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Report Highlights:

Weather conditions during crop development in 2021 are expected to have little impact on the production of apples, pears, and table grapes, forecast at 45 MMT, 18 MMT, and 11 MMT, respectively. Consumer demand for domestic and imported fruit is forecast to be weak due to the economic slowdown following the COVID-19 pandemic. In addition, ongoing supply chain disruptions are expected to keep transportation costs high and cause shortages in shipping containers adding uncertainty across the fruit trade, both for imports and exports. Sources indicate that recent energy shortages are not expected to impact deciduous fruit distribution, which relies to a limited extent on electricity.

APPLES

TABLE 1. CHINA: PRODUCTION, SUPPLY AND DISTRIBUTION FOR APPLES

Apples, Fresh	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jul 2019		Jul 2020		Jul 2021	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,978,000	1,978,000	1,980,000	1,990,000	0	1,980,000
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	42,425,000	42,425,000	40,500,000	44,066,000	0	45,000,000
Non-Comm. Production	0	0	0	0	0	0
Production	42,425,000	42,425,000	40,500,000	44,066,000	0	45,000,000
Imports	103,700	103,700	70,000	68,000	0	60,000
Total Supply	42,528,700	42,528,700	40,570,000	44,134,000	0	45,060,000
Domestic Consumption	41,487,100	41,487,100	39,515,000	43,032,400	0	44,060,000
Exports	1,041,600	1,041,600	1,055,000	1,101,600	0	1,000,000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	42,528,700	42,528,700	40,570,000	44,134,000	0	45,060,000
For Processing	2,000,000	2,000,000	0*	0*	0*	0*

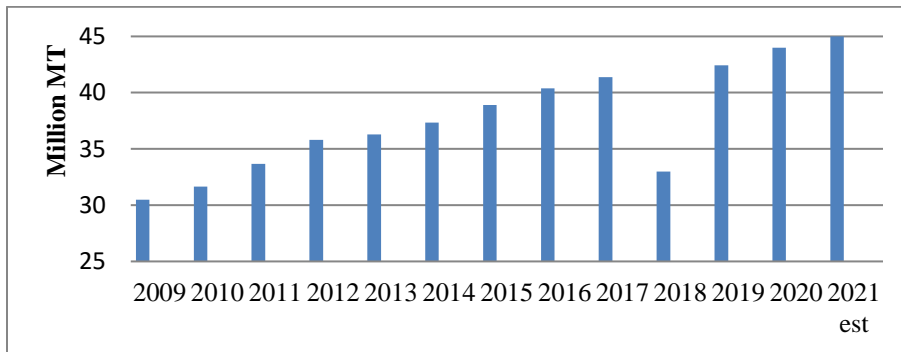
*For processing is no longer part of the total distribution but is available for historical data.

Units: hectare (HA); metric tons (MT). **NOT OFFICIAL USDA DATA**

PRODUCTION

China's apple production is forecast to grow to 45 million metric tons (MMT) in marketing year (MY) 2021/22 (July-June) from the Post revised estimate of 44.1 MMT in MY 2020/21. According to industry sources, weather anomalies in MY 2021/22 are expected to have a minor impact on overall apple production. However, fruit quality, especially fruit size and appearance (color) are expected to be seriously affected. Across major apple producing provinces, growers experienced complex and changing weather patterns during the first 10 months of 2021, including spring frosts, summer hail, summer drought, and excessive rains in autumn. Industry sources report that in Shaanxi, the largest apple producing province in China, fruit sizes are smaller compared to the previous season due to a summer drought. In Shandong, the second largest apple producer, hailstorms in early October 2021 caused damage to the outer surface of apples. In short, in MY 2021/22 the percentage of high-quality domestic apples is forecast to be much lower than the prior year.

Chart 1. China: Apple Fruit Production



Source: National Bureau of Statistics (NBS), FAS Beijing

Apple acreage, which is currently estimated at 2 million hectares (HA), remains relatively unchanged from the previous year. In traditional apple producing regions, such as Shandong, Hebei, Shanxi, and Henan provinces, apple planting area is gradually decreasing as the profit margins for farmers declines. Some fruit farmers in these provinces have replaced their apple trees with more profitable fruit such as cherries. China’s key apple production areas include Shaanxi and Gansu where the crop area has increased quickly over the past 10 years, but the pace of growth has slowed (*see Image 1 below*).

Image 1. Apple Growing Provinces



Source: China Statistical Yearbook (2020 data)

Brown = 20% or more of total Chinese production (Shaanxi and Shandong)

Gray = 5% to 10% (Shanxi, Henan, Gansu, Liaoning, Hebei)

Industry sources report that while China’s apple acreage has stabilized, apple production is expected to keep increasing, albeit slowly. This will be driven by trees planted in Gansu and Shaanxi, which are gradually reaching peak production. This production is expected to offset losses in other regions. Additionally, China’s apple production is expected to grow in other provinces such as Sichuan, Yunnan, and Xinjiang where apple acreage is expanding, with a focus on apple varieties native to these areas. Apples with these geographic indicators are becoming more popular among consumers. For additional information on geographic indicators in China see <http://www.anluyun.com/Home/Search#>

Post has revised the apple production estimate for MY 2020/21 in line with official statistics, which suggest the severe frosts during crop development last year had less of an impact on overall apple production than Post originally expected. (See **Price** section for additional details below.)

Image 2. Apples in Grocery Store (Left to Right - Xinjiang Arksu, Fuji, Fuji, Guoguang)



China is the world’s largest apple producer, yet the apple varieties available for domestic consumption are relatively limited. Fuji varieties dominate the country’s apple production (see **Image 2** above). Some sources indicate that Fuji varieties exceed 75 percent of China’s total production. Fuji apples are mostly

harvested in October. Early maturing varieties, such as Gala and Red Delicious, can be found in the marketplace from July to September. Universities and private companies have reportedly developed new varieties, such as Venus Gold, for domestic cultivation. However, commercial production of new varieties is not common. Most farmers continue to select Fuji varieties due to their longer shelf life in cold storage.

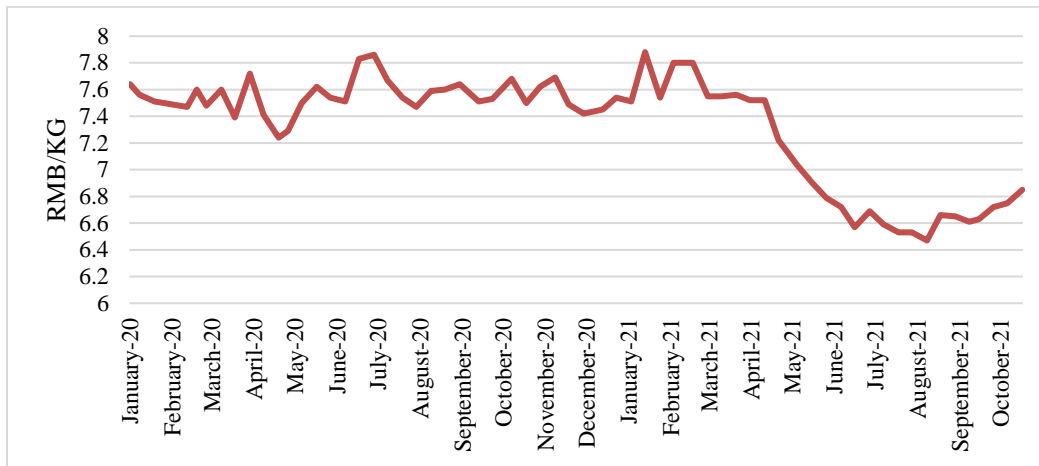
Separately, an aging farming population will continue to negatively impact Chinese fruit production. The major challenges facing China's fruit producers include rising labor and production costs leading to lower profits. In terms of apple production and innovation, private companies are promoting dwarf trees and dense cultivation orchards that enable machines to support pest management and easier upkeep. However, the high cost of investment in building these new orchards is daunting for most growers who have limited capital and limited farmland.

PRICES

In China's central and eastern provinces, including Shandong – autumn rains have delayed the harvest of Fuji apples, which normally begins in early October. The average procurement price for Fuji apples (8 cm in diameter or larger) is quoted at RMB7.33 (\$1.15) per kilo in Shaanxi, a decrease of 7 percent from the same period last year, according to price information released by China Fruit Marketing Association (CFMA). As of the writing of this report, dealers remain cautious in purchasing apples, which could be sold in the current market or held in storage, due to losses incurred in the prior year. In MY 2021/22 apple prices are expected to rise due to limited supplies of high-quality apples (see **Production** section for more information).

In the prior year, fruit dealers were active in buying and storing apples in anticipation of reduced supplies caused by spring frosts. As a result, apple procurement prices were pushed to high levels. Subsequently, weaker consumer demand following COVID-19 did not support the high prices. Fruit purchases and sales moved slowly throughout MY 2020/21 causing fruit distributors to incur losses (*see Chart 2* below). For these reasons, fruit dealers are expected to remain cautious in purchasing apples following the MY 2021/22 harvest period.

Chart 2. China: Wholesale Price Fuji Apples (RMB/KG)



Source: China Fruit Marketing Association

CONSUMPTION

China's apple consumption ranks as the highest in the world. Consumption is forecast to remain relatively high as production expands and the price declines. However, the lack of new domestic varieties in the market limits stronger growth in consumption. In general, Chinese consumers, especially middle-class consumers, have become more demanding regarding the characteristics they look for in the fruit they consume. For example, most Chinese consumers like sweet, crunchy, bright color, preferably large-size apples and new varieties. In addition, Chinese consumers are increasingly able to purchase other imported fruit, notably tropical fruit from ASEAN countries and fruit from off-season producers in the southern hemisphere.

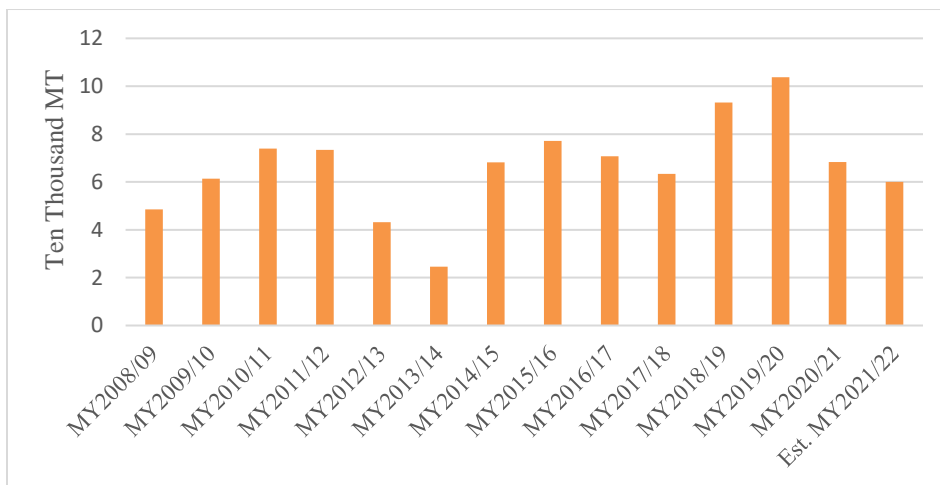
The economic slowdown following COVID-19 has made consumers more price sensitive, especially when it comes to non-essential food items such as fruit. China's official NBS statistics indicate that between 2019 and 2020 fresh fruit consumption declined by 1.3 percent. The pandemic also changed the buying behaviors of certain consumers, especially younger consumers, who prefer to order fruit online.

TRADE

Import

In MY 2021/22 (July-June) China's imports of apples are estimated at 60,000 MT, a decrease of 11 percent from the previous year, largely because of dramatically increased shipping and transportation costs due to COVID-19 disruptions (see **Chart 3** below). For example, many importers are cautious about placing new orders given the ongoing logistical challenges, such as container shortages, port service disruptions and COVID-19 testing, and disinfection measures implemented by China.

Chart 3. China: Apple Imports



Source: China Customs

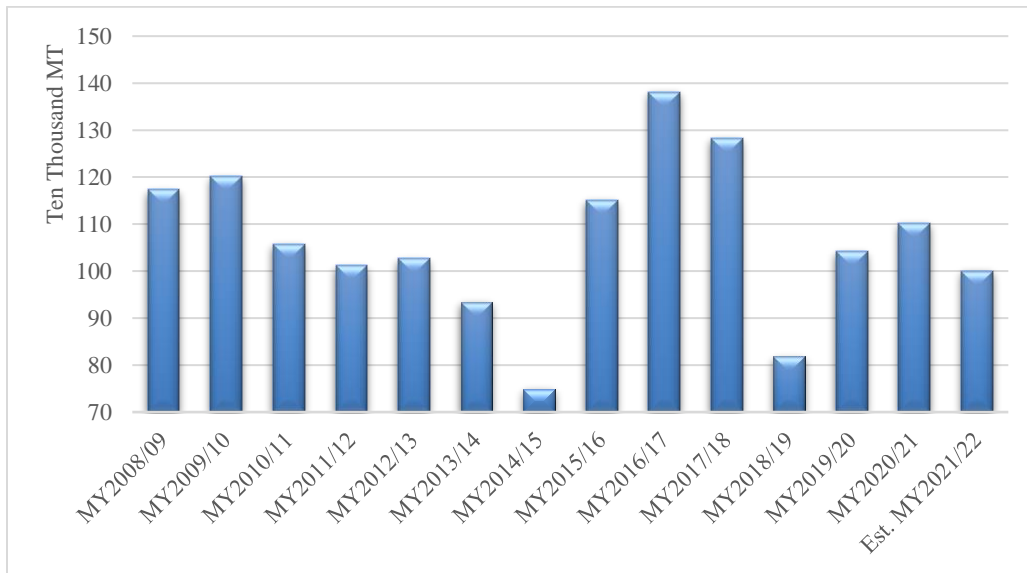
Note: the marketing year for apples is from July to June

Imports of apples are mainly from southern hemisphere countries, notably New Zealand, which are available in the “off-season” to domestic apple production. Apple imports from the United States, the largest northern hemisphere supplier, have declined since MY 2018/19 when China first imposed retaliatory Section 232 tariffs on certain U.S. agricultural products, including apples. China's retaliatory Section 232 tariffs remain in effect (*see Policy* section at the end of the report for more details on China's retaliatory Section 232 and Section 301 tariffs, including tariff schedules). For more information on challenges and opportunities facing U.S. horticultural products see GAIN report [CH2021-0089](#).

Export

China's apple exports are forecast at 1 MMT in MY 2021/22, down 9 percent from the previous year. Exports are forecast down due to disruptions in border trade with some ASEAN countries and weakened purchasing power following the COVID-19 pandemic (*see Chart 4* below). For example, COVID-19 outbreaks temporarily closed border crossings between some ASEAN countries and China.

Chart 4. China: Apple Exports

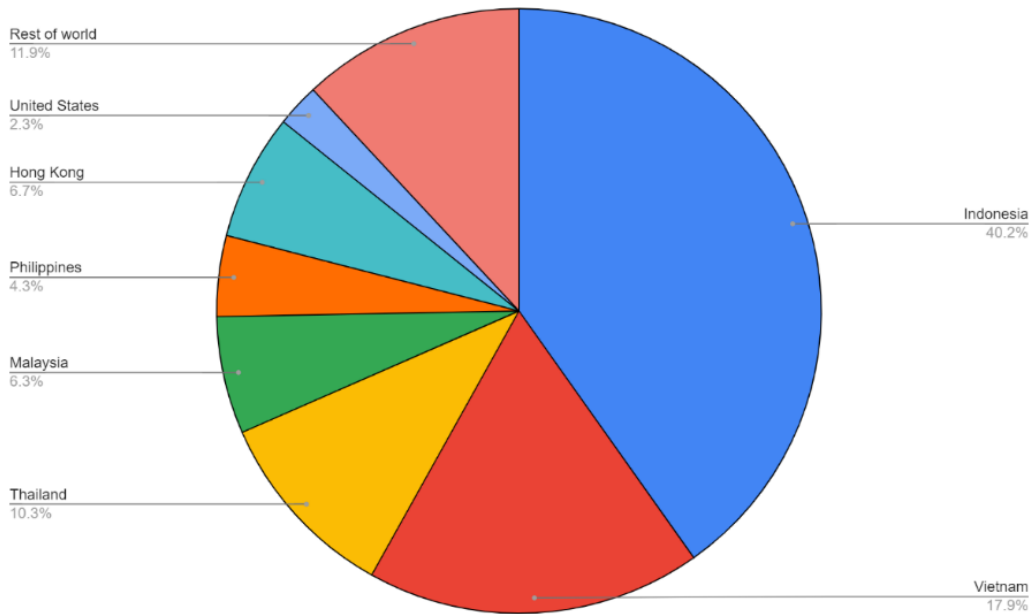


Source: China Customs

Note: The marketing year for apples is from July to June.

Nearly 70 percent of China's apple exports go to the ASEAN market (see **Chart 5** below).

Chart 5. China Apple Exports by Country (MY 2020/21)



Source: China Customs

MARKETING

Challenges and Opportunities for Imported Apples

Overall, demand in China for imported apples remains stable. Apples from New Zealand enjoy the largest market share, followed by Chile and United States. Crunchy Envy, Ambrosia, Queen, Pacific Rose apples from New Zealand continue to be favored by mid to high-income consumers. The Gala variety from Chile is available in most first-tier city supermarkets. Total Chilean apple imports dropped this year mainly due to transportation disruptions. Australian apple imports are also down, possibly due to ongoing political tensions and the follow-on effects of slowdowns due to COVID-19 testing and disinfection on these products at ports. (See **Policy** section at the end of the report for more details.)

Despite less competition from Australia, U.S. apples continue to be challenged by other competitor products (domestic and international) and traders consider U.S. apples to have less competitive prices, due to higher tariffs (see **Policy** section at the end of the report for additional details). U.S. apples can benefit from increased marketing activities for U.S. brands and new, desirable varieties of U.S. apples to continue to grow market share in this highly competitive market. For more information on challenges and opportunities facing U.S. horticultural products see GAIN report [CH2021-0089](#).

Update on China's Apples Marketing

China itself is a large producer of apples. While Fuji is one of the major varieties over the years, leading industry companies started to produce new varieties and improve the existing varieties. National brands such as “Nongfushanquan” and “Haisheng” enjoy a positive reputation and relatively strong selling prices, as the apples meet the sweetness and firmness demands of Chinese consumers. Meanwhile geographically, China is increasingly focused on building regional brands such as “Gansu *Huaniu*” which has similar appearance of U.S. Red Delicious apples.

Additionally, Chinese farmers are starting to grow new hybrid varieties that are considered like the U.S. Cosmic Crisp. This could mean increased challenges for certain U.S. specialty apples in China. Therefore, a clear marketing and education strategy with more information on new varieties would be needed to target high-end niche markets. This consumer base is an important avenue for various U.S. apples through both online and offline trading channels. Finally, seasonal promotions during holidays in China could also facilitate expanded sales and build a positive image of U.S. apples.

PEARS

TABLE 2. CHINA: PRODUCTION, SUPPLY AND DISTRIBUTION FOR PEARS

Pears, Fresh	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jul 2019		Jul 2020		Jul 2021	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	941,000	941,000	940,000	940,000	0	938,000
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	17,314,000	17,314,000	16,000,000	16,500,000	0	18,000,000
Non-Comm. Production	0	0	0	0	0	0
Production	17,314,000	17,314,000	16,000,000	16,500,000	0	18,000,000
Imports	12,000	12,000	9,500	10,000	0	9,000
Total Supply	17,326,000	17,326,000	16,009,500	16,510,000	0	18,009,000
Domestic Consumption	16,707,000	16,707,000	15,539,500	16,030,000	0	17,479,000
Exports	619,000	619,000	470,000	480,000	0	530,000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	17,326,000	17,326,000	16,009,500	16,510,000	0	18,009,000
For Processing	1,600,000	1,600,000	0	0	0	0

Unit: hectare (HA), metric ton (MT); **NOT OFFICIAL USDA DATA**

PRODUCTION

China’s pear production is forecast to increase 9 percent to 18 MMT in MY 2021/22 (July-June), largely because of a rebound in production in Hebei province, the country’s top pear producer. Abnormal weather conditions, such as spring frosts and hailstorms during fruit development occurred but had limited impact on pear production in major producing areas. Xinjiang, the second largest pear producer, is expecting another bumper harvest due to favorable growing conditions. According to industry sources, pear quality has generally improved, compared to the previous year. Last year, Hebei province which produces more than 20 percent of the country’s total pear production suffered a fatal crop failure due to a severe frost. Post has revised the MY 2020/21 pear production estimate based on industry data.

Pear planted area, currently forecast at nearly 938,000 HA, is slightly down from the previous year. China’s pear acreage is on a downward trend, especially in more developed provinces such as Jiangsu and Zhejiang. Pear production is spread widely throughout China. However, among 7 leading pear-producing provinces, 6 are in northern China (*see Image 3* below).

Image 3. China: Pear Growing Provinces



Source: China Statistical Yearbook (2020 data)

Orange= 10% to 20% of total Chinese production (Hebei)

Yellow = 5% to 10% (Xinjiang, Henan, Liaoning, Anhui, Shandong, Shaanxi, Sichuan)

More than 100 pear varieties, mostly within the Asian pear family, are grown in China. However, only a dozen varieties are under commercial production. In northern China, *Su* pear, *Huangguan* pear, Snowflake pear, Fragrant pear, *Ya* pear, and *Nanguo* pear are commonly available on the market (see **Images 4,5,6** below). In southern China, Jade pears are widely cultivated followed by *Huanghua* pears, *Jinqiu* pears, and *Xiangnan* pears. In recent years, new varieties such as *Qiuyue*, *Yuluxiang*, and New Pear No. 7 are developing quickly across China. Traditional pear varieties, such as *Ya* pears and Snowflake pears are gradually declining in terms of crop area.

Image 4,5,6. China: Asian Pear varieties



***Huangguan* Pears**



***Su* Pears**



***Ya* Pears**

PRICES

When *Huangguan* pears, the benchmark of China’s pear industry, began supplying the market in late July, the national procurement price averaged at RMB2.55 (\$0.40) per kilo, a decrease of 56 percent from the same period of last year, according to CFMA price data. Although the procurement price went up to RMB2.98 (\$0.47) per kilo in mid-August, it was still much lower from the previous year.

A severe frost had cut the *Huangguan* pear production by half in Hebei in MY 2020/21, thus pushing procurement prices to historic highs. The wholesale prices of *Huangguan* pears had even exceeded that of Fuji apples during MY 2020/21 (see **Chart 6** below). Prices for other popular varieties remain strong. *Qiuyue* pears, for example, were sold at more than RMB10 (\$1.56) per kilo at orchards in Shandong in the beginning of September, according to market reports.

Chart 6. China: Wholesale Price *Huangguan* Pears and Fuji Apples (RMB/KG)



Source: China Fruit Marketing Association

CONSUMPTION

Pear consumption is slowing in China as older varieties become less popular. However, growth opportunities exist for new varieties of pears such as *Qiuyue* pears. Consumption for pears is concentrated in larger cities and in southern China, especially in Yangtze River Delta and Pearl River Delta areas, according to industry reports. Chinese consumers generally prefer sweet and crunchy Asian pear varieties.

Image 7. Snowflake Pears in Grocery Store



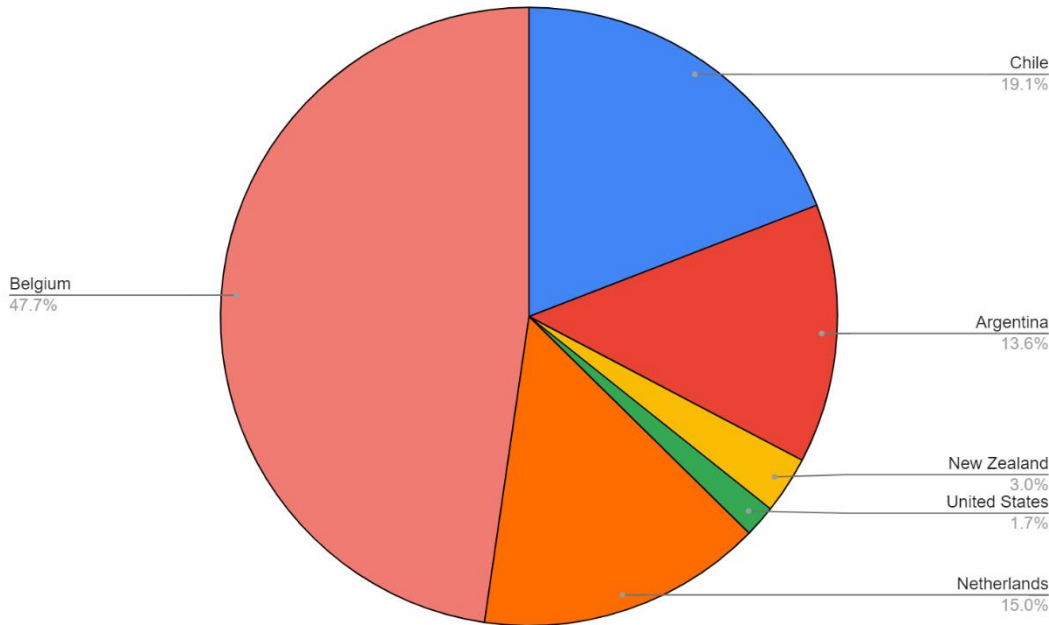
TRADE

Import

China's pear imports are expected to decrease by 10 percent to 9,000 MT in MY 2021/22 (July-June), largely because of reduced supplies in Belgium who holds roughly half the market share in China (*see Chart 7* below). Belgium is reported to be harvesting significantly fewer pears in MY 2021/22. Pear imports from Chile, the second largest pear supplier to China, may decline due to drought. Additionally, ongoing logistical challenges, such as container shortages, port service disruptions and COVID-19 testing, and disinfection measures implemented by China are expected to impact MY2021/22 imports.

China imposed retaliatory Section 232 and Section 301 tariffs on U.S. agricultural products, including pears. (*See Policy* section at the end of the report for more details, including tariff schedules.)

Chart. 7: China: Imports of Pears by Country (MY 2020/21)



Exports

Pear exports are expected to increase by 5 percent to 530,000 MT in MY 2021/22. Despite logistical challenges caused by pandemic outbreaks, ASEAN buyers are likely to increase purchases from China where pear prices have dropped significantly following a production rebound. China’s pear exports dropped by more than 20 percent in MY 2020/21 due to a crop failure.

MARKETING

Chinese consumers prefer sweet, juicy and crisp pears. There is an increasing demand for superior “*Qiuyue* pears” with these characteristics that are packed individually in decorative gift boxes and purchased online for home delivery. Contacts report that some pears which would typically be exported are being sold domestically, citing significant increases in shipping costs, due slowing economies in export markets and lower demand from overseas. The oversupply of low-priced pears has also slashed the average pear market price.

China imports pears from Belgium, New Zealand, Chile, Argentina and Netherlands. U.S. pears currently available in China include Red Anjou, Green Anjou, and Starkrimson. The strong competition from both domestic supply and other countries hinders U.S. pears increasing market share quickly.

To reach and expand the niche group of consumers, it is essential for the U.S. pear to incorporate ever-changing shopping tools (such as live streaming, e-commerce, and other digital platforms) to deliver the

marketing, brand image, and build consumer awareness. Additionally, communicating the nutritional benefits of U.S. pears through educational materials could support consumer awareness and understanding of the seasonality, nutrition, and proper handling of U.S. pears, which could a result in greater willingness to try juicy U.S. pears. For more information on challenges and opportunities facing U.S. horticultural products see GAIN report [CH2021-0089](#).

GRAPES

TABLE 3. CHINA: PRODUCTION, SUPPLY AND DISTRIBUTION FOR TABLE GRAPES

Grapes, Fresh Table	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jun 2019		Jun 2020		Jun 2021	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	725,000	726,000	728,000	728,000	0	733,000
Area Harvested	0	0	0	0	0	0
Commercial Production	10,600,000	10,800,000	11,000,000	10,900,000	0	11,200,000
Non-Comm. Production	0	0	0	0	0	0
Production	10,600,000	10,800,000	11,000,000	10,900,000	0	11,200,000
Imports	238,800	238,800	210,000	193,800	0	210,000
Total Supply	10,838,800	11,038,800	11,210,000	11,093,800	0	11,410,000
Fresh Dom. Consumption	10,476,700	10,676,700	10,790,000	10,665,800	0	11,080,000
Exports	362,100	362,100	420,000	428,000	0	330,000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	10,838,800	11,038,800	11,210,000	11,093,800	0	11,410,000

Unit: hectare (HA), metric ton (MT); **NOT OFFICIAL USDA DATA**

PRODUCTION

China's table grape production is forecast at 11 MMT in MY 2021/22 (June-May), an increase of nearly 2 percent from the previous year. Xinjiang, the largest grape producing province, is estimated to have a good harvest similar to that of last year. Despite excessive rains in the summer, Hebei and Shandong, the second and third largest grape producers, are also expecting a stable output in comparison with the previous year. Henan, the fifth largest grape producer, is likely to witness a much smaller crop because of severe flooding in the summer months.

Grape acreage is forecast at 733,000 HA in MY 2021/22, slightly up from the previous year. The grape area is expected to increase slowly or remain stable for the near term. While traditional grape provinces such as Liaoning and Shandong are reducing their grape acreage, production is quickly catching up in southern provinces such as Yunnan, Jiangsu, Sichuan, Zhejiang, and Guangxi, according to industry reports (see **Image 8** below). Kyoho, Red Globe, Muscat, and Thompson Seedless (in Xinjiang) are

China's dominant grape varieties, but their market share has declined, especially Red Globe. New varieties, particularly seedless varieties such as Crimson Seedless and Shine Muscat are getting popular, and their acreage is expanding quickly. Grape growers are investing in production facilities (such as greenhouses) and innovative farming techniques (delayed ripening for example), to improve grape quality or extend the supply season.

For more information on China's raisin production see GAIN report [CH2021-0103](#).

Image 8. China: Grape Growing Provinces



Source: China Statistical Yearbook (2020 data)

Purple = 20% or more of Chinese production (Xinjiang)

Gray = 5% to 10% (Hebei, Shandong, Yunnan, Henan, Shaanxi, Liaoning, Zhejiang)

PRICES

Grape prices are generally higher than that of apples and pears due to higher production costs. For example, Kyoho grapes the average procurement price in August was quoted at RMB7.25 (\$1.13) per kilogram, an increase of 13 percent year on year, according to CFMA data. Grape farmers in Shaanxi told FAS China staff during a crop tour that the price gain was attributed to improved fruit quality. The market prices of Shine-Muscat grapes, however, have declined because of rapid acreage expansion. In MY 2021/22, most Shine-Muscat grapes were sold at RMB20-40 (\$3.1-6.2) per kilo at wholesale markets at various locations, nearly half the price as the previous season, according to media reports.

Price declines of Shine-Muscat are also because of inconsistent quality due to lack of sophisticated management skills and investment that are required for this variety.

Image 9. China: Grapes in Grocery Store



CONSUMPTION

The consumption of table grapes has increased steadily in China as the quality of grapes has improved and more varieties become available. Innovative farming technologies and greater investment on production facilities have effectively extended the supply season. Grape consumption is expected to continue increasing in the foreseeable future. Chinese consumers love sweet, firm, and seedless grapes.

TRADE

Import

Table grape imports are estimated at 210,000 MT in MY 2021/22 (June-May), an increase of 8 percent from the previous year, in anticipation of a production rebound in Chile, the largest grape supplier to China. In MY 2020/21, grape imports from Chile dropped by 30 percent on year due to a crop failure in the southern hemisphere country. Imports from Peru, the second largest grape supplier are expected to improve as well. Australian grape supply is expected to be up next year, but it is unclear how continued trade tensions may impact imports from this supplier.

Imports from northern hemisphere, typically the United States, will continue to decrease faced with competition from local supplies. Additionally, ongoing logistical challenges, such as container

shortages, port service disruptions and COVID-19 testing, and disinfection measures implemented by China are expected to impact MY 2021/22 imports.

China imposed retaliatory Section 232 and Section 301 tariffs on U.S. agricultural products, including fresh grapes. (See **Policy** section at the end of the report for more details, including tariff schedules.) For more information on challenges and opportunities facing U.S. horticultural products see GAIN report [CH2021-0089](#).

Export

China's table grape exports are forecast to decline by nearly 23 percent to 330,000 MT in MY 2021/22, as COVID-19 remains prevalent in some major markets in southeast Asia including Vietnam, the second largest grape buyer of Chinese grapes following Thailand. The spread of the pandemic has dramatically slowed the buying activities from these countries and some trading areas bordering China have been closed, according to media reports.

MARKETING

With largely improved fruit quality and new varietal innovation, China's domestically grown fresh grapes dominate the market. More Chinese consumers prefer firm pulp, sweet seedless grapes with large size and thinner skins. In addition to Xinjiang, other regions such as Sichuan, Shaanxi, Zhejiang and Yunnan have kept developing new varieties to match consumer demand. Demand for seedless varieties continues to rise and Chinese consumers are increasingly turning away from traditional seeded Red Globe as Chinese are eager to try new seedless variety such as Shine-Muscat because of its unique flavor. Late season varieties produced in Xichang, Sichuan has also gained popularity in recent years.

Branded items in ornate packaging can be sold for premium prices. As production expands across China, the overall price for grapes has dropped significantly. The same variety grown in different regions or at different grades could be priced very differently ranging from \$4.60 to \$20.00 per 500 grams. The development of improved logistics and digital infrastructure advancement could facilitate improved trade in second and third tier cities.

In the past two years, demand for imported table grapes has declined due to the pandemic, disruption of international transportation and more domestic production and varieties. Key overseas competitors in the Chinese market include Chile, Australia, Peru, and South Africa.

U.S. table grapes are considered a premium product. However, with price/tariff disadvantage and diminishing market engagement in China, traders have gradually switched to other suppliers. U.S. table grapes can help re-build the consumer and trade awareness by promoting nutritional benefits of U.S. grapes and highlighting new varieties. Seasonal themed promotions and point-of-sale promotional materials are considered useful marketing tools to enhance the positive image of U.S. table grapes. For more information on challenges and opportunities facing U.S. horticultural products see GAIN report [CH2021-0089](#).

MARKET OPPORTUNITIES FOR DECIDUOUS FRUIT

Chinese consumers prefer fresh deciduous fruits that are crunchy, sweet, and fragrant as many believe the daily intake of apples, table grapes, and pears is beneficial to their health. Consumer demand for high-end fresh deciduous fruits remains stable. Chinese farmers are accelerating their varietal innovation and traders are paying more attention to branding both through traditional distribution channels and on digital shopping platforms. With more options available, middle-class consumers are becoming more demanding on quality and price. China's exports were also negatively impacted by supply chain disruptions and higher logistics costs. Consequently, domestic supply volume for these products increased and imported fruit faced additional price competition.

In China, quick home delivery service has boosted "community buying" platforms and digital purchasing for direct-to-consumer sales. The expansion of emerging digital platforms such as Pingduoduo, Benlai, Pagoda, as well as Taocaicai and JD.com, some farmers are utilizing these platforms to support increased sales directly to consumers. Consequently, supermarkets and other offline traditional marketplaces are increasingly competing with digital platforms. In response, these marketplaces are integrating offline and online shopping practices. For example, supermarkets may select a day a week to create their own special themed promotion such as "everything at RMB10" from time to time to generate customer purchases. Fresh deciduous fruits are commonly part of the promotional item list.

Branding is also gaining importance for Chinese consumers. A strong brand is increasingly needed to differentiate between competing products. Additionally, branding may also highlight superior quality garnering higher prices. Finally, specialized fruit stores have also expanded quickly focused on neighborhoods or proximity to purchasing communities. Some even have plans to undertake a public offering application this year. The next stage of development will likely focus on investments in cold storage logistics to provide consistent temperature control to support fruit quality and taste.

POLICY

China's COVID-19 Testing and Disinfection Measures

In 2022, cold chain products, including fruit imports, could face continued disruption challenges within China. At the end of July 2021, local and provincial governments reacted to new COVID-19 outbreaks by implementing heightened inspections and/or testing for imported food, cold-chain products, port workers, and truck drivers. Importers should be aware of China's COVID-19 testing and disinfection measures. These measures will require importers, ports and clearing officials to adapt. However, adjustments to changes will likely cause added costs and delays for imported products.

China's Retaliatory Section 232 and Retaliatory Section 301 tariffs

The Chinese government released an updated National Food Safety Standard on Pesticide MRLs in Food which takes effect on September 3, 2021. Please refer to GAIN report [CH2021-0099](#) for specific pesticide limits on various fruit.

The State Council Tariff Commission (SCTC) launched a tariff exclusion process on March 2, 2020, to allow importers to apply for tariff exclusions on certain agricultural products, including fresh deciduous fruit, from the United States. If an exclusion application is approved, the Section 301 retaliatory tariffs will be exempted for a year from the date of approval (refer to GAIN report [CH2020-0106](#)). However, U.S. fruit, among other agricultural products, are still subject to Section 232 retaliatory tariffs that have been imposed since April 2018. The following table provides information on import tariffs and value-added tax (VAT) rates for deciduous fruit.

Table 4. China: Import Tariffs and VAT for Fresh Deciduous Fruit in 2021

Country	Apples	Pears	Grapes	VAT
United States	25%* (as of March 2, 2020)	25%* (as of March 2, 2020)	28%* (as of March 2, 2020)	9%
Chile	0	0	0	9%
Peru	No market access	No market access	0	9%
Australia	0	No market access	0	9%
New Zealand	0	0	0	9%
Belgium	No market access	10%	No market access	9%
Argentina	10%	10%	13%	9%
Poland	10%	No market access	No market access	9%
France	10%	No market access	No market access	9%

Source: China Customs

*Note: Actual rate (including MFN and Section 232 retaliatory tariffs), if Section 301 retaliatory tariffs are excluded upon approval. Section 301 retaliatory tariffs on all deciduous fruit are 30 percent.

Attachments:

No Attachments