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Strawberries

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Report Highlights:

China's fresh strawberry production is forecast at 1.8 MMT in MY 09/10, a 20-percent increase from MY 08/09, as a result of rapid acreage expansion in major producing provinces. Japanese varieties dominate the fresh market, while U.S. and European varieties are generally used for processing. China's frozen strawberry production is forecast at 150,000 MT in MY 09/10, a five-percent increase over the revised MY 08/09 figure of 143,000 MT, to account for expanding acreage. In MY 09/10, China's frozen strawberry exports are forecast at 110,000 MT, and imports are expected to remain stable at 11,500 MT. Chile, Morocco, Argentina, and Egypt are the major suppliers of frozen strawberries to China.

General Information:

China's fresh strawberry production is forecast at 1.8 million metric tons (MMT) in marketing year (MY) 09/10 (January – December 2010), a 20-percent increase over MY 08/09, as a result of rapid acreage expansion in the major producing provinces following good returns over the last three years. China's strawberry acreage is estimated at 120,000 hectares (HA) in MY 09/10, representing a 15-percent increase from 2008. Japanese varieties planted in green houses or plastic sheds are generally for fresh consumption, while U.S. and European varieties are most often planted in open fields and used for processing purposes. China's frozen strawberry production is forecast at 150,000 MT in MY 09/10, a five-percent increase over the revised MY 08/09 figure of 143,000 MT, in response to the expanding acreage.

China's frozen strawberry (H.S. code 081110) exports are forecast at 110,000 MT in MY 09/10, a slight decrease from the estimated 115,000 MT in MY 08/09. The European Union and Japan are the major export markets for China's frozen strawberries. China exports a very small amount of fresh strawberries to its neighboring countries and does not allow imports of fresh strawberries. China's frozen strawberry imports are expected to remain stable at 11,500 MT in MY 09/10, the same as in MY 08/09. Chile, Morocco, Argentina, and Egypt are the major suppliers.

Production:

Fresh strawberry production is forecast to increase 20 percent in MY09/10

China's fresh strawberry production is forecast at 1.8 MMT in MY 09/10, a 20-percent increase from the estimated 1.5 MMT in MY 08/09, thanks to the rapid acreage expanding in Liaoning, Shandong, Hebei and Sichuan provinces. Industry sources revealed that returns from strawberry planting have been very competitive in the past three years, which has encouraged strawberry acreage expansion in these major producing provinces.

Acreage is expanding in response to good returns

China's strawberry acreage is estimated at 120,000 HA in 2009, representing a 15-percent increase from 2008. Strawberries are planted in most of China's provinces, with Hebei (Mancheng), Shandong (Yantai and Weifang), Liaoning (Donggang), Anhui (Changfeng), and Jiangsu (Donghai) being the major producing provinces, accounting for over 60 percent of China's total strawberry acreage. Strawberries for fresh consumption are grown in either greenhouses or plastic sheds, and combined account for over 80 percent of total strawberry acreage. Industry sources revealed that in north China, especially Shandong and Liaoning provinces, green houses are dominant. Greenhouse strawberries are planted in September and harvested in late December. While in south China, such as Anhui, Jiangsu, Zhejiang, and Sichuan provinces, plastic sheds are dominant, and are planted in October and harvested in late November.

Prices of processing strawberries fluctuated significantly

In China, more than 95 percent of processing strawberries are produced in open fields, at much lower cost than strawberries for fresh consumption. Industry information indicated that the prices of processing strawberries fluctuated significantly in recent years, as low as \$0.04/lb, mainly dictated by the international price of frozen strawberries. Local media reported that in mid-May, 2009, fresh strawberries were priced at \$0.03/lb in Weifang, Shandong Province, one of China's major strawberry producers. During the same period in 2008, prices were \$0.3/lb. Industry attributed these extremely low prices to shrinking demand from frozen strawberry processing, as a result of declining exports. Industry sources voiced concerns that this abnormal fluctuation of price might discourage China's processing strawberry production.

Japanese varieties are popular in the fresh market



Japanese varieties such as Toynoka, Benihoppe (see photo at right), Akihime, and Tochiotome dominate the fresh consumption market. Chinese consumers prefer the succulent aroma and sweet taste of these varieties, and they have been very popular in China's fresh market for many years. However, Japanese varieties are lower in both yield and disease resistance capacity than U.S. and European varieties. For processing strawberries, U.S. and European varieties are dominant, such as Senga Sengana, Honeoye, All Star, American 13, and Totem. The acidity and firmness of these varieties make them suitable for processing. In addition, their yields are higher than Japanese varieties, and easier to manage. In most cases, U.S. and European varieties are planted in open fields for the processing industry. Therefore, processing strawberry farmers can not turn to the fresh consumption market when the international market for frozen strawberries is not good, because they have produced a different variety.

High planting density due to low-quality nurseries



At 150,000 plants per hectare, planting density is much higher in China than either in the United States (60,000-75,000 plants/ha) or in Japan (90,000 plants/ha). Industry sources reveal that China's higher planting density is a result of lower-quality nurseries. In most cases, Chinese farmers buy baby plants, cultivate them into seedlings, and then transplant to greenhouses, plastic sheds, or outdoor fields. Very few farmers will buy commercial seedlings, because of prohibitively high prices. Post's market intelligence revealed that the virus-free seedlings are priced at \$100/1000plants, while farmer's self-cultivated seedlings are about \$11/1000 plants. In fact, high-quality and virus-free seedlings (see photo) can be harvested for three years in open fields.

Shandong Province is the major producer of frozen strawberries in China



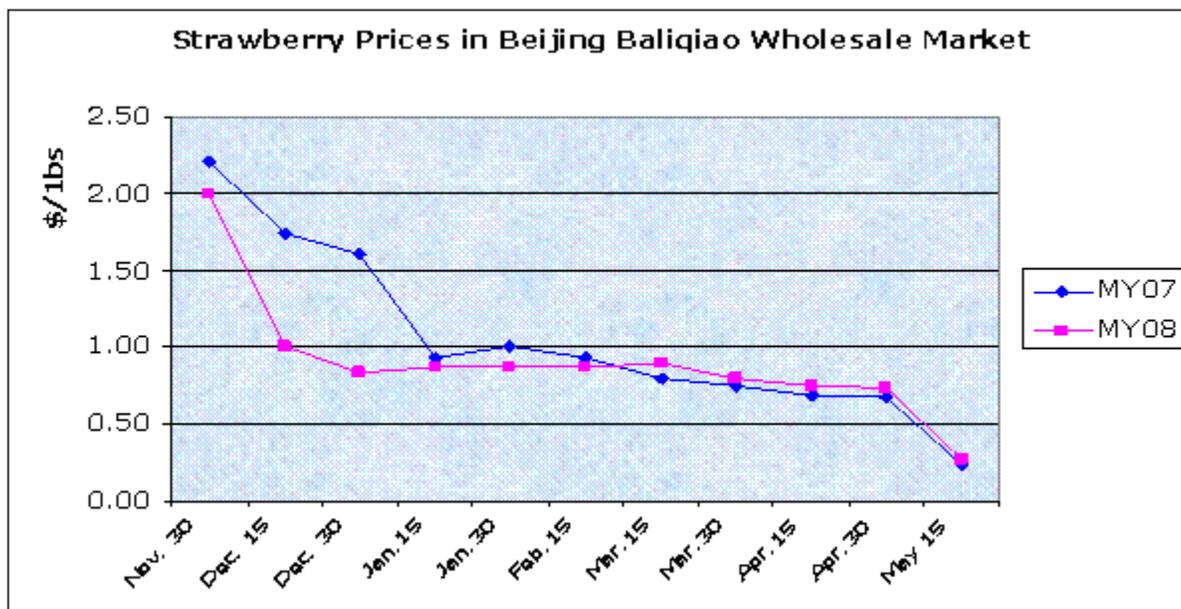
China's frozen strawberry production is forecast at 150,000 MT in MY 09/10, a five-percent increase over the revised MY 08/09 figure of 143,000 MT, to reflect the increase in planting area. Industry sources indicated that Shandong Province accounts for over 40 percent of China's total frozen strawberry production, mostly in the Yantai and Weifang areas. The processing period for frozen strawberries is usually 40-50 days. Processing in Shandong Province typically starts in mid-May, while in Liaoning Province, which accounts for 15 percent of China's frozen strawberries, processing does not begin until early June.

Consumption:



Strawberries are available on China's market from November to May, with the highest prices during November to January (see figure below). The price in November 2008-January 2009 was much lower than the same period of the previous year, in response to the 15-percent production increase. In China, about 85 percent of total strawberry production is consumed fresh, with the remaining 15 percent being delivered to processors. Inadequate cold chain still limits the distribution of this very perishable fruit.

Industry sources indicate distributors have made every effort to reduce distribution bottlenecks and transportation times to ensure strawberries are as fresh as possible upon delivery. Distribution typically begins with farmers packing fruits in the field, the packaging is usually a wooden salver (see photo at right [1]). Then the fruit is loaded onto trucks for delivery to wholesale markets, either locally or in neighboring cities. Air transportation is only used when strawberries are delivered to markets far away, such as from Sichuan Province to Beijing.



(Source: Ministry of Agriculture of China
 Note: MY in this chart is from November - May)

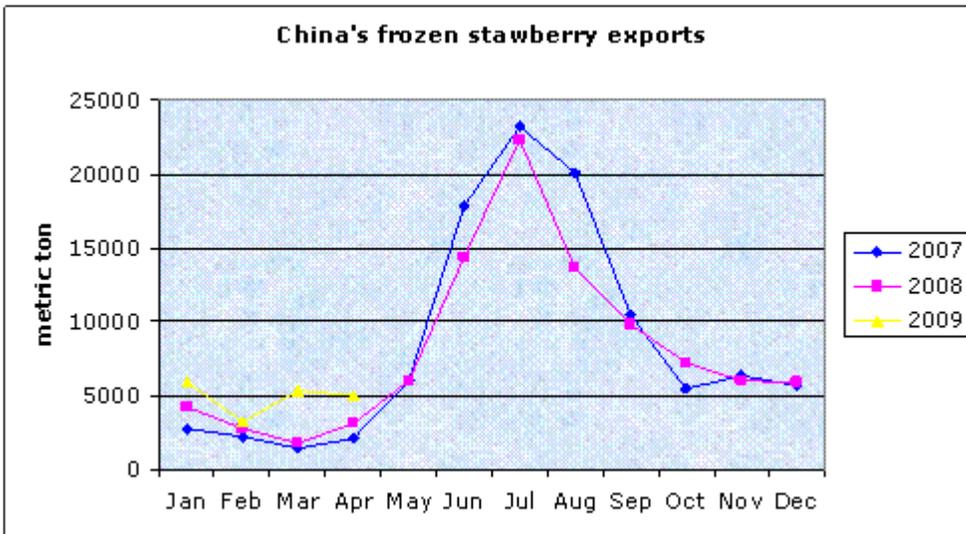
Frozen strawberries are further processed into jam, jelly, juice, or used as an ingredient for confectionary or dairy products like yoghurt. Domestic consumption of frozen strawberries is expected to increase steadily, because strawberries are becoming more popular in China as an ingredient, especially in foods targeting young consumers.

^[1] source: <http://www.bbker.com/D270315.html>

Trade:

China's frozen strawberry exports are expected to remain stable

China's frozen strawberry (H.S. code 081110) exports are forecast at 110,000 MT in MY 09/10, a slight decrease from the estimated 115,000 MT in MY 08/09. China's exports have remained relatively stable at around 100,000 MT in 2007 and 2008 since the European Union lifted its anti-dumping duty in April 2007. The peak season for frozen strawberry trade is from May to September, in tandem with the processing period.



(Source: World Trade Atlas)

The Netherlands is the largest market for China's frozen strawberries, accounting for 22 percent of China's total exports in 2008. The European Union as a whole accounted for 55 percent of total exports in 2008. Japan is the second largest market, accounting for 14 percent.

China exports only a very small amount of fresh strawberries (H.S. code 081010) to its neighboring countries because strawberries are perishable and costs of exporting such perishable fruit are extremely high. China exported 360 MT of fresh strawberries to Russia, Thailand, and Vietnam in 2008. Of that 360 MT, over 80 percent went to Russia. China's fresh strawberry exports have declined rapidly in recent years, from 2,423 MT in 2005 to 360 MT in 2008. The significant decline was mainly attributed to a decrease in exports to Hong Kong. Previously, Hong Kong was the largest market for China's fresh strawberries and accounted for over 80 percent of total exports in 2005. However, exports to Hong Kong in 2008 dropped to zero. Local traders indicated that China discouraged horticultural product exports in 2008, the year Beijing hosted the Olympics, to minimize negative media reports. Local traders were unwilling to take any risk to export fresh strawberries in 2008, and the small volume further discouraged exports.

China's frozen strawberry imports are expected to increase to 11,500 MT in MY 09/10, the same as the estimated 11,500 MT in MY 08/09. Market intelligence reveals that a majority of China's imported frozen strawberries are processed into freeze-dried (FD) strawberries for re-export. Local FD processors indicate that locally sourced frozen strawberries are not suitable for FD processing because they are easily broken.

Chile, Morocco, Argentina, and Egypt are the major suppliers of frozen strawberries to China, representing over 95 percent of China's total strawberry imports in 2008. The United States is not a major player in China's frozen strawberry market for price reasons, although U.S. frozen strawberries are easily recognized as the best quality.

China does not grant market access to any country for imports of fresh strawberries. A lower tariff has been applied to fresh strawberries (H.S. code 08101000) since January 1, 2009. The tariff was decreased to 15.5 percent from 16.9 percent in 2008. However, this has zero impact given the fact that China does not allow fresh strawberry imports at

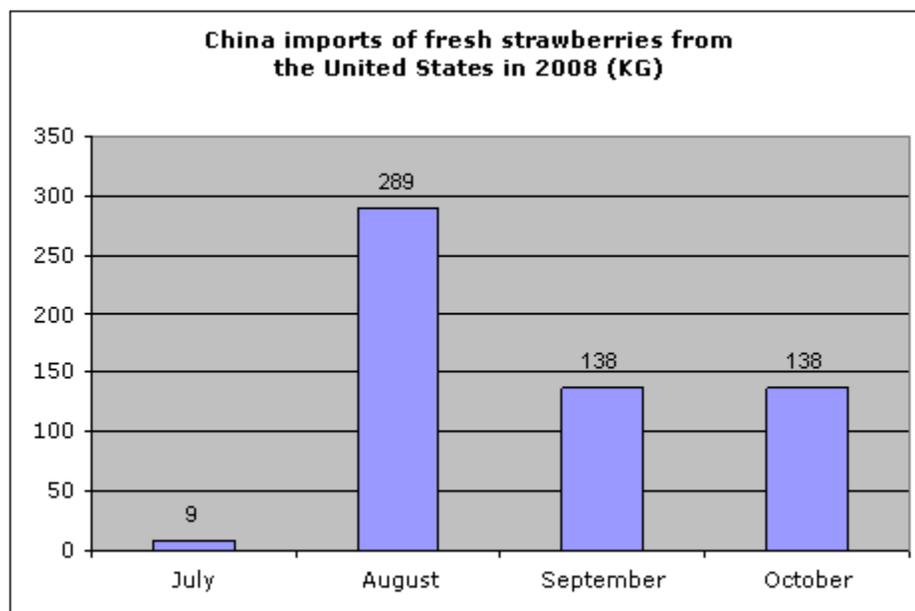
present.

Strawberries	H.S. Code	Imp. Duty (%)		VAT (%)	
		2008	2009	2008	2009
Fresh	8101000	16.9	15.5	13	13
Frozen	8111000	30	30	13	13

(Source: Import and Export Customs Bureau of China)

Marketing:

Chinese consumers have been increasing their consumption of fresh fruit as personal incomes have continued to rise over the last several years, particularly in urban areas. Fresh fruit consumption in China reached \$25.8 (RMB 175.45)/per person per year in 2007, up from \$17.6 (RMB 120), a 31.6 percent increase. Production of fresh strawberries runs from late October through the end of May and virtually all is consumed domestically. Consumers purchase fresh strawberries during the winter months, given few other fresh domestic fruit products are available. Strawberry consumption tends to slow when a larger variety of fresh fruit are available in the summer months. Consumers tend to prefer Japanese strawberry varieties, as opposed to European or American, as they are sweeter in taste. Frozen strawberry products are not very popular in China, although limited quantities have begun to appear in the HRI sector when fresh product is unavailable.

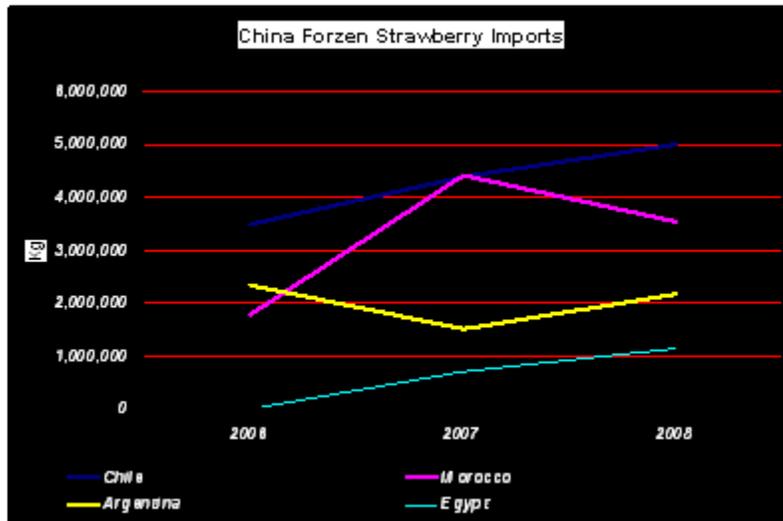


Fresh Strawberries

China's fresh strawberry production and consumption is somewhat regional in focus compared to the United States where approximately 50 percent of strawberry products are supplied from California. However, strawberries in China are mostly supplied to cities from adjacent large urban areas. For example, Liaoning Province supplies Shenyang and Dalian, Hebei Province supplies Beijing and Tianjin, and Zhejiang Province supplies Shanghai. Regional production is mostly driven by the short shelf life (which averages seven days), limited cold chain facilities, and high transportation costs associated with getting fresh berries to market.

China's fresh strawberry product prices usually peak in November and December, ranging from \$1.2 to \$2.5 per kg. This is because most products available during this time of year are from Sichuan, Zhejiang, and Xinjiang Provinces. Long transportation distances contribute to higher prices. Fresh strawberries are normally packaged in plastic containers and/or paper boxes.

Market access for U.S. strawberries remains closed, though China did allow the import of fresh strawberries for the 2008 Olympic Games July 1-Sep. 30, 2008. Chinese Customs data and information obtained from suppliers, indicates three fresh strawberry shipments took place weighing 574 kg in total. While the market is officially closed, fresh imported strawberries are available in the China market via gray channels through Hong Kong.



Frozen Strawberries

In 2008, China imported 31,309 kg of frozen strawberries from the United States, up 31.95 percent over the previous year. Impeded by high tariffs of 30 percent and selling prices five to seven times those of local products, frozen strawberries from the United States only enjoy a very small piece of the market. However, high quality and superior flavor characteristics attract multinational five-star hotel purchasers in Beijing and Shanghai during the fresh strawberry off-season.



Organic Products

As personal incomes have grown rapidly, many newly affluent consumers are willing to pay higher prices for fresh products perceived as healthy and high quality. In addition, the gift market accounts for a large share of this high-end market, since Chinese consumers gift gifts of fruit to enhance relationships. China has also developed some fresh organic strawberry production bases in the Shanghai suburbs, Chengdu, and Dandong at prices ranging from \$3 to \$4.5 per kg to satisfy local consumer tastes. While organic prices are much higher than regular product prices, organic products still have a solid market with some highly creativity promotional ideas. For Valentine's Day, retailers in Chengdu package fresh organic strawberries with roses in a fancy box labeled "Lover's Fruit." Although priced at \$1.6

(RMB 11) on average, the gift boxes reportedly sold very well. The organic strawberry production area in Dandong is one of the largest organic farming operations in China with IMO (EU), NOP (USA) and JAS (Japan) organic certifications. The farm exports 1,500 MT annually of organic frozen strawberries overseas with 40 percent of this total going to the United States. Poor economic conditions in the United States resulted in the cancellation of nearly half of the U.S. contract orders, while exports to European nations remain stable by comparison.

Production, Supply and Demand Data Statistics :

Table 1. Fresh strawberry PS&D

PSD Table						
Country	China, Peoples Republic of					
Commodity	Strawberries, fresh					(HA)(MT)
	2007	Revised	2008	Estimate	2009	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2008		01/2009		01/2010
Area planted	0	87,000	0	100,000	0	120,000
Area harvested	0	87,000	0	100,000	0	120,000
Production	0	1,300,000	0	1,500,000	0	1,800,000
Imports	0	0	0	0	0	0
Total supply	0	1,300,000	0	1,500,000	0	1,800,000
Exports, fresh	0	360	0	300	0	300
Fresh Dome. Consumption	0	1,104,640	0	1,274,700	0	1,529,700
For Processing	0	195,000	0	225,000	0	270,000
TOTAL distribution	0	1,300,000	0	1,500,000	0	1,800,000

Table 2. Frozen strawberry PS&D

PSD Table						
Country	China, Peoples Republic of					
Commodity	Strawberries, frozen					(MT)(MT, Net Weight)
	2007	Revised	2008	Estimate	2009	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2008		01/2009		01/2010
Deliv. To Processors	0	150,000	0	159,000	0	167,000
Beginning Stocks	0	0	0	0	0	0
Production	0	135,000	0	143,000	0	150,000
Imports	0	12,368	0	11,500	0	11,500
TOTAL SUPPLY	0	147,368	0	154,500	0	161,500
Exports	0	97,374	0	115,000	0	110,000
Domestic Consumption	0	49,994	0	49,500	0	51,500
Ending Stocks	0		0		0	

TOTAL DISTRIBUTION	0		0		0	
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