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China - Peoples Republic of

Stone Fruit Annual

2017

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Report Highlights:
China's MY 2017/18 peach and nectarine production is forecast at 14.3 million metric tons, up nearly 2 percent year-on-year from 2016/2017. Cherry production is forecast to reach a record 360,000 MT, largely because of new bearings. Cherry imports are expected to continue increasing by 10 percent to 120,000 MT in MY 2017/18 on strong demand. Chile remains the largest cherry supplier to China, followed by the United States.

Commodities:

Fresh Peaches & Nectarines

Fresh Cherries,(Sweet&Sour)

Production:

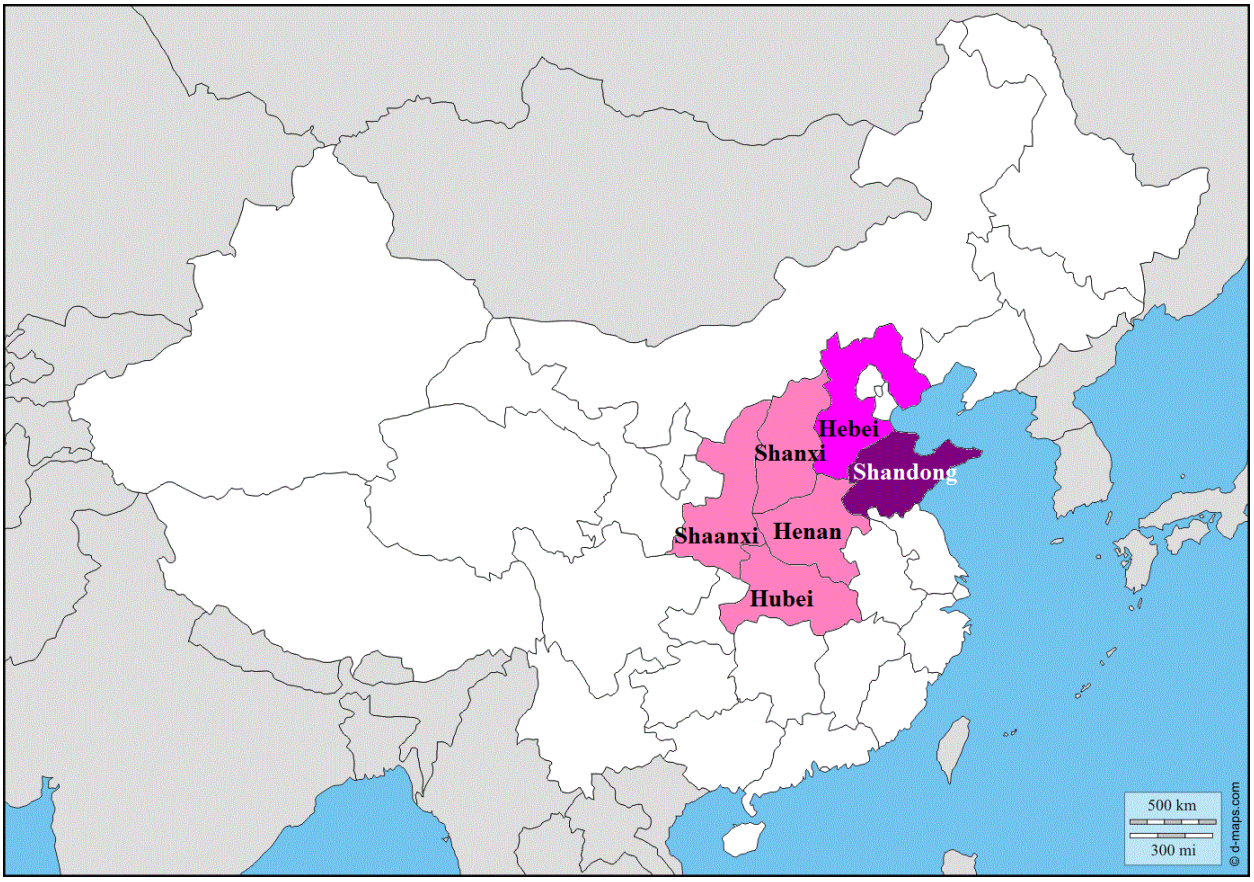
Peaches/nectarines

China's peach and nectarine production is forecast at 14.3 million metric tons (MMT) in the 2017/18 marketing year (January-December), up nearly 2 percent from the revised production of 14 MMT in MY 2016/17. Although a cold and dry spring in northern China has affected peach pollination, total production is likely to increase driven by new bearings as well as production gains in eastern producing provinces which have undergone normal weather situation so far. Post's peach/nectarine production numbers in MY 2015/16 have also been revised in line with official Chinese Ministry of Agriculture statistics. China's peach/nectarine production is expected to stay at the current level in the near future when crop area becomes stable.

The MY 2017/18 peach/nectarine area is estimated at 840,000 hectares, slightly up from the previous year. With market prices not changing much recently, peach/nectarine acreage seems to be stabilizing following a rapid expansion of new plantings in the past few years. Peaches/nectarines are planted in most provinces, but the majority production comes from central and northern China (see map below), particularly from areas close to large and medium cities. Chinese fruit farmers normally operate on a limited piece of farmland allocated by the government. However, land consolidation is happening as an aging farmer population is gradually giving up their land to neighbors, farmer cooperatives, or private companies. Currently, the majority of Chinese fruit farmers are females in their fifties or sixties.

Chinese peach farmers grow many locally-bred peach/nectarine varieties that supply the market between late May and early October. The average yield of peaches/nectarines is recorded at around 40 MT per hectare, but this amount varies significantly based on varieties and locations.

CHINESE PEACH PRODUCTION



Source: China Ministry of Agriculture, most recent dataset is from 2015.
Legend:
Purple = 20% or more of total Chinese production (Shandong)
Pink = 10 to 20% (Hebei)
Light Pink = 5 to 10% (Shanxi, Henan, Hubei, Shaanxi)

Cherries

Chinese cherry production is forecast at 360,000 MT in MY 2017/18 (January-December), up 9 percent from the revised production of 330,000 MT in MY 2016/17. Although a consistent drought in northern China has resulted in smaller fruit sizes, the country's total cherry production is expected to reach a record high, largely because of new bearings. In addition to overall small fruit size, growers have lamented that cherries taste more sour this year compared to the previous season. In addition, Post observed that this year's crop has a greater percentage of irregular-shaped fruit. These inferior quality features are probably a result of the severe drought across northern China, which has not affected overall production numbers because of new plantings in the previous years. Nevertheless, cherry production is likely to continue increasing at a fairly quick pace in the near future as more young cherry plants begin to mature and bear fruit.

Cherry acreage is estimated at 112,000 hectares in MY 2017/18, up nearly 4 percent from the previous year. Cherry planted area continues to increase due to favorable returns, but the pace has slowed down. Area expansion is primarily occurring in central and western provinces such as Henan, Shanxi, Shaanxi,

Gansu, Anhui, Zhejiang, Jiangsu, and Sichuan, while in northern provinces like Shandong and Liaoning provinces, the two largest cherry producers, acreage remains quite stable.

Cherries grown in green houses can begin supplying the market as early as in February, but volume is quite limited. The majority of field cherries are harvested between mid-May and late June. Major cherry varieties planted in China were introduced from Europe, such as Brooks, Bing, Van, Lapins, and Rainier. Zhejiang Provincial Academy of Agricultural Sciences has recently developed a local cherry variety that can be planted under hot and humid weather conditions in southern provinces.

Consumption:

Although peaches/nectarines are traditionally one of the favorite fruits in China and consumption is still growing, they are getting to the point of oversupply as production keeps increasing. In addition, the over application of fertilizers, plant regulators, and practices of pre-mature harvest have also affected the fruit taste, thus reducing consumers' interest. Due to health and food safety concerns, consumers are increasingly willing to pay premium prices for fruit that is produced as organic.

Chinese consumers love cherries and consumption is increasing quickly in the wake of greater supplies as domestic production and foreign imports both increase. Chinese consumers like large fruit size (10 row or above), dark red, sweet taste, firm and crunchy cherries, according to an industry survey. Therefore, imported cherries that meet these characters become more and more popular among Chinese consumers, especially among the high-income urban middle-class.

E-commerce has become an important platform for the marketing and distribution of stone fruits. With increasingly integrated e-commerce and physical delivery services, stone fruits, especially high-value imported cherries that inherently have a short shelf-life, have greatly benefitted from the explosion of e-commerce sales that guarantee a fresh home delivery.

Trade:

Imports

Cherry imports are forecast at 120,000 MT in MY 2017/18 (January-December), up 10 percent from the previous year. Consumer demand for high quality cherries remains strong. The heaviest trade flow occurs during December-February, before and around the Chinese Lunar New Year, the most important local festival. Chile holds the largest market share of imported cherries. The other shipment peak falls in May-July period, with the United States as the leader of cherry suppliers among Northern Hemisphere countries. In July 2017, China will start to import cherries from Turkey, the world's largest cherry producer.

China imports a limited volume of peaches and nectarines from Australia and Spain during the local off-season.

Exports

China's peach exports are forecast at 80,000 MT in MY 2017/18 (January-December), up nearly 9 percent from the previous year's number which has been revised in line with the Chinese customs data.

The demand for Chinese peaches keeps growing from central Asian countries including Russia and Kazakhstan. Other major buyers are from Southeast countries and the volume is relatively stable.

Shandong cherries have successfully been exported to Malaysia in MY 2017/18, but volume is very limited. Compared with American cherries, local cherries taste juicier but are difficult to store and transport.

Prices:

Peaches

Peach prices vary based on the variety, location, and harvest time. In general, peach/nectarine prices have been relatively stable over the past several years. Local farmers in Feicheng County in Shandong Province, a major peach producing region, predict that peach prices are expected to remain at the previous year's level. In MY 2016/17, early mature peaches (harvested in late July or early August) were sold at RMB8 ($1.18) per kilo at orchards in Feicheng. Production cost (not including labor) is estimated at RMB40,500 ($5,956) per hectare, according to Feicheng peach farmers. Normally, fruit farmers do not need to hire extra laborers given the limited size of orchards.

Cherries

Cherry prices have consistently fallen over the past few years as a result of increased production. In MY 2017/2018, prices have declined even more sharply due to the overall low quality of the fruit. For example, in MY 2017/18, cherry prices in Shandong, the largest cherry producing province, have generally declined more than 10 percent from the previous year as the majority of cherries look smaller and taste sourer compared with that of MY 2016/17. High quality cherries, however, can be sold at premium prices. For example, Bing cherries weighing at least 12 grams per individual fruit were priced at RMB46 ($6.8) per kilo at a Yantai wholesale market in early June, even higher than the previous year's level.

Policy:

More fruit varieties and locations have gradually been incorporated into the Chinese crop insurance program. In 2016, peach farmers in Feicheng County began to participate in the national crop insurance program in which farmers pay 40 percent of the premium and the remaining 60 percent is subsidized by the local government. The insurance company would compensate for any losses caused by frost, hail, wind, and flood. The crop insurance program is a policy tool that is heavily subsidized by the Chinese government. The program had traditionally covered mainly grain crops and animal production, but has expanded in recent years to fruit.

Although a protocol was signed in June 2016 to allow Turkish cherries to enter the China market, cherry exports were not possible until China's General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) published a list of registered Turkish cherry orchards and packing houses at the end of June 2017. With harvest ending at the end of July, Turkish orchards and packing houses may not have enough time to ship large volume of cherries to China. In addition, cold chain transportation is another challenge for cherry exporters in Turkey, the world largest cherry producer.

China and Chile signed a bilateral agreement during President Xi's visit to Chile in November of 2016, allowing Chilean nectarines to enter the China market. On February 4, 2017, AQSIQ published a list of registered Chilean nectarine orchards and packing houses, officially kicking off Chile's nectarine exports to China.

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

Distribution

Shanghai is the dominant port for direct cherry imports from the United States and Canada both by air and by sea. About 60 percent of total imported cherries from the Northern Hemisphere to China arrive at port of Shanghai, followed by Shenzhen and Guangzhou. The majority of U.S. cherries arrive to China by air shipment. However, the majority of cherries from Canada arrive to China by sea.

U.S. cherries account for about 13 percent of total imported cherries to China by volume in 2016, down from 16 percent in 2015, while Chile accounts for about 84 percent, up from 80 percent in 2015. Canada, New Zealand, Australia, Kyrgyzstan and Tajikistan account for the remaining three percent.

Imported cherries are widely available both online and offline. E-commerce has become a popular retail channel among young consumers ages 25-45 in first and second tier cities for both imported and local Chinese cherry. The two biggest online retailers, Alibaba and JD both announced their intent to devote more resources to expand fresh and frozen products sales on their platforms. In 2017, Alibaba and JD are investing more on the Omni-channel marketing, synergizing both online and offline retailers. Chain medium-to-high end retailers also promote imported cherries heavily during the season, both in first tier cities and second-to-third tier cities.

U.S. cherries are sold on most e-commerce platforms in China. The share of cherry sales through online platforms is increasing every year. 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 purchase order. In addition, online shopping websites provide a good platform to educate consumers about the benefits of imported fruits and how the fruit is grown and harvested.
Additionally, China's major airlines have increased the number of charted flights dedicated to bring U.S. cherries to Shanghai, thereby increasing the supply of U.S. cherries in Shanghai during the cherry season.

The cold chain system 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.

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. The quality of local fruit is generally improving but the post-harvest technology still has room for improvement. In addition, the percentage of high quality local cherries is still low and their retail prices, which include cold treatment and transportation, are very close to U.S. cherries. 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 premium. Chinese importers buy imported cherries mainly for better quality and the integrity of their high food safety standards.

The U.S. Northwest cherry season generally overlaps with the cherry season in Canada, with the Canadian cherry season starting about two weeks later. The unit price of Canadian cherries is a bit higher than that for Northwest cherries.

Consumer/Trade Education

The United States is viewed as the epitome of a high quality fruit supplier. 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. 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 social 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, are becoming more popular.

Production, Supply and Demand Data Statistics:

Production, Supply, and Demand

Fresh Peaches & Nectarines	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	820000	828000	830000	835000	0	840000
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	13200000	13600000	13500000	14000000	0	14300000
Non-Comm. Production	0	0	0	0	0	0
Production	13200000	13600000	13500000	14000000	0	14300000
Imports	0	0	0	433	0	500
Total Supply	13200000	13600000	13500000	14000433	0	14300500
Fresh Dom. Consumption	10913600	11313600	10900000	11626933	0	11820500
Exports	86400	86400	100000	73500	0	80000
For Processing	2200000	2200000	2500000	2300000	0	2400000
Withdrawal From Market	0	0	0	0	0	0
Total Distribution	13200000	13600000	13500000	14000433	0	14300500

Fresh Cherries,(Sweet&Sour)	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	100000	100000	107000	108000	0	112000
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	250000	250000	320000	330000	0	360000
Non-Comm. Production	0	0	0	0	0	0
Production	250000	250000	320000	330000	0	360000
Imports	91500	91500	95000	109000	0	120000
Total Supply	341500	341500	415000	439000	0	480000
Fresh Dom. Consumption	335500	335500	407000	431000	0	470000
Exports	0	0	0	0	0	0
For Processing	6000	6000	8000	8000	0	10000
Withdrawal From Market	0	0	0	0	0	0

Total Distribution	341500	341500	415000	439000	0	480000

2012-2015 China Peach Acreage and Production by Province

Province	2012		2013		2014		2015	
	1000 ha	MT	1000 ha	MT	1000 ha	MT	1000 ha	MT
Shandong	100.2	2,384,381	104.0	2,464,826	108.2	2,664,707	113.2	2775,251
Hebei	82.0	1,573,161	85.6	1,661,743	85.1	1,818,496	88.3	1931,515
Henan	76.3	1,106,148	76.4	1,101,169	70.0	1,132,155	73.8	1193,496
Shanxi	18.8	512,283	24.4	623,579	26.7	823,325	31.1	984,087
Hubei	53.9	674,194	53.3	724,857	62.2	778,112	66.7	931,625
Shaanxi	30.9	640,733	32.0	708,089	35.5	724,872	36.8	757,221
Jiangsu	37.8	555,686	40.3	508,061	44.1	614,365	46.9	617,487
Anhui	30.5	478,189	30.6	498,366	33.2	552,978	34.7	598,418
Sichuan	47.2	450,770	47.7	499,611	48.2	519,300	49.1	551,213
Liaoning	22.2	610,483	23.3	599,570	25.0	512,121	25.5	536,316
Zhejiang	26.2	389,383	25.9	393,217	28.0	398,896	29.9	428,700
Beijing	20.0	373,295	19.4	358,519	18.5	367,617	18.2	340,771
Fujian	26.1	246,334	26.3	260,651	26.1	267,634	25.8	285,336
Yunnan	29.0	219,003	30.0	231,077	31.0	260,177	34.1	280,505
Guangxi	24.1	212,557	26.7	230,513	27.9	250,514	29.1	278,874
Gansu	12.3	196,904	11.8	215,206	11.8	230,339	11.8	241,794
Guizhou	25.9	122,046	28.8	147,350	34.1	172,642	36.1	190,116
Xinjiang	12.7	125,073	10.4	150,320	11.0	166,015	12.7	175,789
Chongqing	11.1	101,532	11.1	106,019	12.8	122,241	13.0	133,003
Guangdong	6.9	87,183	6.9	93,410	7.1	101,534	N/A	N/A
Shanghai	5.9	95,529	5.9	71,161	5.7	82,696	5.4	78,878
Jiangxi	9.7	52,674	10.0	53,750	10.4	64,872	10.7	63,705
Tianjin	5.1	58,060	3.7	55,207	3.9	58,572	4.1	62,853
Ningxia	2.0	30,363	2.0	31,026	1.9	34,932	1.9	35,390
Tibet	0.1	2,636	0.6	2,741	0.7	2,895	0.9	3,211
Jilin	0.2	1,043	N/A	1,285	0.2	746	0.2	685
Qinghai	N/A	809	N/A	543	N/A	582	N/A	N/A
National total	745.9	11,430,347	765.9	11,924,085	799.5	12,874,081	828.3	13,640,032
Source: China Agricultural Statistical Report								