

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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**Date:** 2012-1-19

**GAIN Report Number:** CH11746

## **China - Peoples Republic of**

**Post:** Guangzhou

### **South China Fresh Fruit market updates**

**Report Categories:**

Market Development Reports

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**Report Highlights:**

**This report contains a series of highlights from market research visits conducted in the South China region. ATO Guangzhou presents these highlights to uncover and expose opportunities for U.S. agricultural exporters.**

## **General Information:**

### **South China plays an important role in promoting U.S. imported fresh fruits**

In the last two decades, South China has secured its dominant position as China's distribution hub and consumption capital for imported fruit. Total fresh fruit imports through South China ports account for 86 percent of the total imports to China. South China's proximity with Hong Kong helps enhance its role in promoting imported produce items including those entering through alternative channels. Shipments via Hong Kong still have a significant impact of the market, especially for imported cherries and apples. Though in recent years, direct shipments for these two commodities have been on the quick rise. In 2009, the United States exported \$255 million worth of fresh fruits to Hong Kong and China, up 18 percent from previous year. The United States became the largest citrus fruit exporter to China, followed by Thailand and South Africa; and in 2009 the States ranked No. 2 for exporting fresh grapes, cherries and apples to China, after Chile. A total of \$54.3 million worth of fresh fruits (deciduous, citrus and others) went through Mainland China ports, up 20 percent from the previous year.

### **U.S. fresh fruit sales in Shenzhen growing at a brisk pace, Mar 8**

ATO/GZ Director and staff met with senior directors of CR-Vanguard to discuss upcoming promotions on a wider range of products. We were pleasantly surprised to learn that sales for U.S. fresh fruit are at an all-time high and growing. According to the management team, demand for U.S. fresh fruit remains strong since the last promotion in September 2009. The promotion was launched simultaneously in 25 stores in South China. A total of 19 SKUs were displayed during the seven-day promotion period, which generated a total sale of \$147, 058. The manager welcomes further cooperation with ATO/GZ and specifically asked for U.S. fresh produce displays to stimulate sales. The national retailer continues plans to expand and currently has over 2,800 outlets in China.

**Demand for U.S. fresh fruit on the rise due to ATO/GZ marketing efforts, Apr 13** Subsequent to a series of marketing efforts in the past three years, U.S. fresh fruits now enjoy a favorable reputation in South China. Last year Post worked closely with different fruit cooperators and key retailers as well as fruit traders to launch in-store promotions and display contests as well as training seminars. Over 40 supermarket stores were involved in the program. Northwest Cherries, for example, has become a fancy healthy summer fruit for many households in China. In addition, South China has been the lead in both consumption and imports. In 2010, South China ports officially imported \$13 million apples (up 100 percent); \$66 million fresh grapes (up 66 percent); and \$73 million citrus (up 72 percent). This year, Post is busy discussing with new contacts in fruit industry to launch fruit promotion in the near future.

### **New airport chain to exclusively sell U.S. fresh fruit, Aug 30**

ATO Director and staff visited the new Guangzhou office of a Beijing based distributor of U.S. foods. The company and its partner company located in Qingdao currently distribute over 4,000 skus of U.S. grocery products with plans to expand into fresh fruit and Alaska seafood. The company claims to have strong connections in local and national government and is poised about opening their new chain of U.S. grocery and fresh fruit chain stores in China's airports. These retail outlets will exclusively sell U.S. fresh produce products. The company intends for each airport to have two stores: one outside and one inside of the security checkpoints so that customers will not need to worry about having freshly

purchased items confiscated. The first of these stores to open will be in Guangzhou's Baiyun Airport (the third busiest airport in China) and will occupy 200-300 square meters. Once opened, this chain will help enhance the image of U.S. produce in a culture where gift giving of high quality fruit is greatly valued. The company plans to have the store open and operational by the end of this year.

#### **CPI to increase imported fruit and vegetable sales, Jan 4**

In the past four months, the consumer price inflation trend in Guangdong grew proportional to China's average CPI-- with inflation spreading from food to non-food items. CPI in Guangdong province hit a two-year high of four percent year-on-year (y/y) in October, driven by an upsurge in food prices. In Guangdong, according to government sources, a particular reason for the non-food inflation is the convening of the Canton Fair in Guangzhou in October and the Asian Games, which were blamed by government official for driving up prices for travel and hospitality services. In reality, these two events exposed the massive under supply of five-star hotels, restaurants, and supermarkets in the Pearl River Delta region. Food prices have soared over nine percent an year-on-year led by a 31-percent surge in fresh vegetable prices, due to poor weather conditions, pent-up consumer demand, and rising raw materials costs in the food processing industry (mostly for vegetable oil). The precipitous growth in domestic food prices has reduced the price gap between imported food items and those domestically produced, thus, according to the trade, noticeably increasing the sale of imported fruit and vegetables. Post remains vigilant of food inflation issues in South China and is scrupulously monitoring this issue.

#### **Shanghai Fresh Fruit Traders Explores Opportunities in South China**

On January 26, ATO Director and staff attended a dinner with a Shanghai-based fresh fruit trader interested in expanding his import volume of U.S. cherries, California table grapes, and Washington apples. Like many fresh fruit traders throughout Mainland China, his company purchases most of their imported fresh fruit in Guangzhou's Jiangnan Fresh Fruit Wholesale market. This particular trader imports on average \$2-3 million worth of U.S. fresh fruit every year.