

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **China - Peoples Republic of**

### **Stone Fruit Annual**

#### **Annual**

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**Report Highlights:**

Post estimates that China's MY 2014/15 peach and nectarine production is forecast at 13 million tons, an 18 percent rebound from last year's losses, based on favorable weather conditions. Increased supply is expected to expand MY 2014/15 peach exports by 34 percent to 50,000 tons. China's MY 2014/15 cherry production is forecast at 220,000 tons, a 20 percent increase year over year, due to improved growing conditions and increased bearings in major producing areas. Post estimates that MY 2014/15 cherry imports will surge by 30 percent because of continued demand for quality fruit. With massive media exposure from promotions, along with the wide spread of social networking, more consumers have become aware of U.S. cherries.

**Commodities:**

Fresh Peaches & Nectarines

Fresh Cherries, (Sweet&Sour)

**Production***Peaches/nectarines*

Given favorable weather conditions in major producing areas, China's MY 2014/15 peach and nectarine production (January-December) is forecast at 13 million tons, an 18 percent increase from last year's losses. The harvest season for local peaches/nectarines is normally between June and September; however, with this year's warmer-than-usual summer temperatures, early mature varieties are expected in late May.

Post estimates that China's MY 2014/15 peach/nectarine acreage is forecast at 768,000 hectares, a one percent increase from MY 2013/14. Acreage continues to increase in producing areas surrounding large cities like Shanghai where consumption remains strong. To expand planting areas in Fuyang of Zhejiang province, some farmers replaced their bamboos with peach plantations and planted peach seedlings on deserted hills. In China, a small portion of peaches/nectarines are grown in greenhouses to prolong the supply season.

China's peach growers are using less fertilizer, bagging their own fruits, and producing yields of 15 to 30 tons per hectare. Peaches/nectarines are planted in most provinces. Please see the Provincial Production Table on page 7 for more information. Varieties have been developed to accommodate diversified taste preferences in different localities.

*Cherries*

China's MY 2014/15 cherry production is forecast at 220,000 tons, a 20 percent increase from the previous marketing year, due to improved growing conditions and new bearings in major producing areas. Similar to peaches, this year's cherry harvest season began early due to higher- than-normal summer temperatures. Under general circumstances, the harvest season for field cherries is from the middle of May to late June, and greenhouse cherries is early March.

Post estimates that China's MY 2014/15 cherry acreage at 75,000 hectares, up four percent from the revised MY 2013/14 estimate of 72,000 hectares, driven by ongoing consumer demand and high market returns. Cherry plantation expanded in Shandong and Liaoning, China's top two cherry producing provinces, in addition to inland provinces including Shaanxi, Gansu, Shanxi, Henan, and even Yunnan.

Most cherry varieties grown in China were introduced from other countries, and Brooks (called Red Lantern in China) remains the dominant variety. Other major varieties include Bing, Sweetheart, Rainier, and Lapins. Local scientists in Yantai of Shandong are developing late mature varieties so that cherry supply season can be extended (see Policy).

**Prices**

Peach prices vary dramatically depending on region and variety. Production costs near major cities can be at least 20 percent higher than producing regions. Fuyang, a major production area near Hangzhou, Zhejiang's capital city, reports its current production cost at \$9,677 per hectare with labor cost at \$32 per day. MY 2013/14 farm gate price for late mature varieties was quoted at \$1.2 per kilo. Fuyang growers noted that this price is expected to drop by 30-50 percent due to MY 2014/15's bumper harvest.

Cherry prices vary throughout the seasons. Greenhouse cherry prices in March were as high as \$32 per kilo; however, when the abundant supply of field cherries became available in mid-late May, prices drop drastically to below \$4 per kilo. Similar to peaches, MY 2014/15 record production is expected to further pressure prices.

## **Consumption**

Stone fruit consumption remains strong. As local cherry production increases and market prices fall, more consumers are able to afford the product, which used to be considered high-end. The lack of post-harvest cooling treatment and cold chain distribution limits cherries from reaching interior cities. Unlike peaches, which are grown in most provinces in China, cherries are mainly produced in northern China, especially in Yantai and Dalian areas. Many farmers choose to grow pre-mature cherries in order for them to last longer. It is reported that China's first pre-cooling facility has been put into operation in Yantai this year. Trading companies note that more investments in post-harvest treatment and sorting facilities will likely increase the availability of fresh cherries in western and southern regions.

E-commerce is developing additional interest in food products, including fresh produce. Although cherries are a high-value and perishable fruit with short shelf-life, online sales prove to be effective by lessening the delivery time. E-commerce is likely to play an important role in marketing both imported and domestic cherries in the near future.

## **Trade**

### *Import*

U.S. peaches/nectarines have no market access to China.

Post estimates that China's MY 2014/15 cherry imports will increase by more than 30 percent to 50,000 tons. With strong import demand, rapid development of e-commerce and enhanced marketing efforts will continue by suppliers and importers. A major online promotion for U.S. cherries sold approximately one percent of total cherry imports in MY 2013/14. Trade sources indicate that the sales volume of U.S. origin cherries through e-commerce is expected to increase by five folds in MY 2014/15. Chilean growers increased investment in cherry production, including the construction of rain shields and adoption of sophisticated sorting facilities, to better serve the Chinese consumers. Chile is China's largest supplier of fresh cherries, with nearly 70 percent of its exports ending in China and Hong Kong.

### *Export*

China's MY 2014/15 peach/nectarine exports are forecast at 50,000 tons, up 34 percent from the previous year, as a result of bumper harvest. Peach exports are expected to rebound from the MY 2103/14 record low export levels, when there were fewer export supplies due to limited production. China's main export markets are Russia, Kazakhstan, Hong Kong and Vietnam. With rising demand outpacing local production, China does not export its cherry supplies.

## **Policy**

Public-funded research institutes and universities play a significant role in agricultural technology extension. A peach research institute was established in Yangshan of Wuxi (Jiangsu province), a leading peach producer, to work with the Academy of Agricultural Sciences and local grower association on breeding new varieties and developing production standards. This partnership is aimed at maintaining the competitive edge of Yangshan peaches. Similarly, Yantai Academy of Agricultural Sciences is also developing late mature cherry varieties to extend the Yantai supply season and introduce new varieties with a sour taste for processing purposes.

Crop insurance is heavily subsidized by the government and currently covers mainly grain, cotton, and livestock production in China. In several regions, like Beijing, the scope of crop insurance has been extended to cherry production. The government subsidizes 90 percent of the premium, leaving the remaining 10 percent to be paid by the grower. Sources note, however, that insurance companies and farmers are hesitant. Insurance companies consider agriculture production as high risk, and farmers are concerned about insufficient compensation.

## **Marketing**

### *Peaches*

Local governments and farm cooperatives in major peach producing regions are organizing marketing activities to help peach growers/brokers sell their products. Some local peach varieties are registered and branded with the producing region's name. Peach blossom festivals, held every year, offer good social network platforms for growers and brokers to invite clients, such as retailers, institutional buyers, and wholesalers, to visit orchards and make future orders.

### *Cherries*

Shanghai is the dominant port for direct cherry imports from the United States. Guangzhou is the major port in South China, and Beijing and Dalian serve as the lead ports in North China. Direct U.S. cherry shipments to Shanghai and Guangzhou have increased rapidly since 2010. In 2014, Chongqing, a municipality of 20 million in Midwest China, became a receiving port for imported fruit. This port will be beneficial for the air shipment of cherries to enter the Midwest China market.

Importers indicate that fresh cherries from U.S. packinghouses are shipped by air to wholesale markets in Shanghai within two working days. The quick transportation time guarantees superior quality of fresh cherries, which is key for major upscale supermarkets and hypermarkets (in Beijing, Shanghai and Guangzhou) that offer fresh U.S. cherries during the supply season.

U.S. cherries are sold on most e-commerce multiple platforms in China. U.S. Agricultural Trade Office in Shanghai organized a Northwest cherry promotion on Tmall, a major B2C e-commerce platform, and sold 168 tons of cherries during MY 2012/13. In MY 2013/14, 80 tons of California cherries were sold on Tmall through another promotion. It is reported that 80 percent of cherry sales came from 2nd and 3rd tier cities.

The 2013/14 season witnessed a new landscaping of distribution and sales. China Eastern Airlines began to charter cargo flights for cherries. The first chartered flight departed Seattle on June 11. The majority of cherries are sold through popular online platforms, including [JD.com](http://JD.com), [Womai.com](http://Womai.com), and [Yihaodian.com](http://Yihaodian.com).

With massive media exposure from promotions, along with the wide spread of social networking, more consumers have become aware of U.S. cherries and are likely to purchase them when the season arrives.

### Competition

Imported U.S. cherries, especially California cherries, face domestic competition in North China. Competition derives mostly from increased production in key growing areas such as Shandong and Liaoning, where the harvest time overlaps with imports from California. Traders comment that the price factor is no longer a consideration when it comes to the rising affluent middle class. Consumers are looking for high quality products and are willing to pay the extra value.

### Consumer/trade education

Consumer education about U.S. cherry characteristics and health benefits remains critical to expanding distribution networks in China. Food safety is one of the main concerns that lead Chinese consumers to buy U.S. food products. Characteristics such as seasonal availability, cherry varieties, packaging, and proper storage and handling techniques have also been highlighted by key importers. Chinese buying missions visiting U.S. orchards and establishing relationships with U.S. exporters will also increase confidence in importing U.S. cherries. Success stories have been reported as a result of such trade missions.

The United States is viewed as the epitome of high quality fruit suppliers. Creating and enhancing the image of premium quality U.S. stone fruit is essential to boosting U.S. exports to China in the long run. As competition from local products grows, in-store promotions, tastings, and display of point-of-purchase materials have proven to be effective in increasing product awareness among Chinese consumers and have doubled and sometimes tripled sales during promotional events.

Training seminars targeting traders and retail managers on product handling and tips to increase profitability can also help build trade confidence. Reaching targeted consumers through media exposure can also play an important role in raising consumer awareness about the premium quality of U.S. cherries. Weibo, a Chinese version of Twitter, is effective in engaging consumers and receiving consumer feedback. The unique growing conditions, health benefits, and high food safety standards make U.S. stone fruit appealing to China's affluent middle class. These benefits can all be promoted through Weibo accounts that are maintained and managed by U.S. stone fruit producers and distributors, further facilitating sales in China.

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.

### Opportunities and challenges

Emerging city markets, such as Hangzhou, Nanjing, Ningbo, Wenzhou, Fuzhou, Dongguan, Qingdao, and Chengdu, are great potential markets for U.S. stone fruits. Growing populations have had limited exposure to imported food products, compared to high-end luxury products. Once distribution channels are developed and consumer education is in place, a new wave of demand is expected to form for U.S. stone fruit.

E-commerce has become a popular retail channel among young consumers ages 25-45 in first and second tier cities. TV shopping is also attracting a wider demographic. The advantage of these channels is that the fruit is stored in cold chain facilities and delivered to consumers in one or two days after receipt of the buying order. Likewise, online shopping websites and TV shopping channels provide a good platform to educate consumers about the benefits of imported fruits and how the fruit is produced and harvested.

Cold chain in China remains a challenge for U.S. cherry exports. Although most fruit wholesale markets and retailers are equipped with cold storage facilities, proper cold chain management is not guaranteed. Cold chain distribution is limited in 3rd tier cities and the cost of cold chain delivery is still relatively high.

Table on 2009-2012 China Peach Acreage and Production by Province

China Peach Production (1000 Ha and MT) by Province 2009-2012								
Province	2009		2010		2011		2012	
	1000 ha	MT	1000 ha	MT	1000 ha	MT	1000 ha	MT
Shandong	95.2	2,442,602	101.2	2,435,588	96.4	2,401,492	100.2	2,384,381
Hebei	89.0	1,444,854	85.8	1,462,150	82.6	1,526,760	82.0	1,573,161
Henan	70.3	938,641	73.9	1,017,447	75.5	1,085,727	76.3	1,106,148
Hubei	46.9	566,623	49.1	607,487	56.6	690,156	53.9	674,194
Shaanxi	31.4	485,471	31.2	593,502	30.4	567,449	30.9	640,733
Liaoning	26.7	506,750	25.1	537,209	23.9	568,329	22.2	610,483
Jiangsu	33.1	437,898	35.6	457,010	37.5	500,892	37.8	555,686
Shanxi	13.5	260,852	16.1	321,002	17.6	441,367	18.8	512,283
Anhui	23.1	380,300	24.1	430,134	27.0	424,137	30.5	478,189
Sichuan	43.8	410,342	45.1	416,361	47.0	449,343	47.2	450,770
Zhejiang	26.3	365,679	26.2	355,911	25.9	383,242	26.2	389,383
Beijing	21.7	408,517	20.9	386,227	20.4	404,280	20.0	373,295
Fujian	26.8	229,173	26.3	222,371	25.8	236,575	26.1	246,334
Yunnan	24.6	173,082	24.2	170,732	25.7	193,759	29.0	219,003
Guangxi	18.4	155,297	19.7	168,003	21.3	190,028	24.1	212,557
Gansu	12.9	161,822	12.7	155,895	12.4	183,199	12.3	196,904
Hunan	25.9	112,055	27.5	131,342	30.1	124,446	28.9	127,495
Xinjiang	12.8	96,306	14.6	104,713	12.9	109,212	12.7	125,073
Guizhou	19.5	84,796	19.8	85,549	22.0	100,495	25.9	122,046
Chongqing	10.8	78,000	10.4	80,660	10.3	87,466	11.1	101,532
Shanghai	6.7	95,098	6.6	101,418	5.9	92,284	5.9	95,529
Guangdong	6.6	78,011	6.8	80,899	6.7	85,022	6.9	87,183
Tianjin	3.9	61,544	4.1	60,025	3.8	57,828	5.1	58,060
Jiangxi	10.8	45,745	10.0	48,270	N/A	49,944	9.7	52,674
Ningxia	2.4	18,239	2.1	22,625	1.8	26,203	2.0	30,363
Tibet	N/A	1,250	0.3	1,364	0.2	1,119	0.1	2,636
Jilin	0.4	720	0.2	1,773	0.3	1,295	0.2	1,043
Qinghai	N/A	533	N/A	352	N/A	979	N/A	809
Total	703.3	10,040,200	719.4	10,456,018	720.3	10,983,028	745.9	11,430,347

Source: China Agricultural Statistical Report

## Production, Supply and Demand (PS&D) Tables

Fresh Peaches & Nectarines China	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	730,000	745,900	718,000	760,000		768,000
Area Harvested	0	0	0	0		0
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0			0
Total Trees	0	0	0	0		0
Commercial Production	12,000,000	11,430,000	11,500,000	11,000,000		13,000,000
Non-Comm. Production	0	0	0	0		0
Production	12,000,000	11,430,000	11,500,000	11,000,000		13,000,000
Imports	0	0	0	0	0	0
Total Supply	12,000,000	11,430,000	11,500,000	11,000,000		13,000,000
Fresh Dom. Consumption	10,270,000	9,733,430	9,800,000	9,282,693		10,950,000
Exports	50,000	46,570	50,000	37,307		50,000
For Processing	1,680,000	1,650,000	1,650,000	1,680,000		2,000,000
Withdrawal From Market	0	0		0		0
Total Distribution	12,000,000	11,430,000	11,500,000	11,000,000		13,000,000

Fresh Cherries,(Sweet&Sour)	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	65,000	68,000	68,000	72,000		75,000
Area Harvested	0			0		0
Bearing Trees	0			0		0
Non-Bearing Trees	0			0		0
Total Trees	0	0		0		0
Commercial Production	170,000	170,000	180,000	180,000		220,000
Non-Comm. Production	0	0	0	0		0
Production	170,000	170,000	180,000	180,000		220,000
Imports	40,000	41,589	50,000	37,519		50,000
Total Supply	210,000	211,589	230,000	217,519		270,000
Fresh Dom. Consumption	208,000	209,589	224,800	213,519		262,000
Exports	0	0	0	0		0
For Processing	2,000	2,000	5,000	4,000		8,000
Withdrawal From Market	0	0	0	0		0
Total Distribution	210,000	211,589	230,000	217,519		270,000