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# **China, People's Republic of**

## **Fresh Deciduous Fruit**

### **Fresh and Preserved Cherry Opportunities**

Prepared by:

**Susan Scurlock Theiler**  
**U.S. Consulate General**

Drafted by:

John D. Rutledge

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#### **Report Highlights:**

**China's demand for imported fresh and preserved cherries is growing. U.S. origin product is very popular in the market. However, tariffs remain high, causing a large amount of unofficial imports. China grows and preserves cherries, but volumes are relatively small.**

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## Introduction

China's demand for imported fresh and preserved cherries is growing. U.S. origin product is very popular in the market. However, tariffs remain high, causing a large amount of unofficial imports. China grows and preserves cherries, but volumes are relatively small.

## Production

China produces an estimated 13,000 tons of cherries every year. Although cherries are grown throughout northern China, the country's main producing region covers the provinces that border the Bohai Sea on China's east coast. They include Shandong, Hebei, and Liaoning. The biggest producer of the three is Shandong. Within Shandong, production is centered on an area in the eastern tip of the province between the cities of Qingdao and Yantai. According to a Shandong fruit and food products trader, Yantai produces about half of the nation's cherry crop every year.

China produces two varieties of cherries, commonly referred to as large and small. The large variety at harvest time is usually yellow in color, closely resembling Rainiers that are found in U.S. Washington state, but some red ones, like Bings, exist too. The small variety are red and known for their sweeter taste.

The cherry harvest in northern China occurs during May and June each year. However, in some of Shandong's major cities, cherries are also grown in glass hot houses and are not harvested until sometime between December and February. Harvesting at that time allows those growers to take advantage of higher prices during Chinese New Year. Relative to overall production, glass hot house cherry production is still limited. During the May-June harvest season, local Shandong cherry prices range between 16 to 18 RMB (\$ 1.93 - 2.18) per kilogram (US\$ 1.00 = 8.27 RMB). At other times, the price is often more than double.

Domestic cherry tree productivity varies within a wide range. Based on the estimates of several Shandong fruit industry participants, this range extends from 20 to 50 kilograms of cherries per tree. Specific tree productivity, according to these same individuals, depends mainly on the weather and tree management.

Although fresh fruit is popular among the Chinese, much of the cherry harvest every year is canned. When canning, the cherries' stems are usually left attached to the fruit. Cherry juice and/or cherry flavored drinks are a rarity. One of the few domestic processors to use cherry juice is Great Lakes Juice Company of Tianjin. This company is a Sino-U.S. joint venture which mainly produces apple juice, but has one product that is a mixture of both apple and cherry juice. Most of China's cherry processors are located in Shandong province.

China's cherry production in the future most likely will rise, but at the expense of other fruits. Reports out of Shandong indicate that some fruit growers are switching out of more traditional fruits such as apples and pears, and into cherries. According to several Shandong sources, growers currently earn more from cherries than from either apples or pears. One individual stated that growers now earn about 3,000 RMB (\$ 363) per mu of cherries, while only about 2,000 RMB (\$ 242) can be earned from apples on the same amount of land. The mu is a

traditional Chinese land measurement and equals approximately one-sixteenth of a hectare.

## **Consumption: Fresh Cherries**

Chinese consumers love to eat many different varieties of fresh fruit, including cherries. However, both domestic and imported cherries are usually more expensive than other fruits such as apples and oranges, therefore fresh cherry consumption in China is not as great as with other fruits. For example, during the ATO Guangzhou's 1997 Guangzhou and Shenzhen urban consumer survey, when asked which varieties of fresh fruit they frequently purchased, only one percent of the interviewees listed cherries. Other fruits achieved higher response rates, i.e. apples 92 percent, oranges 71 percent, and pears 60 percent. Less than a week before the start of the recent 1999 Chinese New Year holiday, fresh cherries in Guangzhou had retail prices ranging from 76 to 172 RMB (\$ 9.19 - 20.80) per kilogram, many times higher than imported apples from Washington state.

Local fruit consumers generally feel that the quality of imported cherries is higher than those grown domestically. Local consumers tend to judge cherry quality by color and prefer the red color of imported cherries. Domestic cherries' color is not as consistent. In addition, the taste of domestic cherries tends to be inconsistent. Imported cherries are thought to taste better than domestic ones.

According to first tier distributors, a vast majority of the fresh cherry buyers are hotels, restaurants, and major supermarket chains. Small retailers and nearby secondary wholesalers rarely buy them. For most types of imported fresh fruit, small retailers and secondary wholesalers are often the main outlets that local consumers use for their purchases. One of the main reasons for this distribution pattern for fresh cherries is that smaller retailers and secondary wholesalers lack the proper cold storage facilities necessary to maintain the fruit's quality. The shelf life of cherries left in open air conditions tends to be shorter than with other types of fruit, especially in the warmer climate of south China.

## **Consumption: Preserved Cherries**

Preserved cherries in China are mainly used in bakery products and desserts. Bakeries and hotel restaurants tend to be the biggest consumers. Bars are another big consumer, often using these cherries as garnish for drinks. Preserved cherries are even used in Chinese cuisine. As with drinks in bars, they are mainly used for decorative purposes, especially during banquets. For example, the southern Chinese dish of Roasted Suckling Pig, a traditional banquet dish, often has preserved cherries covering the eye sockets to simulate eyes.

For preserved cherries, color is not as critical as with fresh cherries. Both green and red preserved cherries are consumed locally, but slightly more consumers seem to prefer red ones. One local distributor of imported preserved cherries says that his sales of red are about one-third greater than green. A Guangzhou wholesaler recently said that 65 percent of his imported preserved cherry sales are for red and the rest green. Almost all domestically produced preserved cherries in China are red colored.

Another preserved cherry characteristic that does not seem important is having or not having stems. Both types are available to consumers and wholesalers say that consumers never comment on this product characteristic.

Local consumers find the current packaging of most imported brands is acceptable. Imported brands mainly come in jars, weighing approximately 26 ounces. In the Guangdong area, currently available imported brands include AAA, S&W, American Chef, Berryland, and Royal Willamette. All are from the United States.

Domestic cherry processors use jars instead of cans for their locally marketed preserved cherries, copying the packaging of many imported brands. Despite these similarities, local consumers generally have a negative view towards the domestically canned products, including preserved cherries. They are seen as unsanitary and made from poorer quality fruit. In general, Chinese fruit canneries only use metal cans for exported product.

## **Import Distribution**

Much of China's fresh and preserved cherry imports enter the country through unofficial channels. Upon entering China, most imported fresh cherries end up at one of Guangdong province's major fruit wholesale markets, either Lishui (Nanhai) or Huadu. At these markets, buyers from around the country come and select imported fruit for their wholesale markets, restaurants, and hotels. The Huadu market's location near the Guangzhou airport is the main reason for its popularity, but not all imported fruit bought in Guangdong for northern consumers is shipped by air. Truck transportation is common.

Import amounts are often greatest from October to December, the months before Chinese New Year. Imported fruit often serves as a gift during the local holiday season. Before other local holidays, shipments can be sizable, but usually not as large as before Chinese New Year. Before and during the Chinese New Year holiday this year, fresh cherry availability was limited.

## **Trade**

China currently is a net importer of both fresh and preserved cherries. According to China's official customs data, its fresh cherry imports are larger than its exports. However, when Hong Kong re-export data is also considered, the gap between imports and exports is much wider. For preserved cherries, official exports are higher than official imports. However, Hong Kong re-exports are larger than official exports, thus overall imports are higher than exports.

China's official customs statistics show that fresh cherry imports in 1998 were 9 tons, compared to exports of 7 tons for the full year. Both sets of numbers revealed that the U.S. was China's main supplier. For fresh cherry exports, Japan and other Asian countries over the last few years have been the main destinations.

As for preserved cherries, China's official exports surpass its imports. However, when Hong Kong re-exports are considered, the situation is the opposite with imports higher than exports. In 1998, Hong Kong re-exports to China of this product equaled 1,316 metric tons during the first

nine months of the year, while exports were only 795 metric tons for the full year.

China last year dropped phytosanitary restrictions on cherries from the U.S. northwest and made them legally importable. However, import tariff rates are still high. The regular tariff for fresh cherries is now 30 percent, while its Value Added Tax rate is 13 percent. For preserved cherries, the rates are 30 percent and 17 percent. Under these tariff arrangements, the effective tariff rate for fresh cherries is 47 percent and for preserved cherries 52 percent.

## **Marketing**

U.S. cherry exporters, regardless of whether they sell fresh or preserved product, will find good opportunities in the China market if they are willing to make an effort. Since fresh cherries from the U.S. northwest are legally exportable to China, exporters of this product should consider undertaking certain activities in order to enhance sales possibilities. These activities include making market visits, developing/distributing Point of Purchase materials, and conducting seminars. Companies and organizations such as the California Table Grape Commission, the Washington Apple Commission, and Zespri (New Zealand kiwifruit) all have used some or all of these activities with a relatively good degree of success.

The same activities could be applied by U.S. producers of preserved cherries, but the low level of brand loyalty among many Chinese distributors and importers makes focusing on price and customer service a better strategy to implement. However, if a producer or group of them were to pursue an aggressive marketing strategy in China, teaming up with companies or organizations that promote complementary products would be an useful strategy. For example, the California Almond Board's and U.S. Wheat Associates's China representatives promote the use of their products in the bakery industry, and preserved cherries are popular among Chinese bakers. Regardless of whether an exporting company wishes to pursue an aggressive or passive strategy, visiting the market and learning more about its consumers are important steps that should be taken in order to improve the chances of success.

## **Contacts**

Dongguan City Guangtown Trade Synthesis Company

Dongmei Non-staple Food Section  
#84 Zhongxing Road, Guangcheng, Dongguan City  
Guangdong Province  
Telephone: 86-769-221-6105  
Fax: 86-769-222-2562

This company imports and distributes imported maraschino cherries. Most of their product comes from Oregon, U.S.A.

Jet All Trading Company / Calfruits Company  
Stall #40-42, Lishui Fresh Fruit Food Wholesale Market  
Nanhai City  
Guangdong Province  
Telephone: 86-757-568-0988, 568-0938  
Fax: 86-757-568-0928

This company imports and distributes a wide variety of imported fresh fruits, including cherries. Last season he did very well selling U.S. cherries and plans to sell them again during the upcoming season

Dongguan City Li Yuan Company  
#26 Zhongxing Road, Guangcheng Township  
Dongguan County  
Guangdong Province  
Telephone: 86-769-211-2390, 221-8499  
Fax: 86-769-221-6005

This company wants to import preserved cherries.

Note: For names of company managers/representatives, contact ATO/Guangzhou on fax number 86-20-8666-0703 or email [ato@gitic.com.cn](mailto:ato@gitic.com.cn)

## **Tables: China's Fresh and Preserved Cherry Exports**

Exports: Fresh Cherries (HS 0809.2000)				
Volume (Metric Tons)				
Destination	1995	1996	1997	1998
Macau	0	0	1	0
Hong Kong	1	0	0	1
Japan	0	66	0	0
Vietnam	0	5	0	0
Russia	0	0	0	6
Others	0	0	0	0
Total	1	71	1	7
Source: China's Customs Statistics, 1995-1998				

Exports: Fresh Cherries (HS 0809.2000)				
Value (\$ '000)				
Destination	1995	1996	1997	1998
Macau	0	0	0	0
Hong Kong	1	0	0	2
Japan	0	10	0	0
Vietnam	0	4	0	0
Russia	0	0	0	4
Others	0	0	0	0
Total	1	14	0	6
Source: China's Customs Statistics, 1995-1998				

Exports: Cherries, Preserved (HS 2008.6000)				
Volume (Metric Tons)				
Destination	1995	1996	1997	1998



Japan	883	1,341	704	735
South Korea	167	76	68	32
Canada	0	0	1	0
North Korea	8	0	0	0
Malaysia	2	0	0	0
Philippines	1	0	0	0
Russia	2	5	0	0
Brazil	0	0	0	23
New Caledonia	0	0	0	5
Others	0	0	0	0
Total	1,062	1,422	773	795
Source: China's Customs Statistics, 1995-1998				

Exports: Cherries, Preserved (HS 2008.6000)				
Value (\$ '000)				
Destination	1995	1996	1997	1998
Japan	2,175	3,421	1,584	1,460
South Korea	173	152	163	77
Canada	0	0	2	0
North Korea	14	0	0	0
Malaysia	5	0	0	0
Philippines	2	0	0	0
Russia	1	4	0	0
Brazil	0	0	0	46
New Caledonia	0	0	0	8
Others	0	0	0	1
Total	2,369	3,576	1,749	1,592
Source: China's Customs Statistics, 1995-1998				

### Tables: China's Fresh and Preserved Cherry Imports

Imports: Fresh Cherries (HS 0809.2000) Volume (Metric Tons)				
Origin	1995	1996	1997	1998
United States	1	2	3	7
Canada	0	19	2	1
Ecuador	0	2	0	0
New Zealand	0	0	0	0
Others	2	0	0	1
Total	3	23	5	9
Source: China's Customs Statistics, 1995-1998				

Imports: Fresh Cherries (HS 0809.2000) Value (\$ '000)				
Origin	1995	1996	1997	1998
United States	2	5	2	4
Canada	0	6	1	1
Ecuador	0	6	0	0
New Zealand	1	0	0	0
Others	1	0	0	0
Total	4	17	3	5
Source: China's Customs Statistics, 1995-1998				

Imports: Cherries, Preserved (HS 2008.6000) Volume (Metric Tons)				
Origin	1995	1996	1997	1998

United States	28	105	165	44
Malaysia	0	0	17	11
France	0	0	1	19
Philippines	10	16	9	20
Switzerland	0	0	0	0
Thailand	0	5	4	32
Singapore	0	0	1	0
Hong Kong	9	1	1	0
Japan	21	0	0	0
Taiwan	0	0	0	0
Great Britain	0	0	0	0
Italy	6	7	0	0
Canada	0	1	0	0
Australia	1	0	0	0
Others	0	0	0	2
Total	75	135	198	128
Source: China's Customs Statistics, 1995-1998				

Imports: Cherries, Preserved (HS 2008.6000)				
Value (\$ '000)				
Origin	1995	1996	1997	1998
United States	64	103	95	28

Malaysia	0	0	9	6
France	0	0	4	46
Philippines	3	8	4	11
Switzerland	0	0	2	0
Thailand	0	3	2	16
Singapore	0	0	1	0
Hong Kong	20	0	1	0
Japan	31	0	0	0
Taiwan	1	0	0	0
Great Britain	1	0	0	0
Italy	12	23	0	0
Canada	0	3	0	0
Australia	2	0	0	0
Others	1	1	0	1
Total	135	141	117	108
Source: China's Customs Statistics, 1995-1998				

### Tables: Hong Kong Re-Exports to China, Fresh and Preserved Cherries

Hong Kong Re-exports: Cherries, Fresh (HS 0809.2000) Volume (Metric Tons)				
Origin	1995	1996	1997	1998/1-9
United States	51	276	304	9
Malaysia	0	0	0	0
Others	2	0	0	0
Total	53	276	304	9
Source: Hong Kong Department of Census, 1995-1998				

Hong Kong Re-exports: Cherries, Fresh (HS 0809.2000) Value (\$ '000)				
Origin	1995	1996	1997	1998/1-9
United States	115	556	465	18
Malaysia	0	1	0	0

Others	4	1	0	0
Total	119	558	465	18
Source: Hong Kong Department of Census, 1995-1998				

Hong Kong Re-exports: Cherries, Preserved (HS 2008.6000)				
Volume (Metric Tons)				
Origin	1995	1996	1997	1998/1-9
United States	823	635	1,146	1,172
South Africa	0	0	80	35
Thailand	30	29	0	0
Italy	0	20	113	62
Switzerland	1	0	2	0
Canada	0	2	0	0
France	0	0	0	0
Great Britain	15	0	0	0
Taiwan	0	0	0	34
Afghanistan	0	0	0	5
Others	13	1	1	8
Total	882	687	1,342	1,316
Source: Hong Kong Department of Census, 1995-1998				

Hong Kong Re-exports: Cherries, Preserved (HS 2008.6000)				
Value (\$ '000)				
Origin	1995	1996	1997	1998/1-9
United States	1,811	1,596	2,303	2,282
South Africa	0	0	156	69
Thailand	32	31	0	0

Italy	0	40	167	95
Switzerland	2	0	14	0
Canada	0	7	0	0
France	1	1	2	0
Great Britain	40	0	0	0
Taiwan	0	0	0	66
Afghanistan	0	0	0	9
Others	22	2	0	24
Total	1,908	1,677	2,642	2,545
Source: Hong Kong Department of Census, 1995-1998				

**Table: China's Tariff Duties on Fresh and Preserved Cherries**

China's Tariff Rates on Cherries, Fresh and Preserved				
Product	Prefer. Rate 1/	General Rate 2/	V.A.T. Tax 3/	Effective Rate 4/
Cherries, Fresh	30%	70%	13%	47%
Cherries, Preserved	30%	90%	17%	52%
Source: Customs Import and Export Tariff of the People's Republic of China, 1998 edition				
Notes:				
1/ Preferential rate refers to the tariff rate charged against all products from countries with whom China has exchanged most favored nation trading status (i.e. the United States).				
2/ The General tariff rate refers to the tariff rate charged against all products from countries with whom China has not exchanged most favored nation trading status.				
3/ V.A.T.: Value Added Tax. This tax is assessed on all imports entering China. It is assessed against the combined value of the imported products plus the tariff duty charges.				
4/ The Effective tariff rate is the Preferential rate plus the Value Added Tax.				