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Report Highlights:

China's peach and nectarine production is estimated to decrease to 14.5 MMT in MY 2020/21 due to widespread inclement weather during a key period of the growing season. Domestic cherry production is estimated to continue increasing to 450,000 MT because of new bearings. China's imports of cherries are estimated to decrease as consumer interest weakens following the COVID-19 outbreak.

Production

Peaches and nectarines

China's peach/nectarine production is estimated at 14.5 million metric tons (MMT) in marketing year (MY) 2020/21 (January-December), down 3 percent from the previous year. A heavy snow in April affected most peach-growing provinces, including Shandong, Hebei, and Jiangsu. The dramatic drop in temperature negatively impacted fruit setting for peaches and nectarines. In addition, some provinces, such as Shandong, also experienced hailstorms in spring, damaging some peach blossoms. Despite these challenges, fruit quality is expected to be fine, according to Shandong peach farmers. Generally, industry has described domestic peaches and nectarines as less flavorful over the past few years due to the increased application of fertilizer and pesticide. The COVID-19 outbreak impact on peach production seems to be limited.

Peach/nectarine acreage is estimated at 855,000 hectares in MY 2020/21, down slightly from the previous year. Peach and nectarine planted areas are expected to slowly decrease due to weakening market returns. Some peach farmers have begun switching to new varieties, such as the yellow-flesh peaches/nectarines currently favored by consumers. Currently, more than 200 locally bred varieties are planted in orchards across China and around 70 percent of the peach varieties are white-fleshed.

Local peach season runs from April through October (including greenhouse-cultivated peaches and nectarines), but more than 70 percent of peaches and nectarines come to market between June and August.

Cherries

China's cherry production is estimated at 450,000 MT in MY 2020/21 (April-March), an increase of 7 percent from the previous year, primarily because of new bearings. Although heavy snows in April also affected cherry development, the increase from the new plantings coming online has more than offset the losses due to weather. Fruit quality remains good in most cherry producing areas, as reported by local media. The COVID-19 outbreak impact on cherry production seems to be limited.

Cherry acreage is estimated at 153,000 hectares in MY 2020/21, an increase of 2 percent from the previous year. The planted cherry acreage continues to increase even though the pace has slowed from a few years ago. In addition to Shandong, Shaanxi, and Liaoning, the three largest cherry producers, fruit farmers in other provinces, including Gansu, Henan, Hebei, Sichuan, Gansu, Guizhou, Yunnan, Xinjiang, Qinghai, and Inner Mongolia, have actively increased their cherry plantings.

Most new cherry plantings remain existing varieties such as Beauty Early (Bing), which is known for its big size, sweet taste, and firm flesh. Red Lantern (like Brooks) is still the No. 1 planted variety, but its share is decreasing. Other popular varieties include Samitou, Pioneer, Jiahong (Yellow), Lapin, and Russia 8.

While the majority of cherry farmers operate on small orchards, private companies that are optimistic about the cherry market have begun investing in cherry production, especially in greenhouse facilities. These companies aim for the high-end market and plan to build cherry farms, in greenhouse or on field, in different locations across China so cherries can supply the domestic market for an extended period. Currently, cherry season (including greenhouse cherries) begins in early March and ends in late July.

Prices

Peaches and nectarines

Although supplies are forecast to decrease in MY 2020/21, peach/nectarine prices have dropped following weak demand as a result of the COVID-19 epidemic. Under normal circumstances, farmers would wait for fruit dealers to purchase their peaches in the orchards. But this year, fewer dealers have come to buy fruit. As a result, peach and nectarine prices (for early maturing or greenhouse varieties) in mid-June were quoted more than 30 percent lower than a year ago, according to peach farmers in Shandong. The average farm gate price for nectarines, for example, was quoted at RMB 4 (US\$0.58) per kilo in the Mengyin region of Shandong. Many fruit farmers had to drive out to neighboring cities to sell their peaches. In addition, local governments and officials have stepped up the effort to help farmers sell their agricultural products online through live broadcast on the internet.

Cherries

The farm gate prices of Red Lantern (Brooks) in the Tai'an region of Shandong were quoted at RMB 40-48 (US\$5.8-6.9) per kilo when field cherries began supplying the market in the beginning of May. These prices were comparable to last season's prices. However, cherry prices quickly dropped to around RMB 20 (US\$2.93) per kilo when the large volume of cherries were harvested in late May.

Consumption

Peaches and nectarines

Peach/nectarine consumption continues to grow, albeit slowly, due to abundant fruit supplies and a general interest in more healthy eating. Increasingly, Chinese consumers look for high quality, diverse fruit products. In addition, Chinese consumers are willing to pay a premium for fruit that is marketed as "more safe." For peaches and nectarines, Chinese consumers favor varieties with large size, bright color, high brix, and firm flesh.

In the short term, the COVID-19 outbreak has slowed fresh fruit consumption, including peaches and nectarines. The virus has affected China's national economy, causing many Chinese consumers to scale back on non-essential grocery purchases, including fruit.

Disruptions to the supply chain caused by COVID-19 have also negatively impacted fresh fruit consumption across China. For example, Beijing Xinfadi Wholesale Market, the largest wholesale market for agricultural products in Asia, has been closed for business since mid-June due to a suspected

COVID-19 outbreak in the market. (For more information on the impact of this detection, please see the Trade Section.) As a result, large quantities of fruit, including peaches from neighboring provinces, could not be transported to the country's capital, home to a population of more than 20 million people. To boost consumption and ensure people's income, the Chinese government has relaxed restrictions on street hawkers. More fruit has been sold on street at a lower price and an increased portion of fresh fruit, including stone fruit, is sold online.

Cherries

Cherry consumption has experienced strong growth in recent years. The per capita consumption of cherries is still low compared with other stone fruit, such as peaches and nectarines, so there is great potential for cherry consumption to grow, especially among the middle class. However, consumers demand for cherries slowed due to COVID-19. The Chinese economy declined by 6.8 percent in the first quarter of 2020, the worst quarterly performance since 1992. Due to its relatively high price, cherry consumption is expected to be slower through the rest of 2020 and into 2021.

Trade

Imports

The COVID-19 epidemic severely impacted the demand for imported fruit. The two primary factors are the general economic downturn in China and the prejudicial treatment of imported fruit. As mentioned above, COVID-19 has caused China's economy to slow, resulting in an overall shift away from non-essential spending. In the traditional Chinese diet, grains and meat are seen as more essential than fruits. For imported fruits, which are generally priced higher than domestic produce, this slowing has been even more severe. This slowdown in demand for imported products is reflected in the prices. The wholesale prices of imported fruit have fallen sharply since the beginning of this year, especially for major fruit such as citrus, apples, and grapes. The cherry import prices also dropped. The average c&f price for Californian cherries, for example, were quoted at US\$10,337 per MT in May 2020, down 15 percent from the previous year, according to China customs statistics.

Second, on June 13, 2020 China reported an outbreak of COVID-19 at Xinfadi Wholesale Market in the capital city of Beijing. The Chinese news media focused on reports that imported food products were at the center of the Chinese government investigation of the outbreak. Despite the lack of scientific evidence linking imported food products to the most recent outbreak, Chinese regulators began testing for COVID-19 at ports, wholesale markets, and even restaurants. These increased inspections slowed the clearance of many fresh fruits, negatively impacting the shelf life of imported fruit, especially cherries. This has also negatively impacted Chinese consumer perceptions of imported foods and, coupled with the added import requirements, have resulted in slowing demand for imported products.

Peaches and nectarines

Due to the timing of the South American shipping season, peach and nectarine imports for the year have actually increased, despite COVID-19 disruptions. The reason for this increase is two-fold. First, the current total volume of imported peaches and nectarines is low to begin with, resulting in relatively large increases (by percentage) year to year. Second, almost 90 percent of the annual trade is completed in the first three months of the year. This year, imports were very strong in the first three months, so even though COVID-19 is impacting shipments from Northern Hemisphere suppliers, the strong imports from the Southern Hemisphere (Chile and Australia) will result in a forecasted 40-percent net increase for the year, or 38,000 MT.

The United States gained access for its nectarines to enter the China market in March 2020.

Cherries

Cherry imports are likely to decrease to 200,000 MT in MY 2020/21 (April-March), down 13 percent from the revised number of 230,000 MT in MY 2019/20. The strong demand for imported cherries is likely to cool down as consumers become cautious with fruit spending amid uncertainties over COVID-19.

Most cherry shipments arrive between December and February from the Southern Hemisphere and Chile has been the single largest supplier, benefiting from a bilateral Free Trade Agreement. The United States remains the top cherry supplier from the Northern Hemisphere. Although the two countries have signed an Economic and Trade Agreement and the Chinese government has kicked off a tariff exclusion process on U.S. products, cherry imports from the United States may encounter COVID-19 related obstacles alongside

Export

China's peach and nectarine exports are forecast at 80,000 MT in MY 2020/21, down more than 30 percent from the previous year. Russia, the third largest buyer of Chinese peaches and nectarines in 2019, has not lifted an import ban on Chinese fruit, including stone fruit, since August 2019. China's peach and nectarine exports to other major buyers, including Vietnam and Kazakhstan, may also drop following the outbreak of COVID-19 throughout the world.

Policy

China's State Council Tariff Commission (SCCTC) announced it would impose additional tariffs of 10 percent on certain U.S. products on September 1, 2019. On February 14, 2020, SCCTC announced it would reduce this planned tariff to 5 percent (see GAIN report [CH2020-0016](#)). In sum, the tariff for U.S. stone fruit totaled 55 percent as of February 14, 2020. Meanwhile, SCCTC implemented a tariff exclusion process on March 2, 2020 to allow importers to apply for relief from some of the additional retaliatory tariffs China is assessing on U.S. products (see GAIN report [CH2020-0017](#)). Chinese importers

have reported a high rate of approval for tariff exclusion applications, including cherries. With a tariff exclusion, U.S. stone fruit can be imported at a tariff of 25 percent (see table below).

Import Tariff and VAT on Stone fruit with Major Trading Partners in 2020

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	Nectarines-25 (as of March 2) Peaches-No market access	25 (as of March 2)	9
Canada	No market access	10	9
Argentina	No market access	10	9
Spain	Peaches-10 Nectarines-No market access	No market access	9
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

New Market Access

On March 4, 2020, the General Administration of Customs of China (GACC) published the quarantine requirements for imported U.S. nectarines, allowing imports of nectarines from five counties (Fresno, Tulare, Kern, Kings and Madera) in California.¹ On April 26, GACC published a list of approved U.S. packing houses, officially opening the Chinese market to U.S.-origin nectarines.

Marketing

Peaches

Local governments and farm cooperatives in major peach producing regions continue to organize marketing activities to help peach growers/brokers sell their products. Local peach varieties are registered and branded under the name of the producing region. Main outlets for marketing local peach products are at peach blossom festivals where growers and brokers invite clients, such as retailers, institutional buyers, and wholesalers, to visit orchards and make future orders. Both online and offline retailers are making direct purchases from peach orchards, especially those with a premium variety. Promoting peaches based on their geographic region is also popular. Wuxi in Jiangsu Province and Longquan in Sichuan Province are widely known for their peach varieties.

Cherries

Imported cherries are widely available both online and offline. U.S. cherries are sold on most retail markets in China. The share of cherry sales through online platforms is increasing every year. For e-commerce sales, fruit is stored in local cold chain warehouses and can usually be delivered within one or two days, and in some cases, within hours. In addition, e-commerce websites also provide an educational platform where consumers can learn about the benefits of imported fruit and how the fruit is grown and harvested. Nevertheless, cold chain logistics remain a challenge for high-value fresh fruit imports, especially U.S. cherries and appropriate cold chain management is still not guaranteed.

Imported U.S. cherries face growing competition from China's domestic cherries from May through the whole summer. As previously noted, domestic production is increasing and more varieties are competing directly with imported fruits. Given the wide geographical distribution of China's cherry crop, the domestic growing season in China overlaps with both California and Northwestern cherry seasons. While the quality of local fruit is improving, post-harvest management still lags behind the major cherry exporting countries.

Cherry imports from outside the United States are also growing. Canadian cherries have had access since 2014 and are marketed at prices comparable to U.S. cherries. Turkey and Uzbekistan gained market access in 2016 and 2017, respectively, but import volumes are still low due to high shipping costs. In addition, Tajikistan and Kyrgyzstan have market access and enjoy lower tariff policies from

¹ California accounts for approximately 95 percent of all nectarines grown in the United States.

China's "One Belt, One Road" campaign, but ship limited volume to China. According to industry feedback, cherry exports from the Central Asian countries require extensive fumigation, which affects the quality of the fruit. The quality is mediocre with light color, softer texture, and rather tart taste. Wholesale prices were reasonable with average movement.

Merchandising visits to wholesale markets are beneficial to receive first-hand feedback from customers. Traditional in-store promotions, tastings, and point-of-sale displays have proven to be effective in increasing product awareness among Chinese consumers and have increased sales during promotional events in the past.

This year, given the impact of COVID-19, more promotional activities have shifted to online forums, including livestreaming. Online retail platforms are also very helpful in educating consumers about cherries, showing how cherries are grown, harvested, and distributed. Online training seminars for traders and retail managers on product handling and tips to increase profitability have also been reported as successful in building support for imported product. Packaging can also stimulate sales, especially during holiday seasons. Chinese consumers tend to buy visually attractive, well-packaged products as gifts for important contacts or relatives.

Production, Supply, and Demand (PS&D) Table

Peaches and nectarines

Peaches & Nectarines, Fresh	2018/2019		2019/2020		2020/2021	
Market Begin Year	Jan 2018		Jan 2019		Jan 2020	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	850000	850000	860000	860000	0	855000
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	13500000	13500000	15000000	15000000	0	14500000
Non-Comm. Production	0	0	0	0	0	0
Production	13500000	13500000	15000000	15000000	0	14500000
Imports	21700	21700	28000	27000	0	38000
Total Supply	13521700	13521700	15028000	15027000	0	14538000
Fresh Dom. Consumption	11258300	11258300	12528000	12506000	0	12458000
Exports	63400	63400	100000	121000	0	80000
For Processing	2200000	2200000	2400000	2400000	0	2000000
Withdrawal from Market	0	0	0	0	0	0
Total Distribution	13521700	13521700	15028000	15027000	0	14538000

Unit: hectare, metric ton

Cherries

Cherries (Sweet & Sour), Fresh	2018/2019		2019/2020		2020/2021	
Market Begin Year	Apr 2018		Apr 2019		Apr 2020	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	140000	140000	150000	150000	0	153000
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	340000	340000	420000	420000	0	450000
Non-Comm. Production	0	0	0	0	0	0
Production	340000	340000	420000	420000	0	450000
Imports	180200	180200	195000	230000	0	200000
Total Supply	520200	520200	615000	650000	0	650000
Fresh Dom. Consumption	510170	510170	594980	629930	0	624950
Exports	30	30	20	70	0	50
For Processing	10000	10000	20000	20000	0	25000
Withdrawal from Market	0	0	0	0	0	0
Total Distribution	520200	520200	615000	650000	0	650000

Unit: hectare, metric ton

Attachments:

No Attachments