.

## **Prices**

In Henan province, early-maturing peaches/nectarines are currently priced at 3.0 yuan (\$0.48) per kilo, which is 25 percent higher than 2011. Reduced production in Yantai caused domestic cherry prices to skyrocket. For instance, this year's farm gate price for Red Lantern (Brooks) doubled to 26 Yuan (\$4.1) per kilo over the same period in 2011.

## **Consumption**

Peaches are a popular fruit in China and production areas, which are often near urban areas, insure a ready supply. While most peaches and nectarines are consumed fresh, the processing sector is growing. Peach juice and nectar are the second largest juice beverages after orange juice and processed peaches are used in dried, preserved, and canned products. China remains the largest supplier of canned peach products to the United States.

Although cherries are higher priced than other fruits, consumer demand is still increasing. Imported cherries are favorites of high-end consumers and popular as gifts during major holidays such as the Spring Festival (Lunar New Year). The sweeter taste and firmer skin of imported cherries are preferred by consumers over domestic cherries. However, sources relate that import consumption would drastically increase if imported cherries were more price competitive with domestic cherries.

## **Trade**

### *Imports*

Cherry imports are forecast at 25,000 MT in MY2012, up five percent from the previous year. U.S. cherry exports to China are expected to increase by 30 percent due to additional supplies from Washington State in 2012. Chile is the dominant supplier during the Chinese Lunar New Year, peak season for cherry consumption, and accounts for nearly 80 percent of China's total imports. U.S. cherries compete with local cherries between late May and late June. China imports small amounts of peaches/nectarines during off-season production for high-end markets. U.S. peaches/nectarines do not have market access to China.

### *Exports*

China's peach exports are forecast at 45,000 MT in MY 2012, an increase of 15 percent from 2011. This upward shift is attributed to additional domestic supplies and greater demand from Vietnam and Russia. China's peach exports account for less than 0.5 percent of its total production; export of perishable fruits is hampered by storage and transportation challenges in China.

Like peaches, the perishable nature of Chinese cherries also makes them difficult to ship. Exporters find it difficult to source large quantities of the same varieties. Small farmers often plant multiple varieties which produce inconsistent qualities.

## Policy

In December 2008, China established a non-profit research and development system that provides technical support to the peach industry and input to policy leaders. The system is funded by the government and staffed by seed breeding, pest and disease, and cultivation researchers in experiment stations in 10 cities (Dalian, Changli, Beijing, Shijiazhuang, Qingdao, Xi'an, Lanzhou, Hangzhou, Wuhan, and Chengdu).

Local governments in developed areas also support fruit production. In Yantai, the local government built irrigation reservoirs for cherry orchards and established specialized markets near major cherry production areas. Other authorities have subsidized farmers by building greenhouses for fruit production.

Although China encourages farmers to form specialized cooperatives, the government provides limited funding, and without government support, cooperatives have few resources to market products or influence sales. Many farmer cooperatives, however, are providing market information and sharing farming techniques. A cherry farmer cooperative in Yantai offers weeding and fruit picking services to farms at low prices.

## Marketing

### *Peaches*

In peach growing regions, local governments and organizations are also 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 the growing region. A peach blossom festival is held every year during the blossom season. These activities provide positive platforms for social networking as growers/brokers invite retail, institutional buyers, and wholesale clients to visit production areas and discuss orders. With massive media exposure during the festival, more consumers become familiar with regional peaches.

### *Cherries*

The rapid growth of cherry exports to China continued in 2011, reaching a record 178 million dollars on 23,760 metric tons. This is a 100 percent increase over the same period in 2010, according to Global Trade Atlas. The United States is the second largest cherry exporter to China with 4,918 tons with continued growth expected over the next two to three years.

### **China Import from World (Commodity: 080920, Cherries, Sweet Or Tart, Fresh)**

Partner Country	Unit	Quantity (Volume)					
		2006	2007	2008	2009	2010	2011
Total	T	189	611	3,344	6,184	11,222	23,760

Chile	T	37	247	2,845	3,818	8,196	18,801
United States	T	151	360	499	2,343	2,987	4,918
New Zealand	T	1	5	1	22	40	41
Thailand	T	1	0	0	1	0	0

Partner Country	U.S. Dollars (Value)					
	2006	2007	2008	2009	2010	2011
Total	645,977	2,059,586	22,119,504	37,227,503	88,662,071	178,123,030
Chile	78,319	706,038	19,776,316	24,909,262	65,591,400	134,825,262
United States	554,750	1,333,964	2,341,240	12,226,331	22,795,400	42,877,342
New Zealand	11,828	19,584	1,948	87,625	275,271	420,426
Thailand	1,080	0	0	4,285	0	0

Shanghai is the dominant port for direct cherry imports from the U.S., accounting for 42 percent of the total imports with Beijing and Guangzhou competing heavily for the remainder. Direct fresh cherry shipments to Beijing and Guangzhou from the United States have increased rapidly since 2008, except for 2010 in Guangzhou. Imports into Guangzhou in 2011 were up 160 percent from 2010. Importers stated that fresh cherries are air shipped from U.S. packinghouses to wholesale markets in Beijing in just two 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.

District	Unit	Quantity					
		2006	2007	2008	2009	2010	2011
Total	T	151	360	499	2,343	2,987	4,918
Shanghai	T	28	179	206	1,022	1,386	2,089
Beijing	T	0	8	52	350	996	1,352
Guangzhou	T	123	173	241	942	501	1,305
Dalian	T	0	0	0	29	48	96
Tianjin	T	0	0	0	0	48	61
Shenzhen	T	0	0	0	0	0	12
Xiamen	T	0	0	0	0	9	3

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

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

*Competition:*

Imported U.S. cherries, especially California cherries, face domestic competition in North China because of increased production in key growing areas such as Shandong and Liaoning where the growing season overlaps with imports of California cherries. However, the U.S. cherries are more price competitive this year as the whole price of domestic cherries has risen by almost 30-50 percent due to the reduced supply.

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 between China's premium quality cherries and U.S. varieties, the taste of Chinese cherries is still inferior to U.S. cherries. Field visits to cherry production areas, such as Yantai, indicate that growers are expanding production of new varieties.

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 fruit to a broker at a 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.

#### *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. As competition from local products grows, in-store promotions, tastings, and display of point-of-purchase materials have been 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, 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. Weibo, a Chinese version of Twitter, is popular in engaging consumers and getting consumer feedbacks. 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.

Local governments in major cherry growing regions, like Dalian and Yantai, are promoting cherries through local cherry festivals. The Yantai International Cherry Festival (from June 3- 25, 2012) attracted thousands of visitors to pick and eat the fruit in the orchard upon paying an entry fee. The organizer also invited media people from all over China to Fushan, a major cherry growing region in Yantai. The Festival not only served as a good channel to sell fruits, but also served as a good mass communication opportunity. Media reports helped to increase the awareness of locally grown cherries.

## Opportunities

Emerging city markets (ECMs) such as Hangzhou, Nanjing, Ningbo, Wenzhou, Fuzhou, 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 be larger 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 area in Northern China, improved quality, 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. However, huge gap lies in post harvest practices. Chinese growers and packers are lacking of post-handling facilities and technologies. 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

2007-2010 China Peach Acreage and Production by Province

Province	2007		2008		2009		2010	
	1000 ha	MT						
Shandong	108.8	2,347,485	98.1	2,437,846	95.2	2,442,602	101.2	2,435,588
Hebei	94.6	1,370,654	93.9	1,430,416	89.0	1,444,854	85.8	1,462,150
Henan	76.0	774,759	69.5	850,939	70.3	938,641	73.9	1,017,447
Hubei	44.2	502,347	44.9	510,596	46.9	566,623	49.1	607,487
Shaanxi	27.2	391,111	28.1	441,236	31.4	485,471	31.2	593,502
Liaoning	24.5	439,844	27.4	461,049	26.7	506,750	25.1	537,209
Jiangsu	30.7	389,910	31.6	433,765	33.1	437,898	35.6	457,010

Anhui	15.8	289,864	24.2	326,213	23.1	380,300	24.1	430,134
Sichuan	40.9	358,781	43.4	392,854	43.8	410,342	45.1	416,361
Beijing	22.7	414,913	22.0	403,630	21.7	408,517	20.9	386,227
Zhejiang	25.5	316,166	25.9	346,219	26.3	365,679	26.2	355,911
Shanxi	12.1	178,106	12.0	210,210	13.5	260,852	16.1	321,002
Fujian	25.9	212,800	26.8	226,214	26.8	229,173	26.3	222,371
Yunnan	21.5	137,245	22.2	162,502	24.6	173,082	24.2	170,732
Guangxi	16.5	153,369	16.7	139,389	18.4	155,297	19.7	168,003
Gansu	13.8	142,204	13.6	152,605	12.9	161,822	12.7	155,895
Hunan	26.7	107,971	23.5	106,278	25.9	112,055	27.5	131,342
Xinjiang	10.6	86,137	11.7	61,447	12.8	96,306	14.6	104,713
Shanghai	7.3	108,921	7.5	90,290	6.7	95,098	6.6	101,418
Guizhou	16.8	80,805	17.9	79,920	19.5	84,796	19.8	85,549
Guangdong	7.6	89,537	6.4	79,119	6.6	78,011	6.8	80,899
Chongqing	10.8	64,665	10.6	70,636	10.8	78,000	10.4	80,660
Tianjin	4.0	48,776	3.9	53,254	3.9	61,544	4.1	60,025
Jiangxi	10.1	35,786	11.4	45,916	10.8	45,745	10.0	48,270
Ningxia	2.0	7,225	1.9	19,453	2.4	18,239	2.1	22,625
Jilin	0.2	666	0.2	678	0.4	720	0.2	1,773
Tibet	0.2	1,249	0.2	1,307	N/A	1,250	0.3	1,364
Qinghai	N/A	479	N/A	370	N/A	533	N/A	352
National total	697.0	9,051,774	695.1	9,534,351	703.3	10,040,200	719.4	10,456,018
Source: China Agricultural Statistical Report								

## Production, Supply and Demand Data Statistics:

### Fresh peaches/nectarines

Fresh Peaches & Nectarines China	2010/2011		2011/2012		2012/2013	
	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	714,000	714,000	720,000	7,200,000		7,300,000
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	10,500,000	10,460,000	11,550,000	11,500,000		12,000,000
Non-Comm. Production	15,000	15,000	0	0		0
Production	10,515,000	10,475,000	11,550,000	11,500,000		12,000,000
Imports	0	0	0	0		0
Total Supply	10,515,000	10,475,000	11,550,000	11,500,000		12,000,000
Fresh Dom. Consumption	9,187,198	9,147,198	9,758,000	9,861,030		10,275,000
Exports	27,802	27,802	38,970	38,970		45,000
For Processing	1,300,000	1,300,000	1,750,000	1,600,000		1,680,000
Withdrawal From Market	0	0	0	0		0
Total Distribution	10,515,000	10,475,000	11,550,000	11,500,000		12,000,000

Fresh cherries

Fresh Cherries,(Sweet&Sour) China	2010/2011		2011/2012		2012/2013	
	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	60,000	60,000	63,000	63,000		65,000
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	190,000	190,000	210,000	210,000		170,000
Non-Comm. Production	0	0	0	0		0
Production	190,000	190,000	210,000	210,000		170,000
Imports	11,222	11,222	23,760	23,760		25,000
Total Supply	201,222	201,222	233,760	233,760		195,000
Fresh Dom. Consumption	199,865	199,865	223,759	223,759		193,000
Exports	7	7	1	1		0
For Processing	1,350	1,350	10,000	10,000		2,000
Withdrawal From Market	0	0	0	0		0
Total Distribution	201,222	201,222	233,760	233,760		195,000