

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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China - Peoples Republic of

Stone Fruit Annual

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Report Highlights:

Post estimates China's MY 2015/16 peach and nectarine production at 13.6 MMT, up more than 4 percent from the previous year despite a colder spring in the north. Cherry production is forecast to increase to 250,000 MT in MY 2015/16, due primarily to an increase of new bearings. Cherry imports are expected to jump by more than 50 percent on strong demand to reach 100,000 MT, increasing its share of total consumption to almost one third.

Commodities:

Fresh Cherries,(Sweet&Sour)

Fresh Peaches & Nectarines

Production:*Peaches/nectarines*

China's peach and nectarine production is forecast at 13.6 million metric tons (MMT) in the 2015/16 marketing year (January-December), up more than 4 percent from the previous year. Low spring temperatures in northern China seem to have limited impact on peach production. Generally, different peach varieties become mature at different times between late May and early October, except for a small portion of greenhouse peaches/nectarines that begin to supply the market in April.

Peach/nectarine acreage is forecast at 800,000 hectares in MY 2015/16, up slightly from the previous year. Peach crop area continues to increase given positive market returns. Some farmers in Shandong and Hunan provinces have replaced pear or grape crops with peach trees because they are easier to manage and have higher yields. Peach yields range from 30 MT to 60 MT per hectare depending on variety and location.

Cherries

Cherry production is forecast at 250,000 MT in MY 2015/16 (January-December), up nearly 14 percent from the previous year because of new bearing trees in major producing provinces, including Shandong, Shaanxi, Sichuan, Gansu, Henan, and Hebei. The new bearing trees offset declines in Yantai, the largest cherry producing region in China, which experienced a colder than normal spring.

Although lower temperatures have led to fewer flowers, fruit sizes are generally bigger than the previous year and have a more favorable taste. Harvest usually begins in mid-May and ends in late June. Average cherry yields are 15 MT per hectare. Less than 5 percent of cherries are planted in greenhouses.

While Cherry acreage growth is constrained in Yantai and Dalian, the top two producing areas, due to limited available farmland, overall cherry crop area has expanded. Post estimates cherry acreage at 100,000 hectares, up 11 percent from the revised estimate of 90,000 hectares in MY 2014/15. Post revised MY2013/14 crop area to 80,000 hectares based on industry estimates. The expansion of cherry acreage takes place mainly in the provinces of Shaanxi, Gansu, Sichuan and Shanxi. More than 20 varieties are planted across China, but dominant variety is Red Lantern (similar to Brooks). Yantai farmers are gradually replacing the Red Lantern variety with varieties such as Early Beauty (or Bing) that have a bigger fruit size and sweeter taste. Other major varieties currently planted in China include Sweetheart, Rainier, Van, and Lapins.

Consumption:

Cherries are the first tree fruit to supply the market in northern China. The consumption of cherries, both locally-produced and imported, has increased rapidly in recent years. Lower prices result from increased production and improved distribution, especially the development of E-commerce, have effectively expanded the consumption pool for this perishable fruit. According to data from Alibaba, the largest online platform in China, the sales value of fresh fruit increased by more than 200 percent in 2014 from the previous year. Imported cherries have reached more middle class consumers in interior cities thanks to cold chain facilities and online marketing activities. Southern hemisphere countries are also increasing their fresh cherry supplies to China during the off-season, especially during the consumption peak of around Lunar New Year falls either in January or February.

Peach consumption remains strong. As peaches are difficult to transport and cannot be stored for an extended period of time, local scientists have developed many varieties that ripen at different times in order to extend the supply season. In addition, farmers have established peach orchards close to cities for easier transportation. Although E-commerce is increasingly used for selling peaches, the share is still limited compared to that of cherries.

Trade:

Import

In MY 2015/16 (January-December), cherry imports are forecast to increase by more than 50 percent to 100,000 MT driven by strong demand in major cities like Shanghai. Chile remains the largest cherry supplier to Chinese market. In MY 2014/15, the United States exported 10,162 MT of cherries to China, accounting for 16 percent of China's total cherry imports (Chile's share is 70 percent). More countries are gaining market access to the China market, with a total of seven countries now shipping fresh cherries to China.

China does not allow market access for peaches.

Export

China's peach exports are forecast at 80,000 MT in MY 2015/16, up more than 20 percent from the previous year, on improved supplies and stable prices. Buyers of Chinese peaches/nectarines come primarily from neighboring countries/regions, including Kazakhstan, Vietnam, and Russia.

China does not export cherries due to fragmented local production that makes standardization difficult. Other challenges include the lack of cold chain facilities.

Policy:

In 2015, a trial crop insurance program for peaches started in Nanhu County in Zhejiang province. Farmers who choose to participate in the program will cover 20-40 percent of the premium with the remainder of the premium subsidized by the local government. The insurance will pay farmers for any losses caused by natural disasters such as floods, drought, frost, or plant diseases. If successful, the program will likely be rolled out throughout the province.

Marketing:

Peaches

Local governments and farm cooperatives in major peach producing regions continue to help organize marketing activities to help peach growers/brokers sell their products. Some local peach varieties are registered and branded under the name of the producing region. The main outlets for peach marketing are the many peach blossom festivals. The festivals serve as good 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, while Beijing and Dalian serve as the lead ports in North China. U.S. cherries are sold on most e-commerce platforms in China. Additionally, China's major airlines have increased or started to fly chartered planes to ship U.S. cherries to Shanghai, with some transshipped to cities such as Changsha and Kunming.

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 note 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 extra.

Consumer/trade education

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. Consumer-ready cherries in packages of 2.5 kilo per case, for example, become more popular.

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.

Prices:

Peach prices declined in MY 2014/15 in the wake of bumper harvests and reduced institutional buying. An ongoing anti-corruption campaign advocated by the central government has largely ended institutional buying for gift-giving. As a result, farmers who used to sell most of their products to government agencies or state-owned enterprises had to lower peach prices in order to find buyers among the general public. Peach prices are expected to stabilize in MY 2015/16 as farmers enhance their marketing efforts towards ordinary consumers. In Zhejiang province, early mature varieties (harvested in late May) were sold at around \$1.6 per kilo at farms, up slightly from the previous year. According to Zhejiang peach farmers interviewed by Post, production costs in this area (not including labor) are estimated at \$4,800 - \$7,000 per hectare. Varietal differences and length of growing season are some reasons for the variation in the cost of production.

Cherries are still priced higher than other fruit but prices are coming down as production increases. Results of a survey conducted by Post in early June showed that wholesale prices for Early Beauty (or Bing) were around \$6.5 per kilo in Yantai. Price levels were similar to the previous year, although production has dropped greatly there. Cherry production cost is estimated at \$7,200 per hectare, according to a major cherry grower in Shandong.

Greenhouse cherries are sold much higher than field cherries, but their prices have also dropped dramatically in recent years in the wake of increased production. In Weifang in Shandong Province, for example, greenhouse cherries were sold at \$32 per kilo in 2013, sold for \$9.7 per kilo in 2015.

Tables

2010-2013 China Peach Acreage and Production by Province

China Peach Production (1000 Ha and MT) by Province 2010-2013				
Province	2010	2011	2012	2013

	1000 ha	MT	1000 ha	MT	1000 ha	MT	1000 ha	MT
Shandong	101.2	2,435,588	96.4	2,401,492	100.2	2,384,381	104.0	2,464,826
Hebei	85.8	1,462,150	82.6	1,526,760	82.0	1,573,161	85.6	1,661,743
Henan	73.9	1,017,447	75.5	1,085,727	76.3	1,106,148	76.4	1,101,169
Hubei	49.1	607,487	56.6	690,156	53.9	674,194	53.3	724,857
Shaanxi	31.2	593,502	30.4	567,449	30.9	640,733	32.0	708,089
Shanxi	16.1	321,002	17.6	441,367	18.8	512,283	24.4	623,579
Liaoning	25.1	537,209	23.9	568,329	22.2	610,483	23.3	599,570
Jiangsu	35.6	457,010	37.5	500,892	37.8	555,686	40.3	508,061
Sichuan	45.1	416,361	47.0	449,343	47.2	450,770	47.7	499,611
Anhui	24.1	430,134	27.0	424,137	30.5	478,189	30.6	498,366
Zhejiang	26.2	355,911	25.9	383,242	26.2	389,383	25.9	393,217
Beijing	20.9	386,227	20.4	404,280	20.0	373,295	19.4	358,519
Fujian	26.3	222,371	25.8	236,575	26.1	246,334	26.3	260,651
Yunnan	24.2	170,732	25.7	193,759	29.0	219,003	30.0	231,077
Guangxi	19.7	168,003	21.3	190,028	24.1	212,557	26.7	230,513
Gansu	12.7	155,895	12.4	183,199	12.3	196,904	11.8	215,206
Xinjiang	14.6	104,713	12.9	109,212	12.7	125,073	10.4	150,320
Guizhou	19.8	85,549	22.0	100,495	25.9	122,046	28.8	147,350
Chongqing	10.4	80,660	10.3	87,466	11.1	101,532	11.1	106,019
Guangdong	6.8	80,899	6.7	85,022	6.9	87,183	6.9	93,410
Shanghai	6.6	101,418	5.9	92,284	5.9	95,529	5.9	71,161
Tianjin	4.1	60,025	3.8	57,828	5.1	58,060	3.7	55,207
Jiangxi	10.0	48,270	N/A	49,944	9.7	52,674	10.0	53,750
Ningxia	2.1	22,625	1.8	26,203	2.0	30,363	2.0	31,026
Tibet	0.3	1,364	0.2	1,119	0.1	2,636	0.6	2,741
Jilin	0.2	1,773	0.3	1,295	0.2	1,043	N/A	1,285
Qinghai	N/A	352	N/A	979	N/A	809	N/A	543
National total	719.4	10,456,018	720.3	10,983,028	745.9	11,430,347	765.9	11,924,085

Source: China Agricultural Statistical Report

Production, Supply and Demand (PS&D) Tables

Fresh Peaches & Nectarines	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jan 2013		Jan 2014		Jan 2015	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	760,000	766,000	768,000	780,000	0	800,000
Commercial Production	11,000,000	11,900,000	13,000,000	13,000,000	0	13,600,000
Non-Comm. Production	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Production	11,000,000	11,900,000	13,000,000	13,000,000	0	13,600,000
Non-Bearing Trees	0	0	0	0	0	0
Imports	0	0	0	0	0	0
Total Supply	11,000,000	11,900,000	13,000,000	13,000,000	0	13,600,000
Total Trees	0	0	0	0	0	0
Fresh Dom. Consumption	9,282,693	10,182,693	10,950,000	10,934,734	0	11,320,000
Exports	37,307	37,307	50,000	65,266	0	80,000
For Processing	1,680,000	1,680,000	2,000,000	2,000,000	0	2,200,000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	11,000,000	11,900,000	13,000,000	13,000,000	0	13,600,000

Fresh Cherries, (Sweet & Sour)	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jan 2013		Jan 2014		Jan 2015	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	72,000	80,000	75,000	90,000	0	100,000
Commercial Production	180,000	180,000	220,000	220,000	0	250,000
Non-Comm. Production	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Production	180,000	180,000	220,000	220,000	0	250,000
Non-Bearing Trees	0	0	0	0	0	0
Imports	37,519	37,519	50,000	64,971	0	100,000
Total Supply	217,519	217,519	270,000	284,971	0	350,000
Total Trees	0	0	0	0	0	0
Fresh Dom. Consumption	213,519	213,519	265,000	279,971	0	344,000
Exports	0	0	0	0	0	0
For Processing	4,000	4,000	5,000	5,000	0	6,000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	217,519	217,519	270,000	284,971	0	350,000