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Report Highlights:

In MY2021/22 imports of U.S. Pacific Northwest (PNW) cherries are expected to pick up owing to improved supplies and enhanced marketing efforts. California cherries have seen increased competition from domestic cherries, which have an overlapping harvest season. On the whole, cherry imports are likely to slow down, in anticipation of reduced supplies from Chile following a particularly strong MY2020/21 season. China's peach and nectarine production is expected to rebound to 16 MMT in MY2021/22 from a failed crop last year due to frost damage. Cherry production is estimated to continue rising to 600,000 MT in MY2021/22 due to new fruit bearings.

Production

Peaches/Nectarines

China's peach and nectarine production is estimated at 16 million metric tons (MMT) in marketing year (MY) 2021/22 (January-December), an increase of nearly 7 percent from the previous year. The production gains are due to normal returns from fruit bearing trees. In MY2020/21, China's peach and nectarine production was hurt by heavy snows which caused fruit losses across most peach growing areas in China. This year cold winter weather in early 2021 killed some young trees in China's northern producing provinces, such as Shandong. However, the total production of peaches and nectarines in MY2021/22 is expected to be generally unaffected. Post has revised the production number up in MY2019/20 and up in MY2020/21 based on industry reports.

The planted area for peaches and nectarines is slowly decreasing given weak market returns. MY2021/22 peach and nectarine acreage is estimated at 850,000 hectares, slightly down from the previous year. Chinese farmers plant many local peach and nectarine varieties. Nearly, 70 percent of all local peaches planted are white-flesh peaches. In recent years, more yellow-flesh peach and nectarine varieties, such as donut nectarines, have been cultivated to meet market demand. Additionally, a small portion of peaches and nectarines in northern China are planted in greenhouses to extend the season.

Mechanization is increasing in peach production. Still, peach farming requires greater manual labor than cherry production. Many farmers individually bag their peaches and nectarines while the fruit is still on the trees in order to protect the fruit from rain and pesticides. Pesticide application is necessary for peach production, according to fruit farmers in Linyi of Shandong, unlike cherry production. The cherry production season is relatively short and early, which diminishes the need for pesticide application. Peach and nectarine yields are much higher than those of cherries. Linyi farmers indicate that the peach/nectarine yield is between 2 and 3 MT per mu, while most cherries yield 0.5-1 MT per mu in China (15 mu = 1 hectare).

Cherries

Cherry production is forecast at 600,000 MT in MY2021/22 (April-March), an increase of 15 percent from the revised number in MY2020/21. In MY2020/21, cold temperatures and excessive rain in northern China during fruit development resulted in smaller and split fruit. In Shandong Province, total cherry production is expected to continue rising for the next 3 to 5 years as new plantings bear fruit. Post has revised the MY2019/20 and MY2020/21 cherry production in line with acreage expansion reported by industry sources.

Cherry acreage is estimated at 163,000 hectares in MY2021/22, an increase of 3 percent from the revised planting area of 158,000 hectares in MY 2020/21, driven by favorable market returns. Cherries remain the most profitable fruit in China, according to Shandong fruit growers who also plant apples and peaches. Cherry planted area has expanded to western and southwestern provinces over the past few years. Shandong remains the top cherry producing province, with nearly half of the country's production. Shaanxi has quickly overtaken Liaoning as the second largest cherry producing province in China. Liaoning, particularly Dalian, is still the largest producer of greenhouse cherries. Other cherry producing provinces include Henan, Gansu, Shanxi, Hebei, Sichuan, Yunnan, Guizhou, and Qinghai.

Additionally, trial production of cherries has extended to Zhejiang, Jiangsu, and Anhui provinces according to media reports.

Labor shortages and labor cost are increasing in rural areas. An aging farming population has become the largest challenge facing Chinese fruit production. Production typically is located on hilly land where mechanization is unrealistic. During a crop visit to Tai'an, Shandong Province, Post observed that most small-scale cherry farmers are over the age of 65 years. These farmers operate their own orchards without hiring additional laborers, whose average wage is around \$23.20 (RMB150) a day. Private investors have also entered the cherry business - but are mainly focused on greenhouse cherry production. Although building greenhouses requires greater investment, cherries produced in these facilities can receive premium prices as they enter the market as early as February.

More than 90 percent of Chinese cherries are grown in orchards and harvested between early May and late July. In the last three years, cherry farmers began planting or grafting new varieties that can enter the market earlier (e.g., Brooks) or meet other consumer demands (e.g., Russia 8 and Black Pearl). Older varieties such as Red Lantern are fading away due to unfavorable features. For example, these varieties can taste sour and have a soft flesh, which makes transportation difficult. Dominant traditional cherry varieties include Beauty Early (Tieton), Summit, Van, Lapins, Jiahong Yellow, and Rainer. China's domestic cherry quality has also improved largely due to upgraded cherry varieties. However, in most cases, local cherries are less flavorful than their imported counterparts. Chinese farmers pick their cherries before they are fully ripe to extend shelf life and maintain fruit integrity in the absence of post-harvest treatment (e.g., pre-cooling) and unrefrigerated transportation. Industry sources indicate that around 80 percent of Chinese cherries are harvested prematurely.

Prices

Peaches/Nectarines

Peach and nectarine prices have been quite weak in recent years due to oversupply and poor flavor. Large quantities of peaches and nectarines are not available until July. Nevertheless, market prices for early ripening varieties and greenhouse peaches and nectarines are also low. Media reports noted that in Hubei Province farm gate prices for early ripening peaches dropped to nearly \$0.31 (RMB 2) per kilo in late May from \$1.20 (RMB 8) per kilo at the beginning of May. Similar findings were also observed by Post during a crop tour to Shandong. Yet, high-quality peaches, such as specialty peaches and nectarines can receive premium prices.

Cherries

Cherry prices have been trending downward over the past few years due to increases in overall production. Shandong cherry farmers indicate that the outbreak of COVID-19 in 2020 caused cherry prices to hit record lows when wholesale markets were closed and restrictions on road transportation prevented urban wholesalers from sourcing cherries directly from production areas. Consequently, farmers had to sell their cherries to local traders at lower prices.

Cherry prices in Shandong this year are lower than last year's prices. For example, Yantai is the most important cherry producing region in Shandong. Beauty Early cherries, a popular and widely planted

variety across China, are currently sold at \$2.50-\$4.60 (RMB16-30) per kilo at the local wholesale market. According to media reports, this price is below last year's prices. The lower prices are mainly attributed to significant production increases and more split fruits. Prices for greenhouse cherries have also dropped due to increased production. Greenhouse cherries are still sold at much higher prices than those grown in orchards, due to increasing regional and national demand. In February 2021, greenhouse cherries were quoted at \$92.50 (RMB 600) per kilo at retail stores. These prices are even higher than prices for imported cherries.

Chilean cherry prices, a major importer of cherries to China, fell by nearly 15 percent year-on-year due to a particularly strong harvest during MY2020/21. Additionally, media reports that traces of the COVID-19 virus were detected on the outer packaging of Chilean cherries dramatically lowered prices during Chile's peak export season (in the beginning of 2021). Prices recovered following efforts by the Chilean industry and fruit associations to highlight the positive qualities of Chilean cherries.

Consumption

Peaches/Nectarines

As China's economy recovers following COVID-19, some consumers are more cautious about spending on non-essential commodities, such as fruit. The per capita consumption of peaches and nectarines has remained flat due to oversupply. Most domestically produced peaches and nectarines, especially those planted in greenhouses and early ripening varieties, have poor flavor profiles. Taste is the first attribute that consumers look for, followed by appearance and freshness. Younger consumers pay more attention to appearance and crunchy fruit texture while southern and older consumers prefer juicy peaches. Some new varieties such as donut nectarines and yellow nectarines are gaining popularity. Local specialty varieties such as honey peaches from Wuxi are also attractive to consumers. Additionally, fruit is increasingly being sold online post-COVID-19, especially high-end stone fruit.

Chinese consumers prefer fresh fruit to processed products. The consumption of processed peaches, notably canned peaches, is quite stable. Other processed peach products include peach juice (drink) and preserved peaches (dried peaches).

Cherries

Demand for cherries remains relatively strong. The per capita consumption of cherries will continue to increase in the foreseeable future as production and cold-storage infrastructure improves. Due to the lack of pre-cooling and cold chain transportation, cherries are mainly transported by unrefrigerated truck in 5-kilogram containers with icepacks to provide some form of cooling during transportation. Lower cherry prices and e-commerce platforms have increased cherry consumption in 3rd and 4th tier cities.

Chinese consumers prefer large, deep red, firm flesh, and most importantly, sweet tasting cherries. However, not all features can be achieved with China's current cherry varieties, especially as many farmers harvest their cherries before fully ripened to extend shelf life. Additionally, greenhouse cherries may look pretty but are often tasteless. This explains Chinese consumers preference for imported cherries, which are typically harvested closer to a fully ripened state. Consumption of processed cherries, including cherry wine, juice (drink), and canned cherries is limited.

Trade

Imports

Peaches/Nectarines

Nectarine imports are likely to drop by 10 percent to 33,000 MT in MY2021/22 (January-December) on reduced demand from Chinese importers in the wake of increased cost, customs inspection, and quarantine for cold-chain products. Logistical disruptions and high container fees have also added costs for importers and slowed purchases. Southern Hemisphere countries, namely Chile and Australia, remain the major suppliers of nectarines during the local off season. However, sources indicate that shipments of Australian nectarines have been less desirable this year.

The United States gained access for nectarines in March 2020 following the signing of the U.S.-China Economic and Trade Agreement. However, higher prices and an overlapping season with domestic production will create some difficulties for U.S. nectarines. For this reason, U.S. nectarine producers will need to inform Chinese consumers of their fruit's advantages.

Cherries

China's cherry imports are forecast to decline 11 percent to 300,000 MT in MY2021/22 (April-March), due to reduced supplies from Chile – which supplies more than 90 percent of China's imported cherries. Chile's cherry exports to China increased by 55 percent during MY2020/21 due to a bumper harvest. However, MY2020/21 Chilean cherries imports started as China instituted increased COVID-19 testing and quarantine requirements for cold-chain products – increasing the cost and time necessary to clear customs. Since then, importers appear to have adjusted to the additional requirements for premium products – such as cherries. Imports of U.S. PNW cherries are likely to increase due to a good harvest that will increase exportable supplies and enhanced marketing efforts by the U.S. cherry industry. However, some U.S. cherries may face competition from domestic supplies due to overlapping production seasons.

Exports

China peach and nectarine exports are expected to rebound to 100,000 MT in MY2021/22, up 25 percent from the previous year due to improved supplies and the resumption of fruit exports to Kazakhstan, a major buyer of Chinese peaches and nectarines. Kazakhstan suspended fruit imports, including stone fruit, from China on March 5, 2020 due to the detection of quarantine pests in fruit shipments. Although the import ban was lifted in late April 2020, China did not export any peaches or nectarines to Kazakhstan in MY2020/21.

China's cherry exports are quite limited due to constraints in pre-cooling and post-harvest treatment. Chinese traders continue to experiment with exporting small quantities of cherries to neighboring countries.

Policy

China's State Council Tariff Commission (SCTC) announced a reduction in the retaliatory Section 301 tariffs on U.S. agricultural products as of February 14, 2020 (see GAIN report [CH2020-0016](#)). In addition, the SCTC launched a tariff exclusion process on March 2, 2020 where importers could apply for tariff exclusions on specific consignments from the United States. If an exclusion application is successfully approved, the Section 301 tariffs imposed on U.S. products, including fruit, would be exempted for a year from the date of approval (refer to GAIN report [CH2020-0017](#)). However, certain U.S. products, including fruit, are still subject to China's Section 232 retaliatory tariffs that were imposed in April 2018. Refer to the following table for detailed import tariffs with major trading partners on stone fruit and value added tax (VAT).

Import Tariff and VAT on Stone fruit with Major Trading Partners in 2021

Trade partner	Tariff (%)		VAT (%)
	Peaches/Nectarines (HS code 080930)	Cherries (HS code 080929)	
Country/Region with FTA			
Chile	Nectarines-0 Peaches-No market access	0	9
Australia	0	0	9
New Zealand	No market access	0	9
Taiwan	Peaches-0 Nectarines-No market access	No market access	9
Country/Region with no FTA			
United States	Nectarine-25 (as of March 2, 2020)*	25 (as of March 2, 2020)*	9
Canada	No market access	10	9
Argentina	No market access	10	9
Spain	Peaches-10	No market access	9

	Nectarines-No market access		
Turkey	No market access	10	9
Uzbekistan	No market access	10	9
Kyrgyzstan	No market access	10	9
Tajikistan	No market access	10	9

Source: China Customs

NOTE: *Actual rate (includes MFN) if Section 301 tariffs are to be exempted upon approval.

The Chinese government released an updated National Food Safety Standard of Pesticide MRLs in Food which will take effect on September 3, 2021. Please refer to the following link (in Chinese) for pesticide limits on stone fruit. <http://www.aqsc.org/zlbz/gzdt/202106/P020210603597120898088.pdf>

On April 12, 2021, the General Administration of Customs of China (GACC) announced the Regulations on the Registration and Administration of Overseas Producers of Imported Food, known as Decree 248. Effective on January 1, 2022, this regulation will replace the existing Administrative Measures for Registration of Overseas Producers of Imported Food (Decree 145). Decree 248 requires that all overseas food (except food additives) manufacturers, processors, and storage facilities be registered with the Chinese authorities to export products to China (see CH2021-0045). GACC has not yet published the implementation rules for Decree 248.

On May 18, 2021, GACC updated the California and PNW (Washington, Oregon and Idaho) Cherry Shippers List for China (<http://dzs.customs.gov.cn/dzs/2747042/3183674/2021051815213645834.xlsx>) and the List of Approved Shippers of California Fresh Nectarine Export to China (<http://dzs.customs.gov.cn/dzs/2747042/3183674/2021051815224997117.xlsx>).

Marketing

Peaches/Nectarines

China's domestically produced peaches dominate the market, but there are no well-known domestic peach brands. Some regions have well-known products - such as Long Quan Yi Peaches, Xin Yi Peaches and Phoenix Peaches. In China, bruised peaches often lead to losses for retailers given the thin skin and soft flesh. Most retailers source peaches through their distributors to help them control operation costs. Due to the lack of branding, there are almost no offline promotional activities for peaches. Some e-commerce platforms promote regional specialty peach products during limited in-season time periods. Livestream sales and community group purchasing are two e-commerce distribution channels that are spurring fresh fruit purchases.

Many provinces in China produce nectarines, including Shaanxi, Shandong, Hebei and Liaoning. Nectarines are hardier, easier to store, and ship due to a harder outer skin. Therefore, some retailers

choose to source locally. Chile and Australia are the largest exporters of nectarines to China. Consumers have no brand awareness of imported nectarines and only pay attention to their country of origin. The trade associations of Chile and Australia usually do promotional activities in key wholesale markets and e-commerce platforms during the harvest season. Sales of imported nectarines from Australia and Chile have benefited by being “off-season” from China’s nectarine harvest. However, COVID-19 testing and quarantine restrictions appear to have decreased imports by 20 percent in the first two months of 2021. Additionally, the bilateral relationship between China and Australia may continue to add uncertainty for importers and affect sales during the 2021-2022 harvest season. Consequently, domestic retailers and importers are expected to be more cautious about sourcing or promoting Australian nectarines.

Cherries

Many Chinese consumers have little to no brand awareness of domestic cherries. However, consumers are beginning to associate quality with specific regions or areas in China. To kick off the 2021 harvesting season a promotion ceremony was held in Beijing’s Xin Fa Di wholesale market on February 28, 2021 with the first shipment of Dalian cherries.

Similarly, Chinese consumers have little brand awareness of imported cherries – but distinguish based on country of origin. For example, PNW cherries or U.S. cherries have positive perceptions among Chinese consumers. Additionally, certain packing houses have achieved consumer awareness. For this reason, consumers are more likely to select particular cherries in wholesale markets based on the name of a particular packing house, and some retailers and e-commerce players in China have started sourcing imported cherries directly from overseas packers. This ensures quality and price control.

Fruit associations from Chile and the United States have built consumer awareness by conducting online and offline promotional activities promoting cherries. The importance of this engagement was showcased after negative media reports linked Chilean cherries with COVID-19 testing at the height of Chile’s 2021 cherry season. Chile’s fruit association quickly used multiple platforms including live streaming, online celebrity anchors, and promotional events to regain consumer confidence.

Production, Supply, and Distribution (PS&D) Tables

Peaches/Nectarines

Peaches & Nectarines, Fresh	2019/2020		2020/2021		2021/2022	
Market Begin Year	Jan 2019		Jan 2020		Jan 2021	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	860000	860000	855000	855000	0	850000
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	15000000	15800000	14500000	15000000	0	16000000
Non-Comm. Production	0	0	0	0	0	0
Production	15000000	15800000	14500000	15000000	0	16000000
Imports	27000	27000	38000	37000	0	33000
Total Supply	15027000	15827000	14538000	15037000	0	16033000
Domestic Consumption	14905800	15705800	14458000	14959000	0	15933000
Exports	121200	121200	80000	78000	0	100000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	15027000	15827000	14538000	15037000	0	16033000
For Processing	2400000	2400000	2200000	2200000	0	2400000

Unit: hectare, Metric ton

Cherries

Cherries (Sweet&Sour), Fresh	2019/2020		2020/2021		2021/2022	
Market Begin Year	Apr 2019		Apr 2020		Apr 2021	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	150000	150000	153000	158,000	0	163,000
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	420000	450000	450000	520000	0	600000
Non-Comm. Production	0	0	0	0	0	0
Production	420000	450000	450000	520000	0	600000
Imports	230300	230300	220000	336000	0	300000
Total Supply	650300	680300	670000	856000	0	900000
Domestic Consumption	650230	680230	669950	855980	0	899990
Exports	70	70	50	20	0	10
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	650300	680300	670000	856000	0	900000
For Processing	20000	20000	0	25000	0	30000

Unit: hectare, metric ton

Attachments:

No Attachments