

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 11/16/2015

GAIN Report Number: CH15059

China - Peoples Republic of

Fresh Deciduous Fruit Annual

2015

Approved By:

Chris Frederick

Prepared By:

Chris Frederick, May Liu, and Wu Bugang

Report Highlights:

China is the world's leading producer of apples, pears, and table grapes, comprising roughly 55%, 77%, and 44% of total output respectively. Post forecasts China's apple production at 43 MMT in MY 2015/16, up 5 percent from the previous year. Pear production is expected to increase by 6 percent to 19 MMT in MY 2015/16 and grape production is forecast to increase by 9 percent to 9.6 MMT. In May 2015, the U.S. and Chinese governments granted market access for all apple varieties produced in the respective country. This action is expected to boost apple imports from the United States.

Commodities:

Apples, Fresh
Pears, Fresh
Grapes, Table, Fresh

Production:

Apples

Post forecasts China’s apple production at 43 million metric tons (MMT) in marketing year (MY) 2015/16 (July-June), up 5 percent from the revised production in MY 2014/15 underpinned by overall favorable weather conditions. Increased bearings will also aid in production gains. The past ten years saw apple production steadily increase but production growth is likely to moderate as less new acreage becomes available for apple production. The MY 2014/15 production was revised upward to 41 MMT in line with official statistics.



Sou

Source: Ministry of Agriculture

In MY 2015/16, apple acreage is expected to increase slightly to 2.32 million hectares. The rapid expansion of apple acreage in the western provinces is expected to moderate and farmers have begun to replace existing orchards with new plantings. Farmers are also utilizing new higher density planting models that will allow for the easier use of machines to reduce production costs. According to industry sources, 30 percent of apple orchards in Shaanxi province will use the high density farming model by 2020.

Other cost reduction measures farmers are exploring are using new chemicals so that bagging is no longer required for apples. Bagging and bag-removal requires extensive labor and the cost of agricultural labor is become increasingly expensive and scarce.

Late mature Fuji apples remain the dominant variety that accounts for nearly 70 percent of total apple production in China. Other main varieties include Gala, Qingguan, Red Delicious, and Golden Delicious.

Pears

Pear production is forecast at 19 MMT in MY 2015/16 (July-June), up nearly 6 percent from the previous year because of favorable growing conditions in major producing areas. The MY 2014/15 production number has been revised downward to 18 MMT to reflect official statistics.

Pear acreage remains stable at slightly over 1.1 million hectares. Farmers are removing old pear orchards in some traditional pear growing regions such as Hebei and Shandong provinces. However, fragrant pear acreage is increasing in Xinjiang. More than 30 varieties are planted in China and major varieties include Su pear, Ya pear, Huangguan pear, Snow pear, and Cuiguan pear.

Growing pears remains quite profitable. In Hebei province, for example, pear yield can be as high as four metric tons per mu (or 60 MT per hectare) a result of good management (In southern China, however, the yield is about two metric tons). Production costs for pears are relatively low and pear plants are easier to manage. For example, fewer pests and diseases happen to pear plants. In addition, although pears are bagged during fruit development, they do not need bag removing at harvest. Industry sources indicate that the production cost of pears is 20-30 percent less from that of apples.

Grapes

Post forecasts China's MY 2015/16 (June-May) table grape production at 9.6 MMT, up 9 percent from the previous year, due primarily to increased acreage. Grape quality is generally good given fine weather conditions. Good market returns also spurred the growth in grape production.

In MY 2015/16, grape acreage is expected to increase by 5 percent to 800,000 hectares, up 4 percent from the revised MY 2014/15 number of 767,000 hectares.

Consumption:

China's fruit consumption will continue to increase aided by dietary changes. It is reported that the per capita consumption of fruit is 198 grams a day in China, compared to 303 grams a day in the United States and 426 grams in Italy. However, the current economic restructuring and much slower GDP growth has impacted incomes of certain groups of people, thus limiting the growth of fruit consumption. As a result of the economic slowdown, fruit prices have all decreased from the previous year. On the other hand, consumption of imported fruit continues to increase at a fairly quick pace in large cities aided by the development of E-commerce which targets mainly the consumers with higher disposable income and young professionals. Shanghai, for example, imports between RMB 15 to 18 billion (\$23.6 to 28.3 million) of fresh fruit each year, an annual increase of nearly 40 percent, according to the customs data.

Trade:

Import

China's apple imports are forecast to continue surging by nearly 50 percent to 100,000 MT in MY 2015/16 (July-June) after China granted market access for all varieties of the U.S.-origin apples. In

October 2014, China lifted an import suspension on Washington apples due to quarantine pest issues, as a result, the country's apple imports nearly doubled in MY 2014/15. The United States is China's second largest apple supplier after Chile.

Post estimates that China's MY 2015/16 (June-May) grape imports will increase by 10 percent to 250,000 MT, primarily because of increased imports during the local off-season. Chile remains China's largest grape supplier and Peru has replaced the United States as the second largest grape provider. Under the Free Trade Agreement, the import tariff for Peruvian grapes will come to zero in 2015 and this is expected to further boost grape imports from Peru.

China's pear imports are forecast to increase by more than 20 percent to 12,000 MT in MY 2015/16 (July-June). Pear imports are steadily increasing as consumers become more aware and acceptant of Western pears that are different from their Asian counterparts. The United States has been the largest pear supplier to China after gaining market access in 2013.

Export:

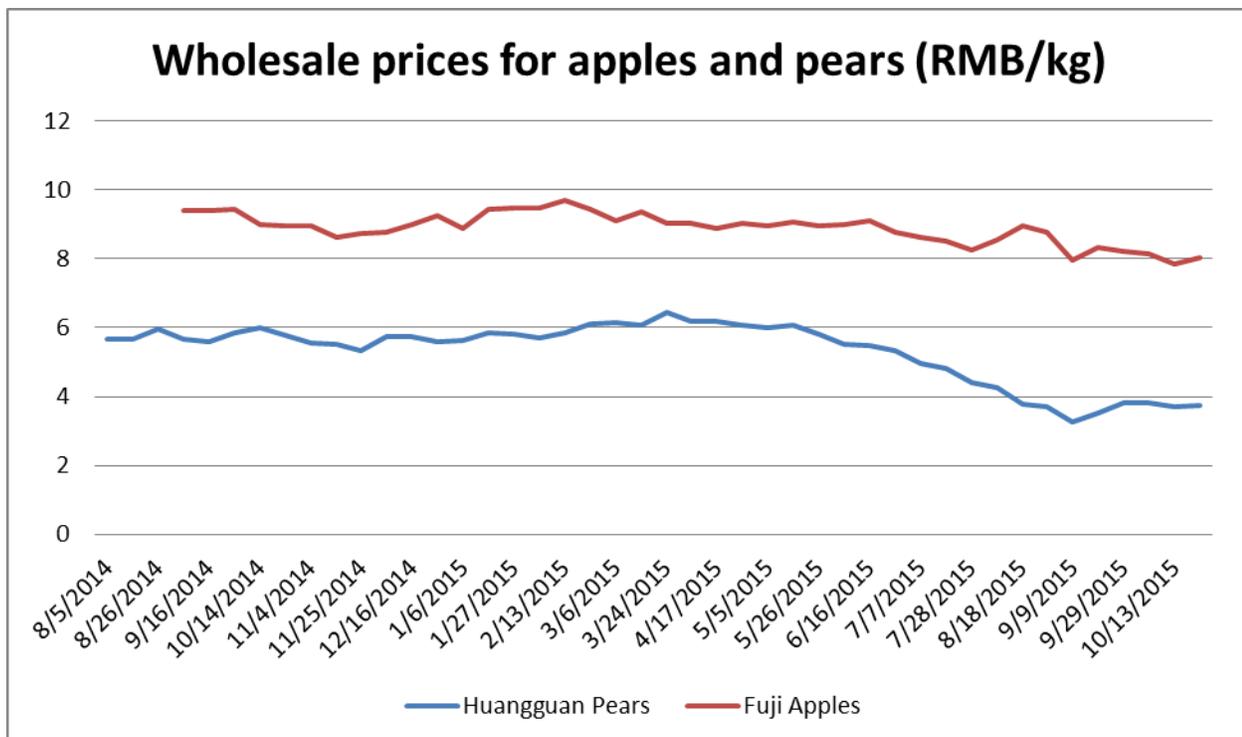
China's apple exports in MY 2015/16 are expected to rebound by 20 percent to 900,000 MT in the wake of increased and lower-priced supplies. Previously, increasing prices had been limiting China's apple exports. In MY 2014/15, domestic apple prices reached historic high and, as a result, exports dropped by nearly 20 percent to 750,000 MT. In addition, Russia and Indonesia, the previous two largest buyers of Chinese apples have encountered economic difficulties and local currency devaluations that is limiting their buying power.

Post estimates that China's pear exports will increase by 9 percent to 360,000 MT in MY 2015/16 as a result of increased supplies. Although China's export share to Indonesia, the largest buyer of Chinese pears, is declining, other major import markets in Asia remain quite stable and China is exploring new overseas markets.

China's table grape exports are forecast to increase by 27 percent to 165,000 MT in MY 2015/16. The much lower prices are expected to boost grape exports to the neighboring countries in Asia.

Prices:

Farm gate prices for Fuji apples have dropped by 25 percent to RMB 6.4 (\$1.00) per kilo in Qixia of Shandong, a major apple producing area in China, compared with MY 2014/15. The high purchase prices during the MY 2014/15 harvest time effectively limited consumption and, as a result, fruit sales were reduced and prices began to decline in March 2015. In general, fruit prices were much lower in 2015 than the previous year due to the economic slowdown. See table below for national average wholesale prices for Fuji apples and Huangguan pears.



Source

: China Fruit Marketing Association (US\$1=RMB6.35)

Similar to the apple situation, the purchase prices for pears also dropped dramatically in MY 2015/16 from the previous year. In the largest pear producing province of Hebei, farm gate prices for Huangguan pears were quoted at RMB 3.0-3.4 (\$0.47-0.53) per kilo, a decrease of 35 percent from the previous year.

In general, grape prices began to fall since MY 2014/15 in the wake of rapid production expansion. Even though a few grape varieties can still receive high prices, most grapes were sold much lower prices compared with last year. In Shaanxi province, for example, the farm gate prices for Red Globe varieties were quoted at RMB 4.8 (\$0.76) per kilo during the harvest time, a 20 percent decline from the same period last year.

Policy:

In general, the government support, normally at provincial or county levels, to the fruit industry is shifting from production expansion to quality improvement. To the local agriculture departments, demonstration farms are one of the effective ways to showcase new production models and farming technology. In Shaanxi, for example, the provincial government is providing an annual subsidy of RMB 10 million (\$1.6 million) to build high-density apple demonstration farms which will serve as the model for upgrading the existing apple orchards in the province. The provincial government has set a goal to upgrade 200,000 hectares or one-third of the apple farms in the province by 2020. Similar programs have also been initiated in Shandong province.

In May 2015, the U.S. and Chinese governments announced the official granting of market access for each other’s apples. All apple varieties produced in the United States or China will be able to ship to the other market with immediate effect.

Marketing:

Chengdu and Chongqing are two emerging city markets of imported fresh deciduous fruits. Proximity to Hong Kong helps enhance Guangzhou's role in promoting imported fresh fruit. Professional wholesale markets handle large quantities of imported fruits while distributors supply various fruits to retailers and end-users. In order to provide a more advanced food safety environment, China's wholesale markets are seeking ways to upgrade their facilities by adding more cold storage warehouses and handling workshops. Direct exports from the United States are on the rise owing to the official market access granted for U.S. apples, citrus and table grapes. Chongqing has emerged as gateway for the imported products including fruit.

First-tier cities including Beijing, Shanghai, Guangzhou and Shenzhen continue to play an important role in promoting imported U.S. fresh fruits, but imports have penetrated into second and third tier cities such as Hangzhou, Ningbo, Suzhou, Foshan, Dongguan, Zhuhai, Zhongshan and Shunde. In addition, Chengdu, Chongqing, Dalian, Shenyang are the other growing city markets for imported fresh fruits.

U.S. apples:

With the suspension of U.S. apples lifted, and new U.S. varieties allowed access, U.S. apples will regain import market share previously ceded to other suppliers such as New Zealand and Australia. Red Delicious, Gala, and Granny Smith will continue to be the popular varieties from the United States. More educational seminars about new varieties such as Honey Crisp should be implemented in the coming season to enhance the consumer awareness.

Major holidays continue to be the main marketing season for apples. Gift packages can largely help sales during Mid-Autumn Festival, National Holiday, Spring Festival, and other special occasions. Food safety such as traceability, proper handling and cold storage could be added into the marketing plans.

U.S. table grapes

Most retailers offer both imported grapes and domestic varieties in the same display area. Although China produces a large amount of Red Globes, U.S. grapes are considered firmer, larger, and consumers have expressed satisfaction with the taste. However, recently Chinese grapes, especially those from Xinjiang province and Ningxia area, are catching up with better quality.

Demand for U.S. seedless varieties continues to increase even though the retail price may be much higher than seeded varieties according to industry sources. Red Globe is the most popular variety garnering the highest sales volume. Other U.S. varieties such as Scarlet Royal, Crimson and Thomson are gaining ground in some niche markets. According to industry sources, in addition to Red Globe, Autumn Royal, Thompson and Crimson are gaining popularity. A small volume of Champagne variety of grapes was introduced to the high-end retail sector.

U.S. pears

In general, U.S. pear sales continue to grow after gaining the official market access in 2013. Although, the total import volume of U.S. pears is small when compared with other fruit categories. Therefore, further training and educational seminars are anticipated to be arranged to enhance consumers' awareness of U.S. pears.

Production, Supply and Demand Data Statistics:

Apples, Fresh	2013/2014	2014/2015	2015/2016
----------------------	------------------	------------------	------------------

Market Begin Year	Jul 2013		Jul 2014		Jul 2015	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	2272200	2272200	2300000	2300000	0	2320000
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	39680000	39680000	37800000	40920000	0	43000000
Non-Comm. Production	0	0	0	0	0	0
Production	39680000	39680000	37800000	40920000	0	43000000
Imports	24900	24588	48400	68000	0	100000
Total Supply	39704900	39704588	37848400	40988000	0	43100000
Fresh Dom. Consumption	34860700	34920423	33948400	37038000	0	38600000
Exports	994200	934165	750000	750000	0	900000
For Processing	3850000	3850000	3150000	3200000	0	3600000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	39704900	39704588	37848400	40991173	0	43100000
(HA) ,(1000 TREES) ,(MT)						

Pears, Fresh	2013/2014	2014/2015	2015/2016
---------------------	------------------	------------------	------------------

Market Begin Year	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Area Planted	1090000	1090000	1120000	1120000	0	1125000
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	17300000	17300000	18500000	18000000	0	19000000
Non-Comm. Production	0	0	0	0	0	0
Production	17300000	17300000	18500000	18000000	0	19000000
Imports	5000	5000	8300	9800	0	12000
Total Supply	17305000	17305000	18508300	18009800	0	19012000
Fresh Dom. Consumption	15505800	15505800	16533300	16027980	0	16952000
Exports	299200	299200	325000	331820	0	360000
For Processing	1500000	1500000	1650000	1650000	0	1700000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	17305000	17305000	18508300	18009800	0	19012000
(HA) ,(1000 TREES) ,(MT)						

Grapes, Fresh Market Begin Year	2013/2014		2014/2015		2015/2016	
	Jun 2013	Jun 2014	Jun 2014	Jun 2015	Jun 2015	Jun 2015
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	714600	714600	735000	767000	0	800000
Area Harvested	0	0	0	0	0	0
Commercial Production	8085000	8085000	9000000	8800000	0	9600000
Non-Comm. Production	0	0	0	0	0	0
Production	8085000	8085000	9000000	8800000	0	9600000
Imports	231100	231100	225000	226000	0	250000
Total Supply	8316100	8316100	9225000	9026000	0	9850000
Fresh Dom. Consumption	8211900	8211900	9095000	8896000	0	9685000
Exports	104200	104200	130000	130000	0	165000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	8316100	831600	9225000	9026000	0	9850000
(HA) ,(MT)						

