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Report Highlights:

China's fresh strawberry production is forecast at 1.15 million MT in 2009, a slight increase over the revised estimate of 1.1 million MT in 2008. 2008 production is revised up 200,000 MT from the previous estimate, mainly because of increases in strawberry acreage. Frozen strawberry production is forecast at 147,000 MT in 2009, a seven-percent increase over the revised 2008 figure of 136,500 MT. The increase is mainly attributed to China's win in its anti-dumping case against the EU. About 75 percent of China's total strawberry production is consumed fresh. China's frozen strawberry exports are forecast to increase to 130,000 MT in 2009. The Netherlands is the largest market for China's frozen strawberries. China exports a very limited quantity of fresh strawberries due to the prohibitively high costs of exporting the perishable fruit.

Includes PSD Changes: Yes
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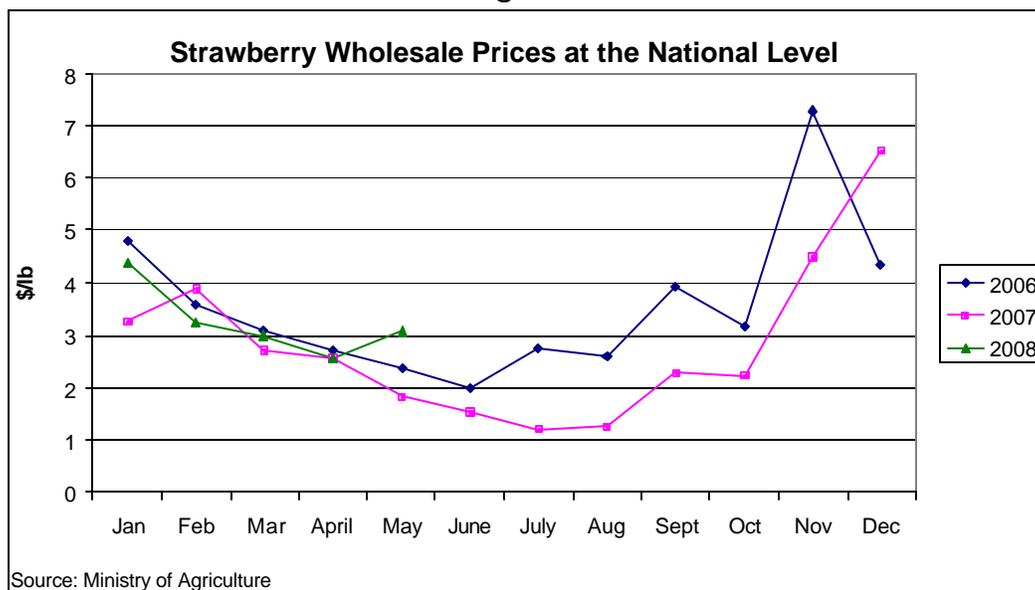
Production

Fresh Strawberry Production Remains Stable

China's fresh strawberry production is forecast at 1.15 million metric tons (MT) in 2009¹, a slight increase over the revised estimate of 1.1 million MT in 2008. 2008 production is revised up 200,000 MT from the previous estimate, and about five percent above 2007 production, mainly because of increases in strawberry acreage. The planted area for strawberry in 2009 is forecast at 86,000 hectares (HA), up 4,000 HA from the revised 2008 figure. Following good returns in 2007, the 2008 planted area for fresh strawberry is revised up to 82,000 hectares, an 11-percent increase over the previous year. A devastating snowstorm in early 2008 reduced strawberry production in southern China. In Sichuan Province 20 percent of production was lost. However, major producing provinces like Hebei, Shandong, and Liaoning were not affected. Northern China experienced colder than normal temperatures during the spring, which reduced the number of flowers on the plants, but overall production still increased as a result of the expanded acreage. 2006 production is also revised up to 1.05 million MT, slightly higher than the original estimate of 1.01 million MT, because of the increased acreage, which is revised to 73,600 HA, up from 70,800 HA.

Fruit quality remains high in 2008, as growers have invested more effort and inputs in farms following favorable market prices. In Shandong Province, strawberries for fresh consumption were priced at U.S. \$2.51 per pound (\$1.14 per kilo) in April, slightly higher than 2007. In Liaoning Province, strawberries for processing are currently quoted at U.S. \$1.26 per pound (\$0.57 per kilo), up 10 percent from 2007 prices. Higher market prices are also a result of increased inputs including labor, fuel, and fertilizer in particular. Fertilizer prices increased by more than 50 percent in 2008 over the previous year, mainly because of global increases in fuel prices, which impact fertilizer production. Strawberries for fresh-consumption are grown in either green houses or small plastic sheds (please see photo below of standard plastic shed in Shandong Province), and combined account for 70 percent of the total strawberry planted area. Most strawberries for processing are planted in open fields because it is less expensive. Processing strawberry acreage accounts for less than 30 percent of China's total strawberry planted area.

Figure 1:



¹ In this report 2009 refers to the marketing year for strawberries (Jan.-Dec. 2009), which is indicator year 2008.

Photo 1: Typical plastic shed used for strawberry production in Shandong Province.



Frozen Strawberry Production Increased after the EU Lifted its Anti-Dumping Duty

Frozen strawberry production is forecast at 147,000 MT in 2009, a seven-percent increase over the revised 2008 figure of 136,500 MT, which is up 13 percent from the previous year. 2007 production is also revised up to 120,500 MT from the previous 89,300 MT. The increases are mainly attributed to China's win in its anti-dumping case against the European Union (EU). On April 17, 2007, the European Commission (EC) lifted its temporary anti-dumping duty on China's frozen strawberries and set minimum import prices instead. China's frozen strawberry products will not be subject to anti-dumping duties if import cost and freight prices are higher than U.S. \$765.00/MT (HS Code: 08111011), U.S. \$872.00/MT (HS Code: 08111019), and U.S. \$921.00/MT (HS Code: 08111090), respectively. In 2007, the average import price was U.S. \$1,040.00/MT. The EC imposed a 34-percent temporary anti-dumping duty on China's frozen strawberry products on October 18, 2006 following a complaint from Poland, also a major strawberry producing country. Most frozen strawberries produced in China are processed for export and the EU is the largest export market, representing more than 50 percent of the total volume of exports.

Consumption

About 75 percent of China's total strawberry production is consumed fresh. Of the remaining 25 percent of production that is processed, about 42 percent remains in China and is consumed in the form of jams, jelly, juice, or is used in confectionary and dairy products like yoghurt.

The majority of fresh strawberries are consumed within three to five days after picking. However, some distributors have cold chain packaging and transportation methods that allow them to extend the short consumption window. Domestic consumption of both fresh and frozen strawberries is expected to continue to increase steadily as strawberries remain increasingly popular, particularly because they are viewed as being good for health and beauty.

Trade

Exports

China's frozen strawberry exports are forecast to increase to 130,000 MT in 2009, an increase of eight percent over the revised 2008 figure. Exports in 2008 are revised up to 120,000 MT, 50,000 greater than the previous estimate for 2008. This increase follows the

lifting of the anti-dumping duty imposed by the EU in April 2007 and the increase in China's planted acreage. Total exports in 2007 were a record 120,000 MT, mainly due to a production decline in Poland attributed to a reduction in cultivated area (refer to GAIN PL6066 for more information).

Figure 2 shows the dramatic decline in exports of frozen strawberries from October through April in 2006-2007, when the anti-dumping duty was in place in the EU, versus the same period in 2005-2006. Exports in 2007-2008 are starting to recover.

Figure 2:



The Netherlands is the largest market for China's frozen strawberries, accounting for 28 percent of China's total exports in 2007. The European Union as a whole accounted 44 percent of all exports in 2007. Japan is the second largest market, accounting for 11 percent of total exports.

China exports a very limited quantity of fresh strawberries due to the prohibitively high costs of exporting the perishable fruit. Moreover, pesticide residue issues limit the quantity of fresh strawberries suitable for export, and have negatively impacted trader's confidence in handling the fruit. The small quantity of fresh strawberries for export decreased by more than 50 percent to 998 MT in 2007, down from 2,279 MT in 2006. According to local traders, the decrease can be attributed to a few factors including: the high cost of packing Chinese strawberries, which are exported in bulk (as opposed to consumer packs); quality and chemical issues; and rising labor costs. In 2007 Thailand overtook Hong Kong as the largest importer, with Hong Kong importing only 64 MT in 2007 versus 1,597 MT in 2006.

Imports

China does not grant market access to any country for imports of fresh strawberries. In 2009, frozen strawberry imports are expected to increase to 18,000 MT, a 16-percent increase over the revised 2008 figure. 2008 imports are revised up to 15,000 MT, a 21 percent increase over the previous year's total imports. The majority of China's frozen

strawberries are imported for processing and re-export. According to processors who use frozen strawberries for re-export products, China-origin frozen strawberries are not the preferred source to use because of chemical residue and quality issues. While U.S. frozen strawberries are the best quality, they are too expensive for processors in China, who source mostly from Morocco and Chile. In 2007, Morocco and Chile were the major suppliers, representing 74 percent of all imports.

A lower tariff was applied to fresh strawberries in 2008, it was decreased to 16.9 percent from 18.4 percent in 2007. The import duty for frozen strawberries remains high, at 30 percent. In order to encourage exports, a five percent rebate for both fresh and frozen strawberry exports remains in place for 2008.

Strawberries	H.S. Code	Imp. Duty (%)		VAT (%)		Rebate (%)	
		2007	2008	2007	2008	2007	2008
Fresh	8101000	18.4	16.9	13	13	5	5
Frozen	8111000	30	30	13	13	5	5

Source: Import and Export Customs Bureau of China

Marketing

Demand for Fresh Strawberries Continues to Increase

With overall income increases and growing fruit consumption, particularly in large urban areas, consumer demand for fresh strawberries continues to grow in China. Fresh season production, which begins in November and runs through the end of May, is mostly consumed domestically. At present, fresh strawberry imports are not allowed under the General Administration of Quality Supervision, Inspection and Quarantine's (AQSIQ) current rules. Local strawberries are normally packaged and sold in 400–500 gram plastic containers or paper boxes and sell at retail in the U.S. \$1.90 to \$2.60 (RMB 13–18) per 500 grams range. This represents a 14 percent increase in value compared with the prior year mainly as a result of the severe weather in early 2008 in South China and a rapidly rising Consumer Price Index (CPI). Local fruit traders say that peak prices for the fresh product are normally achieved in November and December, when most available product is from Sichuan, Zhejiang, and Xinjiang Provinces. Strawberries planted in the suburbs of large urban centers normally reach the market in January or February, prior to Spring Festival (Chinese New Year).

Fresh Strawberry Supply is Regionally Focused

China's fresh strawberry production and consumption has a somewhat regional focus compared to the United States, where a majority of product is supplied from a single growing region, California. However, strawberry production areas in China usually supply nearby urban areas. For example, Zhejiang Province supplies Shanghai, and Hebei Province supplies the greater Beijing and Tianjin urban area. Regional production is in large part driven by the relatively short shelf life, limited cold storage facilities, and high transportation costs associated with getting fresh strawberries to market. In addition, some local production areas have been successful in attracting large numbers of consumers with the u-pick or self-harvest method. Consumers pick fruit straight from the plant for a price of U.S. \$2.10 - \$7.10 (RMB 15 – 50) per 500 grams. During the off-season, July to November, fresh strawberries are more difficult to find in the market. At times, this presents some unique market challenges such as fresh product supplies for the upcoming 2008 Olympic Games being held this August in Beijing. According to government sources, special arrangements have been made with farms in Tibet and Xinjiang Provinces to supply fresh strawberries for this summer's Olympic Games during the local fresh strawberry off-season.

Imports of Frozen Strawberries Used by HRI Sector

In 2007, China imported approximately 28 MT of frozen strawberries from the United States, an increase of 350 percent compared to the previous year. However, in value terms this only accounted for about \$61,000 in total trade. The majority of these frozen imports are used as high-end ingredients for jam and yoghurt production, with a limited volume used in the commercial baking sector. Local traders say the HRI (Hotel, Restaurant and Institutional) Sector also uses frozen strawberries during the off-season when fruit is either unavailable or fresh prices are perceived as expensive. However, based on local consumption preferences for fresh over processed fruit, frozen product has not fared well in the local food retail sector.

Opportunities for High-End Fresh Strawberries

While imports of fresh strawberries are not currently allowed, limited potential in the high-end fresh strawberry market does exist. For example, one company in Shandong Province produces and markets a strawberry under the "Mei Mei" (beautiful, beautiful) brand which uses plant genetics and methodology introduced from Japan. The ultra high-end product sells for U.S. \$5.70 (RMB 40) per 300 grams at retail and although the price is much higher than for regular strawberries, the high-end product sells extremely well in upscale supermarkets in Beijing, Shanghai, and Qingdao. Based on discussions with local traders, current production can not meet demand, especially during peak sales periods such as holidays like Spring Festival (Chinese New Year). In addition, there may be some market opportunities in the HRI Sector during local off-season production periods and ultra high-end hospitality service providers.

Note: Post understands that the GOC may allow fresh strawberry imports during the 2008 Olympic Games (details pending).

Competition for U.S. Strawberries

Price continues to be a major driver of consumption and purchasing for both fresh and frozen strawberries in the China market. Domestic frozen strawberries have a significant price advantage over imports including those from the United States. In fact, China's frozen strawberry exports to Japan have increased somewhat rapidly in recent years (see Trade section above). This may present a competitive threat to the U.S. strawberry industry, at least in the short term, in the Japanese market. In addition, several Japanese companies have invested in China's local production and now produce high quality strawberries which meet both international quality and food safety standards. Morocco, Chile, and Argentina are all major frozen strawberry suppliers to the China market and increasingly are a competitive threat to frozen strawberry exports from the United States.

Tables

Fresh Strawberry PS&D Table

PSD Table									
Country	China, Peoples Republic of								
Commodity	Strawberries, Fresh (HA)(MT)								
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2007	01/2007		01/2008	01/2008		01/2009	01/2009
Area Planted	70800	70800	73600	70000	70000	82000	0	0	86000
Area Harvested	70800	70800	73600	70000	70000	82000	0	0	86000
Production	10100 00	1010000	1045000	90000 0	900000	1100000	0	0	1150000
Imports	0	0	0	0	0	0	0	0	0
Total Supply	10100 00	1010000	1045000	90000 0	900000	1100000	0	0	1150000
Exports, Fresh	2500	2500	998	2200	2200	800	0	0	600
Fresh Dom. Consumption	80550 0	805500	808700	71780 0	717800	825000	0	0	844400
For Processing	20200 0	202000	235302	18000 0	180000	274200	0	0	305000
Total Distribution	10100 00	1010000	1045000	90000 0	900000	1100000	0	0	1150000

Trade Matrix for Fresh Strawberries

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Strawberries, Fresh		
Time Period		Units:	MT
Exports for:	2006		2007
U.S.	0	U.S.	0
Others		Others	
Hong Kong	1597	Thailand	668
Malaysia	257	Russia	135
Thailand	244	Indonesia	66
Russia	111	Hong Kong	64
Macau	28	Vietnam	42
Canada	22	Macau	14
Vietnam	20	Japan	9
Total for Others	2279		998
Others not Listed	0		0
Grand Total	2279		998

Frozen Strawberry PS&D Table

PSD Table									
Country	China, Peoples Republic of								
Commodity	Strawberries, Frozen (MT)								
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01/2007	01/2007		01/2008	01/2008		01/2009	01/2009
Deliv. To Processors	99200	99200	132550	10300 0	103000	150150	0	0	162000
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	89300	89300	120500	93000	93000	136500	0	0	147000
Imports	7200	7200	11850	7500	7500	15000	0	0	18000
Total Supply	96500	96500	132350	10050 0	100500	151500	0	0	165000
Exports	68000	68000	103881	70000	70000	120000	0	0	130000
Domestic Consumption	28500	28500	28469	30500	30500	31500	0	0	35000
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	96500	96500	132350	10050 0	100500	151500	0	0	165000

Trade Matrices for Frozen Strawberries

Import Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Strawberries, Frozen		
Time Period		Units:	MT
Imports for:	2006		2007
U.S.	4	U.S.	28
Others		Others	
Chile	3492	Morocco	4426
Argentina	2345	Chile	4396
Morocco	1779	Argentina	1521
Peru	195	Egypt	702
Tunisia	77	Peru	494
Poland	68	Tunisia	231
France	6	Poland	24
		China	18
		France	10
Total for Others	7962		11822
Others not Listed	0		0
Grand Total	7966		11850

Export Trade Matrix			
Country	China, Peoples Republic of		
Commodity	Strawberries, Frozen		
Time Period		Units:	MT
Exports for:	2006		2007
U.S.	10121	U.S.	5266
Others		Others	
Netherlands	14678	Netherlands	29190
Japan	13526	Germany	12232
Canada	4377	Japan	11894
Australia	3920	South Korea	5776
South Korea	3815	Russia	4066
Germany	2660	Australia	3999
France	2522	Canada	3513
Thailand	2164	Saudi Arabia	3512
Russia	1938	UK	2768
Saudi Arabia	1813	Belgium	2585
Total for Others	51413		79535
Others not Listed	8672		19080
Grand Total	70206		103881