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Voluntary - Public

Date: 8/2/2010
GAIN Report Number: CH10045

China - Peoples Republic of

Post: Beijing

Stone Fruit Annual 2010

Report Categories:

Stone Fruit

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Report Highlights:

For marketing year (MY) 2010, peach/nectarine and cherry production is forecast at 10 million metric tons (MMT) and 190,000 MT, up 2 and 3 percent from the previous year. During the same period, Chinese cherry imports are forecast at 9,600 MT, up 55 percent from last year.

Executive Summary:

For marketing year (MY) 2010 (January-December), peach/nectarine production is forecast at 10 million metric tons (MMT), up two percent from the previous year. A cold spring has delayed flowering and will cause a late harvest in northern China; however, this weather is not expected to have a major impact on peach/nectarine production or quality. In MY 2010, total cherry production is forecast to rise 3 percent to 190,000 MT, as production gains are expected to be limited by low spring temperatures.

For MY 2010, cherry imports are forecast at 9,600 MT, up 55 percent due to high imports of cherries from Chile, which is the largest cherry exporter to China. Because U.S. cherry production is forecast to be lower, China's imports of US cherries are also expected to drop. In MY 2010 peach/nectarine exports are forecast at 52,000 MT, up 30 percent due to steady demand from Southeast Asia, Central Europe, and Russia.

Production:

Peaches/nectarines

For marketing year (MY) 2010 (January-December), peach/nectarine production is forecast at 10 million metric tons (MMT), up two percent from the previous year. A cold spring has delayed flowering and will cause a late harvest in northern China; however, this weather is not expected to have a major impact on peach/nectarine production or quality. Moreover, the recent drought in southwestern provinces such as Yunnan, Guangxi, and Guizhou will not significantly affect total production (accounts for only 4 percent).

In MY 2010, total peach/nectarine acreage is forecast at 685,000 hectares, down one percent from last year. Farmers in leading peach producing provinces such as Shandong and Hebei have gradually replaced peach/nectarines acreage with cherries because of its higher market return.

Peach/nectarine yield depends on location and planted variety. A well-managed peach farm in Shandong province may produce 3.5 MT per mu (1 hectare = 15 mu). Although bagging generally is not practiced in major peach production areas (some farmers believe it causes fruit to taste less sweet), it does occur in some areas such as Wuxi (located in Jiangsu province).

Production costs are slightly down from the previous year. According to Shandong farmers, fertilizer prices dropped 5 to 10 percent, but other costs such as pesticides and labor generally remained unchanged.

Cherries

In MY 2010, total cherry production is forecast to rise 3 percent to 190,000 MT, as production gains are expected to be limited by low spring temperatures. Acreage is forecast at 60,000 hectares, up 4 percent on farmer expectations of continued strong prices and profitability. For MY 2009, cherry production fell to 185,000 MT because of temperature drops in Shandong, China's largest cherry producing province. Cherry production costs are comparable to the previous season.

Because of high profit potential, cherry production expanded in recent years (beyond major producing provinces such as Shandong), and this trend is expected to continue into the foreseeable future. This does not come without risks, as cherry trees require more attention than other crops (particularly since it takes 5 years before a tree bears fruit) and are sensitive to poor weather (e.g. excessive rain, wind, and low temperatures). In order to protect the field crop from heavy rainfall and fruit splitting, some farmers have built rain shields. Greenhouse production prevents losses from variable weather, but does not necessarily ensure a high quality fruit. For example, for this year taste and appearance were substandard in some provinces.

Most farmers grow cherries on a small plot of land no larger than .6 ha. They are cultivated in greenhouses or on open

fields. Larger farms (20 to 66 ha) located in Liaoning or Shandong province rent or contract out land from multiple farmers in order to attain a greater economy of scale. Although a very small percentage of total Chinese production, cooperative farms (membership is derived from local towns) grow cherries and are managed by local governmental authorities or village leaders. Some local governments encourage individual farmers to form cooperatives by providing subsidies for production-related infrastructure (see Policy section).

Farmers grow cherries for multiple venues, including local markets (usually located near large metropolitan cities), the national market, or on the farm (where farmers advertise that visitors can pay a fee to pick the cherries themselves). Distribution is limited since the fruit is very fragile and bruises easily. Cherries may become more widely available if hardier varieties are bred and the private sector continues to invest in and improve the cold chain system.

Chinese farmers grow many cherry varieties (see CH9042), but the Red Lantern is the most dominant. Other planted varieties include the tieton, a hybrid variety from the United States, and jianhong, a local yellow variety that is very popular among consumers. Lapins is often used for pollination purposes because of its long blossoming period. No sour cherry varieties are grown in China.

Prices

Prolonged low temperatures will delay the harvest and impact fruit availability for the short term, particularly cherries. Due to the late harvest, cherry prices are to remain elevated for a longer duration at the beginning of the season (since only more expensive greenhouse grown cherries are on the market); however, they are expected to ease as field supplies become available. This phenomenon is not uncommon as cherry prices tend to fluctuate significantly at the beginning of the harvesting period until more supplies reach market. For example, in 2009, field cherries were sold at USD \$6 per kilo in mid-May and dropped to USD \$1.5 kilo in late June. Peach prices generally are comparably low but quite stable.



Source: Ministry of Agriculture

Consumption:

Peaches are a very popular fruit in China, and fresh consumption has gradually risen in recent years. Consumers enjoy local peach varieties, which have distinct flavors. For example, Shanghai-nese consumers prefer local peaches that taste sweet and juicy, while Beijing residents enjoy hard-flesh peaches that are slightly sour. Consumption of canned peaches are also rising in urban areas, although at a relatively slower pace than fresh peaches. Nonetheless, canned yellow peaches remain the most popular canned fruit among Chinese consumers. Peach juice/drinks have become the second most popular juice beverage after orange juice/drinks.

Cherry consumption has grown rapidly in larger metropolitan cities, but distribution is limited as the fruit is fragile and cannot be transported very far due to limitations in the cold chain system (also see Production section). As a result, cherry prices are generally higher than other fruits and are considered a luxury item by many Chinese consumers. Color preferences also affect sales. For instance, southern Chinese prefer purple cherries while northern consumers like red cherries. Yellow cherries are extremely popular in Dalian.

Imported cherries sometimes are price competitive vis-à-vis domestic varieties. Because Chinese consumers are generally price sensitive, low prices provide an opportunity to further promote imported products. For example, in MY 2009, imported US cherry prices dropped due to a bumper harvest, thereby, raising sales and exposing the fruit to a wider audience. Around 80 percent of U.S. cherries are sold at large retail stores, while the rest retail at traditional wet markets or smaller venders.

Trade:

Imports

For MY 2010, cherry imports are forecast at 9,600 MT, up 55 percent from the previous year, due to high imports of cherries from Chile, which is the largest cherry exporter to China. During the same marketing year, because U.S. cherry production is forecast to be lower, China's imports of US cherries are also expected to drop. As a result, the US is expected to account for around 20 percent of China's total market share. For 2009, the United States remained the second largest cherry supplier, holding around 40 percent of China's total import volume.

Exports

For MY 2010, peach/nectarine exports are forecast at 52,000 MT, up 30 percent from the previous year due to steady demand from Southeast Asia, Central Europe, and Russia. In MY 2009 peach exports rebounded by more than 50 percent to 39,991 MT due to strong demand from Vietnam. Improved cold chain operations have also contributed to export growth.

China does not export cherries as production is low and cannot even satisfy domestic demand. In addition, the fruit is fragile and preservation technologies are inadequate for transportation over a long period of time.

Policy:

Although the Chinese central government does not directly subsidize stone fruit production, it has promulgated policies that affect farming activities. For example, the 2010 No. 1 document (see CH10004), which is the central government's mechanism to publicize its annual development policies/goals, states that all villages and towns will be able to access financial services within three years, and subsidies would be provided to encourage the formation of farming cooperatives (with the goal of increasing production and raising farmer incomes), including stone fruit. However, the document does not mention how these monies would be made available.

A few local governments have taken initiatives to support agricultural production through the formation of cooperatives. For example, the Dalian municipal government provides cash subsidies to farmers to build rain shields (will pay half of the cost) over cherry orchards that are 3.3 hectares or more. The average cost of building a rain shield is over USD \$1,470 per mu. This initiative directly promotes the building of cooperatives since most farmers possess less than one hectare of farmland.

This central government has also implemented agriculturally-focused development programs. In July 2009, the Chinese Ministries of Trade and Commerce and Ministry of Agriculture jointly launched a pilot program that provides financial support to companies that enter into direct-purchase agreements with farmers or cooperatives. This not only lowers prices for consumer products by cutting out the middle man, but also improves fruit quality and safety since many companies are directly involved in educating farmers on how to utilize inputs.

In 2010, Chilean and New Zealand import tariffs for stone fruit will be at 0 and 4 percent because of conditions contained in their free trade agreements with China. Stone fruits originating from the United States still have a 10 percent tariff. All importers have to pay a 13 percent VAT.

Marketing:

Market Size

Cherries

According to the California Cherry Advisory Board and the Northwest Cherry Growers, in 2009 China imported 8,000 tons of U.S. cherries, worth \$22.8 million. During that same year, China's total cherry imports reached a record high. Many industry contacts believe that, in the next few years, China will continue to experience market growth.

Peaches, Nectarines, and Apricots

There is no market access for U.S. fresh peaches, nectarines, or apricots (FAS: they eventually?)

Distribution

Cherries

U.S. stone fruit imports mainly enter China through Guangzhou, although Shanghai and Beijing are also experiencing more activity. For U.S cherries, in 2009 Guangzhou received 45 percent of total U.S. imports, while Shanghai and Beijing/Shenyang had 40 percent and 15 percent. Significant progress has been made in direct U.S. shipments. According to Northwest Cherry Growers, from 2008-2009, direct shipments to China increased by 426 percent from 94,186 cartons to 495,160 cartons.

Establishing strong relationships with local traders enhances distribution networks. Trade/buying missions to visit U.S. producing areas are essential as it gives sellers the opportunity to promote U.S. cherry varieties and expound on seasonal availability, packaging offerings, and storage and handling techniques that help differentiate the product from other competitors (e.g. Chile).

Consumer/Trade Education

Consumer/trade education is indispensable in enhancing the image of US fruit imports. Although many Chinese consumers believe US fruit products are of the highest quality, media exposure, training seminars, and other programming help raise consumer and retailer awareness and confidence. During in-store promotion periods, sales have doubled and tripled.



Chinese cherry growers using well-designed packages to promote their premium quality cherries.

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. When domestic cherries are available, local growers and wholesalers also prepare well designed retail-sized packages to: 1) avoid excessive handling as the fruit is very fragile and 2) market their particular brand, although domestic brand recognition is not very high among Chinese consumers.

For imported cherries, consumers tend to buy larger boxes such as 18 or 20 lb boxes, although some may buy smaller 5 kg or 2.5 kg packaging. Chinese buy in bulk so that they can give away some as gifts or use for personal consumption.

Challenges

Cherries

U.S. cherries compete with local cherries from the end of May to the end of June. Although Chinese cherry quality, taste, and appearance are not considered as high as US products, it may improve in the future if the private sector and/or government continue to increase investment to research improved varieties. At the moment, some institutions are developing new varieties that have a longer shelf life.

China cold chain facilities are limited and cannot transport large quantities of cherries on a national scale. In order to rectify this issue, major cherry producers are experimenting with different preservation methods. Unfortunately, at the moment, proper cold chain management cannot be guaranteed for Chinese domestic cherries.

Opportunities

Emerging city markets (ECMs) such as Hangzhou, Wenzhou, Shenzhen, Dongguan, Qingdao, and Chengdu offer untapped opportunities for US stone fruits. Identifying distribution channels and increasing consumer education will be essential to raise US sales.

Production, Supply and Demand Data Statistics :

Fresh Peaches & Nectarines	2008		2009		2010	
	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official Data	New Post	USDA Official Data	New Post	USDA Official Data	New Post
		Data		Data		Data
Area Planted	650,000	650,000	695,100	675,000	690,000	688,000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	9,600,000	8,585,000	9,534,351	9,800,000	9,800,000	10,000,000
Non-Comm. Production	15,000	15,000	15,000	15,000	15,000	15,000
Production	9,615,000	8,600,000	9,534,351	9,815,000	9,815,000	10,015,000
Imports	0	0	0	110	0	0
Total Supply	9,615,000	8,600,000	9,549,351	9,815,110	9,815,000	10,015,000
Fresh Dom. Consumption	8,316,784	7,300,000	8,251,136	8,437,110	8,425,009	8,663,000
Exports	26,216	28,000	26,215	28,000	39,991	52,000
For Processing	1,272,000	1,272,000	1,272,000	1,350,000	1,350,000	1,300,000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	9,615,000	8,600,000	9,549,351	9,815,110	9,815,000	10,015,000

Fresh Cherries, (Sweet & Sour)	2008		2009		2010	
	2008/2009		2009/2010		2010/2011	
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010		Market Year Begin: Jan 2011	
	USDA Official Data		New Post	USDA Official Data		New Post
			Data		Data	
Area Planted	55,000	55,000	55,000	57,750	57,750	60,000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Trees	0	0	0	0	0	0
Commercial Production	174,000	174,000	174,000	195,000	185,000	190,000
Non-Comm. Production	0	0	0	0	0	0
Production	174,000	174,000	174,000	195,000	185,000	190,000
Imports	3,300	3,300	3,344	6,000	6,184	9,600
Total Supply	177,300	177,300	177,344	201,000	191,184	199,600
Fresh Dom. Consumption	176,230	176,230	176,329	199,750	189,982	198,250
Exports	70	70	15	50	2	0
For Processing	1,000	1,000	1,000	1,200	1,200	1,350
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	177,300	177,300	177,344	201,000	191,184	199,600

2005-2008 China Peach Acreage and Production by Province

China Peach Production (1000 Ha and MT) by Province 2005-2008								
Province	2005		2006		2007		2008	
	1000 ha	MT	1000 ha	MT	1000 ha	MT	1000 ha	MT
Shandong	126.6	2,011,740	114.3	2,156,308	108.8	2,347,485	98.1	2,437,846
Hebei	99.0	1,248,910	94.0	1,316,853	94.6	1,370,654	93.9	1,430,416

Henan	60.2	601,029	64.4	650,108	76.0	774,759	69.5	850,939
Hubei	43.5	468,766	39.3	483,510	44.2	502,347	44.9	510,596
Liaoning	20.1	346,978	21.2	417,828	24.5	439,844	27.4	461,049
Shaanxi	25.4	280,971	26.9	326,387	27.2	391,111	28.1	441,236
Jiangsu	32.8	318,699	31.3	349,959	30.7	389,910	31.6	433,765
Beijing	17.4	306,210	17.9	299,783	22.7	414,913	22.0	403,630
Sichuan	34.2	319,039	36.5	330,331	40.9	358,781	43.4	392,854
Zhejiang	24.6	285,842	24.5	311,648	25.5	316,166	25.9	346,219
Anhui	20.6	212,186	20.1	226,789	15.8	289,864	24.2	326,213
Fujian	25.7	199,653	25.6	198,336	25.9	212,800	26.8	226,214
Shanxi	9.9	132,355	10.9	161,768	12.1	178,106	12.0	210,210
Yunnan	18.2	113,385	20.6	118,974	21.5	137,245	22.2	162,502
Gansu	14.2	102,261	14.2	139,340	13.8	142,204	13.6	152,605
Guangxi	15.5	122,080	15.9	125,757	16.5	153,369	16.7	139,389
Hunan	21.6	94,888	21.7	102,296	26.7	107,971	23.5	106,278
Shanghai	7.6	102,818	7.2	113,167	7.3	108,921	7.5	90,290
Guizhou	15.7	65,468	16.1	70,621	16.8	80,805	17.9	79,920
Guangdong	7.6	86,860	7.5	87,352	7.6	89,537	6.4	79,119
Chongqing	10.0	55,554	10.4	52,649	10.8	64,665	10.6	70,636
Xinjiang	10.6	56,877	10.1	72,038	10.6	86,137	11.7	61,447
Tianjin	4.0	48,997	4.2	52,399	4.0	48,776	3.9	53,254
Jiangxi	10.7	37,392	10.8	40,496	10.1	35,786	11.4	45,916
Ningxia	1.0	2,913	3.6	7,693	2.0	7,225	1.9	19,453
Tibet	0.2	1,412	0.1	1,148	0.2	1,249	0.2	1,307
Jilin	0.2	612	0.2	676	0.2	666	0.2	678
Qinghai	N/A	412	N/A	486	N/A	479	N/A	370
National total	677.1	7,624,207	669.5	8,214,700	697.0	9,051,774	695.1	9,534,351

Source: China Agricultural Statistical Report

Import Tariff and VAT for Fresh Stone Fruit in 2010

HS Code	Description	Tariff	VAT
08092000	Cherries, fresh	Chile duty free	13%
		New Zealand 4%	
		U.S. 10%	
08093000	Peaches/nectarines, fresh	Chile duty free	13%

		New Zealand 4%	
		U.S. 10%	
08094000	Plums and soles, fresh	Chile duty free	13%
		New Zealand 4%	
		U.S. 10%	

Source: China Customs