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China, Peoples Republic of

Canned Deciduous Fruit

Canned Deciduous Fruit Annual Report

1999

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Report Highlights:

China's canned peach production for marketing year 1999/2000 is estimated to be 133 thousand tons net weight. Cannery's belief in improved economic conditions combined with an expected rise in exports is the main reason behind the increase. In the long term, local consumers' preference for fresh fruit over the canned product should stabilize, if not decrease, future production. Canned peaches continue to be China's main canned deciduous fruit export product.

Includes PSD changes: No

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Annual Report

Guangzhou [CH3], CH

TABLE OF CONTENTS

Executive Summary	1
Production	1
Consumption	3
Trade	3
Stocks	4
Policy	4
Marketing	5
Trade Statistics	5

Executive Summary

China's canned peach production for the Marketing Year 1999/2000 is estimated to be 133 thousand tons net weight, an increase over the year before. Cannery expectations of better domestic economic conditions combined with a belief in higher exports during the coming year are the main reasons behind the increase. Fresh peach production also is expected to rise this year. The canned fruit industry holds a minor place in China's agriculture and food processing sectors. Although the Chinese government policy is not to subsidize the fruit canning industry, the government would like to attract overseas investment to modernize the industry. Local consumers prefer fresh fruit to canned varieties, but the potential consumption of canned fruit in the baking sector is great. Chinese consumers are showing greater appreciation of cakes and bakery items, many of which contain canned peaches and pears.

Production

Post estimates that China's 1999 total peach crop equaled about 4.48 million tons, a 12 percent increase over last year's harvest. In addition, peach production area should equal approximately 410 thousand hectares. China's 1999 apricot production is estimated to be approximately 640 thousand tons. Nectarine production is included as a part of the peach estimate. In 1998, according to a representative of China's Ministry of Agriculture, the country's peach production was about four million tons. Official statistics on China's peach, nectarine, and apricot production are rare, because these fruits are not considered to be important agricultural products. However, some provinces publish peach and apricot production and area figures on a delayed yet regular basis.

This year's sizable increase in peach production was mainly due to good weather conditions during the growing season. The summer's drought conditions in northern China had little impact on peach production, because the hot and dry weather came during the latter part of the growing season and not during the more critical early growth months in the Spring. China's peach production is almost evenly split between white and yellow flesh varieties. Although the yellow flesh peaches are mainly used for canning, production of white flesh ones is slightly greater.

Fresh peaches are available to Chinese consumers for only a brief period every year, July-September, just after harvest. This situation is due to the lack of proper storage facilities. Post-harvest handling and storage for fruit in general is backwards compared to U.S. standards. Chinese fruit growers often store their harvest on the farm, either underground or under straw. Over the last few years, more and more cold storage facilities have been built to store domestic fruit, but most of the space has been dedicated for use by fruit varieties other than peaches or other stone fruits (i.e. apples) or is not properly set up to store peaches for longer than a month or two. Post-harvest fruit spoilage usually ranges from 10 to 15 percent of production, but this year might be much higher due to the large increase in production.

Peaches, nectarines, and apricots in China are grown in the same locations as the major deciduous fruits: apples, grapes, and pears. China's main production provinces include Hebei, Shandong, Shanxi, and Shaanxi. Although the eastern part of northern China is the main production area, Xinjiang in the country's far west grows many apricots. For peaches, Shandong province is probably China's main production area. In 1997, the province produced over 560

thousand tons on an area of nearly 49 thousand hectares, an estimated one-fifth of that year's national production.

Canned peach production in China during Marketing Year 1999/2000 is estimated to be 133 thousand tons net weight, an increase over the year before. Accounting for the increase are expectations of an improved domestic economy and a belief in higher export demand this year. Production in the long term should remain steady or decline, because the long term trend for domestic demand is down. Domestic consumers prefer fresh fruit to the canned variety and improved distribution of fresh fruit within China should continue to allow them this choice. Canned peach production for Marketing Year 1998/99 was estimated at 120 thousand tons net weight.

Industry sources estimate that the current number of fruit canneries in China is approximately 1,000. Of this number, approximately 200 are large and medium size canners. In addition, 400 canneries have official export authority. Chinese government offices only give export authority to canneries that have high quality standards.

Most of the medium and large scale canners are state owned enterprises (SOEs) whose numbers may decline in the near future due to financial problems. Before the initiation of economic reforms, canned fruits were mainly produced for export and to supply the military. Canners simply fulfilled their production assignments without concern about demand for their output. After the introduction of market reforms, the SOE canners have had a difficult time adjusting to consumer demands. The National Council of Light Industry conducted surveys on the financial situation of 152 canners in 1997 and 176 canners in 1996, and found that 61.8 percent were losing money in 1997 and 52.8 percent in 1996.

China's canneries usually do not specialize in any one product and sometimes not even in a specific category of products, i.e. fruit. Despite the existence and wide enforcement of national product standards, canned food quality, including canned fruit, greatly varies. Higher quality product usually is exported. Based on newspaper reports, the industry appears to realize that quality is inconsistent across the industry and would like to see improvement. However, their focus seems to be on new canning machinery and materials and little on proper supply management techniques or pre-processing fruit storage facilities.

China's canneries tend to be located near their product supply source. All of the companies involved in canning peaches are located in northern China. The bigger canneries are in the area's major cities, but many small townships within the area also have their own canning operations. Most of China's canned fruit production is located in the coastal provinces, i.e. Shandong, Hebei, and Zhejiang.

The peach canning season in China usually runs about 2 to 3 months each year. Although late July is the start of harvest time for peaches, canneries usually acquire their fruit in June or early July before it ripens. Canneries follow this practice, because they often lack proper storage facilities. Buying ripe fruit limits the time available to prepare and package it. Growers try to only sell their lowest quality fruit to canneries, because they can get higher prices for the better quality fruit from fresh fruit wholesalers. Peach farmgate prices this year have been particularly low, ranging from 0.70 to 1.00 RMB per kilogram for ordinary quality. Poorer quality fruit is priced much lower.

China's canning industry, including peach canning, uses both metal cans and glass jars. Exported product tends to be in metal cans and product for the domestic market in glass jars. Glass jars are preferred in the domestic market by both the producers and consumers. On the producer side, the reason is expense. Glass jars are generally less expensive than metal cans. Consumers like glass jars, because they allow the consumer to see the actual product before purchasing it and the jars are re-sealable. However, domestically produced canned fruit in metal containers is appearing in the

market with increasing frequency, because consumers will often associate it with imported product which is always in metal cans and believed to be better quality. For exported canned fruit, 425 gram capacity is main size used.

Consumption

Local canned fruit consumption is declining in China, especially in the north, because of preferences to eat fresh rather than canned fruit and greater availability of fresh fruit during winter months. Consumers in general prefer to eat fresh fruit rather than the canned equivalent. The reasons mainly are that domestic canneries' food packaging sanitation standards tend to be poor and more often poorer quality fruit usually is used by canneries. As for availability, improved domestic distribution infrastructure in recent years has improved northern consumers' access to fresh fruit from China's south during the winter.

Fresh fruit is consumed with most meals and is a popular snack. It is often purchased as a gift, especially during Chinese New Year and other holidays. Rising incomes are increasing the number of consumers who can purchase fresh fruit, but the increased availability of processed foods at the same time has created more competition.

One area where the consumption of canned fruit has been rising in recent years is the bakery sector. The number of bakeries in China's major cities has been greatly increasing during the 1990s to meet rising consumer demand for breads, pastries, and other bakery products. Since many Chinese consumers prefer fruit on their pastries and other baked goods, bakers have turned to using canned fruit due to the relative ease of use in comparison to fresh fruit.

Only a small percentage of fresh fruit goes into domestically processed foods. For peaches, nectarines, and apricots, the amount is estimated at approximately five percent of total production. Canning is the main type of processing practiced, but over the last several years interest in producing jams, puree, and juice concentrate has become more popular. Both the local and central governments are trying to recruit overseas investment in food processing, including fruit processing.

Trade

During the last Marketing Year, China's canned deciduous fruit exports overall were larger than its imports, even when Hong Kong re-exports are considered. This situation also applied to individual products. The only exception was canned fruit mixtures. Both its official imports and Hong Kong re-exports were greater than official exports. Hong Kong re-exports to China are products that initially enter Hong Kong before being sent to China. Upon entering China, many are not counted by the local customs officials, because a sizable number of importers often use unofficial channels to bring in the products in order to avoid paying full tariff duties and/or abiding by burdensome inspection/quarantine regulations. Compared to the previous Marketing Year, China's imports of canned deciduous fruit were higher while exports approximately the same. The specific trend differed from product to product.

Canned peaches continued to be China's biggest canned deciduous fruit export, but its volume fell compared to the previous Marketing Year. In the Marketing Year 1998/99, volume was 29,872 tons, a slight drop from the year before. China's exports of other canned deciduous fruit products remained very low in comparison with canned peaches. During the same Marketing Year, canned pear exports equaled 3,602 tons, canned apricot exports 122 tons, and canned fruit mixtures exports 1,527 tons. Japan continued to be China's main export destination for canned deciduous

fruit, especially peaches, but Hong Kong, Russia, South Korea and select European countries were important buyers too.

China's imports of canned deciduous fruit during the Marketing Year 1998/99 continued to be small relative to the country's exports. The only exception was canned fruit mixtures. Both official imports and Hong Kong re-exports in terms of volume and value were larger than official exports. During Marketing Year 1998/99, official imports of the product were 7,303 tons with a value of U.S.\$ 2.012 million and Hong Kong re-exports 5,989 tons with a value of U.S.\$ 5.628 million. Thailand, the Philippines, and other countries of Southeast Asia were the main source of China's canned fruit mixtures imports. South Africa was the main source of China's imported canned peaches. According to China's official import statistics, no imports of fresh apricots were recorded for either Marketing Year 1998/99 or 1997/98.

Stocks

China's canned fruit stocks tend to be small every year, because most canners only produce according to pre-harvest orders. This arrangement is especially true for exports. In addition, most canners along with other fruit processors have limited storage facilities for their raw materials (i.e. fresh fruit) and the finished products.

Policy

The government presently allows free market forces to determine fresh fruit prices and production, including peaches, nectarines, and apricots. This policy has not changed since its inception in 1984. Indications are that it generally will continue into the near future.

Post-harvest handling, treatment, and storage technology still is backward. Although some officials realize the necessity, funds and management for such activities are limited. In many cases, officials hope that overseas investment will come and take care of the need. Overseas investment in this area is occurring, but its pace still is slow.

As for the fruit canning industry, the national government has not targeted it for any special assistance. However, the hope for greater overseas investment exists. In regards to trade, China still maintains relatively high tariffs on canned deciduous fruit, peaches, and apricots. Tariffs for most canned deciduous fruits are 30 percent, plus additional 17 percent Value Added Tax which is paid on the imports' value after regular tariff charges have been assessed. Only canned fruit mixtures have a slightly lower tariff, 25 percent. Tariffs on fresh peaches and apricots are the same as their canned varieties, 30 percent. However, their Value Added Tax is a little lower, 13 percent, because they are classified as "raw materials" by customs. In addition, these fresh fruits like many other U.S.-origin fruits are officially restricted from entry for phytosanitary reasons.

Marketing

Given the Chinese preference for fresh fruit and concern about canned products' level of sanitation, only limited export opportunities for retail sales exist. However, Chinese tastes for fruit in their cakes and pastries may indicate the potential for institutional sales to China's bakery industry. Peach and pear pieces often are ingredients. South Africa, already has realized the potential and begun focusing their marketing activities on these end-users.

The California Cling Peach Board's activities in China have been limited, but the organization realizes both the opportunity in institutional sales and the marketing head-start that South Africa has on them.

Trade Statistics

CHINA'S FRESH APRICOT IMPORTS: MY97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
ORIGIN	MY97/98		MY98/99	
	VOLUME	VALUE	VOLUME	VALUE
Total	0	0	0	0
Source: China's Customs Statistics HS Code: 0809.1000				

CHINA'S FRESH APRICOT EXPORTS: MY97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
DESTINATION	MY97/98		MY98/99	
	VOLUME	VALUE	VOLUME	VALUE
Russia	85	35	92	31
Mongolia	15	2	0	0
Singapore	0	0	0	0
Japan	0	0	10	42
Macao	1	0	0	0
Netherlands	0	0	95	64
Australia	0	0	10	8
Others	0	0	0	0
Total	101	37	206	144
Source: China's Customs Statistics HS Code: 0809.1000				

CHINA'S FRESH PEACH IMPORTS: MY97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
ORIGIN	MY97/98		MY98/99	
	VOLUME	VALUE	VOLUME	VALUE
Thailand	50	13	21	8
Taiwan	12	3	790	219
Malaysia	2	1	0	0

Philippines	2	0	12	4
Canada	0	0	24	6
USA	2	0	0	0
Others	1	1	0	0
Total	69	18	846	236
Source: China's Customs Statistics HS Code: 0809.3000				

CHINA'S FRESH PEACH EXPORTS: MY 97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
DESTINATION	MY 97/98		MY 98/99	
	VOLUME	VALUE	VOLUME	VALUE
Russia	2,162	573	1,111	353
Hong Kong	651	146	2,126	293
Vietnam	610	120	592	80
Singapore	260	219	250	220
Macao	4	1	3	1
Japan	0	0	9	9
South Korea	96	55	89	53
Mongolia	0	0	28	10
Thailand	0	0	11	5
Taiwan	0	0	4	3
Germany	0	0	22	17
Netherlands	0	0	24	17
Others	2	1	0	0
Total	3,785	1,115	4,268	1,061
Source: China's Customs Statistics HS Code: 0809.3000				

CHINA'S CANNED PEACH IMPORTS: MY 97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
ORIGIN	MY 97/98		MY 98/99	
	VOLUME	VALUE	VOLUME	VALUE
USA	17	9	7	4
South Africa	13	6	218	94
Hong Kong	52	28	81	37
Philippines	16	8	21	11

Thailand	8	5	13	5
Malaysia	0	0	35	17
South Korea	1	1	0	0
Taiwan	5	3	0	0
China	0	0	0	1
Total	112	60	375	169
Source: China's Customs Statistics HS Code: 2008.7010				

CHINA CANNED PEACH EXPORTS: MY 97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
DESTINATION	MY 97/98		MY 98/99	
	VOLUME	VALUE	VOLUME	VALUE
Japan	21,901	21,140	23,398	21,448
South Korea	2,662	2,121	1,198	848
Russia	182	118	133	78

Poland	0	0	16	10
Czech Republic	62	28	242	157
Yemen	2,210	1,251	1,630	1,045
Saudi Arabia	571	327	490	290
Kuwait	17	12	0	0
Slovakia	0	0	15	4
Slovenia	0	0	61	40
Germany	803	515	387	249
UAE	0	0	97	52
Spain	0	0	1	0
Netherlands	0	0	17	12
Taiwan	72	61	59	44
Hong Kong	39	40	23	20
Nepal	0	0	2	2
Philippines	0	0	16	11
Singapore	70	34	46	23
Hungary	219	92	105	68
Kazakhstan	0	0	7	7
New Caledonia	6	5	2	1
Brazil	0	0	35	27
Argentina	0	0	228	186
Israel	34	23	34	23
Canada	423	320	804	563
Australia	93	62	0	0
New Zealand	18	15	0	0
USA	935	505	825	581
Others	11	14	1	1
Total	30,328	26,683	29,872	25,790
Source: China's Customs Statistics				
HS Code: 2008.7010				

CHINA'S CANE PEAR IMPORTS: MY 97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
ORIGIN	MY 97/98		MY 98/99	
	VOLUME	VALUE	VOLUME	VALUE
Australia	1	1	0	0
South Africa	0	0	1	0
Others	0	0	0	1

Total	1	1	1	1
Source: China's Customs Statistics HS Code: 2008.4010				

CHINA'S CANNED PEAR EXPORTS: MY 97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
DESTINATION	MY 97/98		MY 98/99	
	VOLUME	VALUE	VOLUME	VALUE
Canada	512	361	528	380
Germany	1,429	895	587	388
Netherlands	380	276	694	472
Sweden	64	46	112	79
Denmark	17	12	81	52
France	0	0	65	43
Japan	141	123	247	207
Russia	19	14	29	14
Cyprus	0	0	16	11
Israel	16	12	221	151
Yemen	0	0	488	314
Fiji	0	0	8	7
USA	16	15	527	365
Others	1	0	0	0
Total	2,595	1,754	3,602	2,483
Source: China's Customs Statistics HS Code: 2008.4010				

CHINA'S CANNED APRICOT IMPORTS: MY 97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
ORIGIN	MY 97/98		MY 98/99	
	VOLUME	VALUE	VOLUME	VALUE
Philippines	2	1	0	0
Thailand	0	0	5	30
USA	1	0	1	0
Others	0	0	0	1
Total	3	1	6	31
Source: China's Customs Statistics HS Code: 2008.5000				

CHINA SCANED APRICOT EXPORTS: MY97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
DESTINATION	MY97/98		MY98/99	
	VOLUME	VALUE	VOLUME	VALUE
Germany	80	67	0	0
Belgium	17	15	0	0
Netherlands	30	29	0	0
Japan	19	6	35	43
South Korea	14	11	0	0
Hong Kong	6	15	5	9
Macao	60	81	0	0
New Caledonia	5	4	2	1
USA	0	0	32	28
New Zealand	12	21	0	0
Canada	0	0	49	46
Others	0	0	0	0
Total	243	247	122	127
Source: China's Customs Statistics HS Code: 2008.5000				

CHINA SCANED FRUIT MIXTURES IMPORTS: MY97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
ORIGIN	MY97/98		MY98/99	
	VOLUME	VALUE	VOLUME	VALUE
Philippines	1,210	287	1,605	495
Thailand	257	73	4,640	1,263
Indonesia	64	10	15	6
Singapore	10	3	5	2
Malaysia	96	19	163	41
Hong Kong	176	27	501	68
Taiwan	2	0	4	15
Germany	0	0	0	1

Italy	0	0	3	1
Australia	2	1	5	1
South Africa	5	7	98	21
USA	184	57	263	97
Others	0	2	1	1
Total	2006	486	7,308	2,012
Source: China's Customs Statistics HS Code: 2008.9200				

CHINA'S CANNED FRUIT MIXTURES EXPORTS: MY 97/98, 98/99 (Volume: Metric Tons, Value: \$000)				
DESTINATION	MY 97/98		MY 98/99	
	VOLUME	VALUE	VOLUME	VALUE
Japan	608	818	351	337
Hong Kong	195	51	84	53
Thailand	60	11	19	6
Singapore	17	16	46	44
Malaysia	0	0	4	5
Germany	48	50	16	12
Belgium	34	36	0	0
Israel	0	0	201	142
Italy	54	56	3	3
France	73	57	17	13

Czech Republic	0	0	16	16
Netherlands	0	0	283	158
Saudi Arabia	0	0	54	38
Cape Verde	0	0	3	2
Costa Rica	0	0	50	36
Paraguay	0	0	67	48
Argentina	0	0	17	9
Yemen	0	0	17	12
Australia	2	3	3	6
Russia	2	3	0	0
Canada	67	54	60	44
USA	37	39	216	185
Others	14	16	0	0
Total	1,211	1,210	1,527	1,166
Source: China's Customs Statistics HS Code: 2008.9200				

HONGKONG RE-EXPORTS TO CHINA: MY 1997/98, 1998/99 (Value \$000, Quantity: Metric Tons)				
FRESH APRICOTS (HS 0809.1000)				
Origin	MY 1997/98		MY 1998/99	
	Value	Quantity	Value	Quantity
TOTAL	0	0	0	0
Source: Hong Kong Department of Census				

HONGKONG RE-EXPORTS TO CHINA: MY 1997/98, 1998/99 (Value \$000, Quantity: Metric Tons)				
FRESH PEACHES (HS 0809.3000)				
Origin	MY 1997/98		MY 1998/99	
	Value	Quantity	Value	Quantity
USA	69	68	58	100
Taiwan	418	599	909	1,186

South Africa	0	0	7	15
Chile	0	0	272	528
Australia	0	0	93	182
Thailand	0	0	5	7
Others	4	6	0	1
TOTAL	491	673	1,344	2,019
Source: Hong Kong Department of Census				

HONGKONG RE-EXPORTS TO CHINA: MY 1997/98, 1998/99 (Value \$000, Quantity: Metric Tons)				
CANNED PEACHES (HS 2008 700)				
Origin	MY 1997/98		MY 1998/99	
	Value	Quantity	Value	Quantity
USA	490	271	166	174
South Africa	861	749	644	540
Australia	26	31	0	0
Malaysia	53	47	16	9
Italy	0	0	34	32
Thailand	0	0	0	0
Taiwan	0	0	0	0
Others	9	2	11	3
TOTAL	1,499	1,100	871	758
Source: Hong Kong Department of Census				

HONGKONG-EXPORTS TO CHINA: MY 1997/98, 1998/99 (Value \$000, Quantity: Metric Tons)				
CANNED PEARS (HS 2008.400)				
Origin	MY 1997/98		MY 1998/99	
	Value	Quantity	Value	Quantity
USA		3	2	5
South Africa		13	10	52
Others		3	1	1
TOTAL		19	13	58
Source: Hong Kong Department of Census				

HONGKONG-EXPORTS TO CHINA: MY 1997/98, 1998/99 (Value \$000, Quantity: Metric Tons)				
CANNED APRICOTS (HS 2008.500)				
Origin	MY 1997/98		MY 1998/99	
	Value	Quantity	Value	Quantity
South Africa		29	23	9
Taiwan		29	15	0
Turkey		0	0	5
Others		4	3	0
TOTAL		62	41	14
Source: Hong Kong Department of Census				

HONGKONG-EXPORTS TO CHINA: MY 1997/98, 1998/99 (Value \$000, Quantity: Metric Tons)				
CANNED FRUIT MIXTURES (HS 2008.920)				
Origin	MY 1997/98		MY 1998/99	
	Value	Quantity	Value	Quantity
USA		431	332	167

South Africa	241	182	114	88
Japan	0	0	38	22
Malaysia	1,896	1,715	578	672
Philippines	4,040	3,735	2,183	2,276
Thailand	4,072	4,601	2,411	2,684
Singapore	0	0	58	56
Indonesia	17	22	15	24
Taiwan	0	0	27	23
South Korea	31	37	0	0
Others	21	15	37	17
TOTAL	10,749	10,639	5,628	5,989
Source: Hong Kong Department of Census				