

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Voluntary  Public

**Date:** 7/21/2011

**GAIN Report Number:** 11041

## **China - Peoples Republic of**

**Post:** Beijing

### **Strawberries -- Annual Report**

**Report Categories:**

Strawberries

**Approved By:**

Ralph Bean

**Prepared By:**

Ryan R. Scott, Zhang Lei, and Wang Tong

**Report Highlights:**

China's fresh strawberry production for MY 2011 is estimated at 1.26 million metric tons (MMT), a ten percent decrease from MY2010, due to extremely cold weather conditions in Northern China. Trade sources stated that high domestic prices are narrowing the price gap between U.S. and Chinese domestic products; that said, U.S. frozen strawberries will become more competitive in multinational five star hotels and upscale ice cream shops in Beijing and Shanghai during the off-season when fresh products are not available.

**Production:**

China's fresh strawberry production for MY 2011 is estimated at 1.26 million metric tons (MMT), a ten percent decrease from MY2010, due to extremely cold weather conditions in Northern China. According to China's weather agencies, the coldest weather in the last 23 years was in March of this year. Local processors in Shandong, a major producing province, stated that heavy frost in late March damaged the flowering season and yields for open-field production. Post estimates that open field production in Shandong declined 35 percent and greenhouse production remained stable. Reliable industry sources noted that lower production in Hebei, another major producing province, is due to lesser planted acreage; farmers switched to more profitable crops such as garlic, ginger, and mung beans when prices reached record highs in 2010. Other key producing provinces are Liaoning and Sichuan.

Production for frozen strawberries in 2011 is estimated at 110,000 MT, a 20 percent decrease from 2010, due to low open-field production. Shandong province is China's largest frozen strawberry producer, accounting for over 40 percent of total frozen strawberry production. China's major processing varieties are America 13, America 3, All Star, Sengana, and Totem.

The harvest season for greenhouse strawberries starts in November (accounting for 30 percent of China's total production), followed by plastic shed in February (at 40 percent), and open field in May (at 30 percent). Greenhouse and shed production are both used for fresh consumption; while open field production is only for processing. Acreage for greenhouse production is expected to expand in coming years, mainly due to the growing demand from 1st and 2nd tier cities. For instance, there are about 1,500 strawberry greenhouses located in Changping District (a Beijing suburb). A greenhouse that covers 330 square meters and produces 2-2.5 metric tons could generate income of RMB 25,000-35,000 (US\$3,850-\$5,385).

### **Prices:**

Short supplies from open-field production caused prices for strawberries (used for processing) to double to 5RMB per kg (\$0.35/lbs), the highest price ever. Farm gate prices for greenhouse strawberries also doubled to 80RMB per kg (\$5.6/lbs) compared to last year during the same period. Monthly labor cost increased over 20 percent to 2,000RMB in the first half of 2011. Export prices for frozen strawberries are expected to reach FOB \$1350-1500/MT, a 20 percent increase from last year.

Prices for packaged organic strawberries in upscale supermarkets in Beijing reached more than \$20 per kg during the 2011 Chinese Spring Festival holiday season, which is a 25 percent increase from 2010.

### **Consumption:**

Greenhouse strawberries are offered when very few fresh fruits are available in the market, especially in North China. In China, about 80 percent of total strawberry production is for fresh consumption and the other 20 percent is delivered to processors. The general practice in China is to consume fresh strawberries within three to five days after purchasing. Domestic consumption of frozen strawberries is steadily increasing as strawberries are

becoming more popular as a value-added ingredient in foods targeted to young consumers such as jam, jelly, juice, and confectionary and dairy products.

## **Trade:**

### Imports

With lower production and higher prices, China's frozen strawberry imports are forecast at 9,100 MT in 2011, a 10 percent increase from 2010. The majority of imported frozen strawberries are reprocessed into frozen dried strawberries, repackaged, and then re-exported. For frozen strawberries, the import duties remain at 30 percent and VAT at 13 percent.

China does not allow fresh strawberry imports. The import duty and VAT are 14 and 13 percent, respectively. China allowed temporary access for fresh strawberries from the United States during the 2008 Olympic Games and the 2010 World Expo in Shanghai. No imports were reported for the World Expo.

Key foreign suppliers of frozen strawberries to China include Chile, Morocco, Argentina and Egypt. These four major suppliers accounted for more than 92 percent of China's total imports, which rallied 192.17% in 2010 from the previous year. Despite this significant increase in imports, the United States only accounted for 2 percent in 2010. Qingdao is the largest port for imports of frozen strawberries, mainly because it's one of China's largest food processing cities. Trade sources stated that high domestic prices are narrowing the price gap between U.S. and Chinese domestic products; that said, U.S. frozen strawberries will become more competitive in multinational five star hotels and upscale ice cream shops in Beijing and Shanghai during the off-season when fresh products are not available.

### Exports

China's frozen strawberry (H.S. Code: 081110) exports are forecast at 90,000 MT in 2011, a 20 percent decrease from 2010 due to higher export prices caused by low open-field production. In 2010, China was the largest frozen strawberry exporter, followed by Poland. Chinese frozen strawberries have been price competitive among major exporters with an average export price that's 24 percent lower than its closest competitor in 2010. This year, Chinese exporters cannot offer similar export prices as China's domestic prices for supplies and labor are drastically higher than previous years, coupled with the appreciation of the Chinese Yuan. Netherlands, Germany, Japan and Russia are largest buyers of Chinese frozen strawberries, accounting for 53 percent of total exports.

Exports of fresh strawberries (H.S. Code: 081010) are relatively small due to short shelf life and low packaging technology. In 2010, China only shipped 346 MT to Russia (270 MT) and Vietnam (76 MT).

## **Marketing:**

The market for imported fruits has been booming over the past five years in China. Chinese consumers are eating more fresh fruits driven by rising incomes, particularly in urban Chinese cities. For instance, consumption of fresh fruit in Shanghai and Beijing reached more than 100kg per capita in 2010, compared to 83.3kg per capita in certain developed countries. Fresh strawberries are very popular with Chinese consumers given their sweet taste, red color, and early availability in the season.

Influenced by food safety concerns and scandals, urban consumers are extremely cautious in selecting fresh strawberries for themselves and their families, so organic strawberries are their first choice. Children and adults below 30 years of age who live in urban cities are the primary consumers for organic products. Major retailers in Beijing, Shanghai and Guangzhou offer organic strawberries to meet China's expanding demand. There are well-established production bases for fresh organic strawberries in the suburbs of Shanghai, Chengdu, Beijing, and Dandong in Northeast China where prices range from \$15 to \$25 per kg. Chinese packers reported that branding and new varieties have improved profitability and helped establish a more stable and higher-end consumer base. Local importers noted that large volume group purchases are popular during gift-giving seasons.

China's fresh strawberry production is located in areas near large urban cities. For instance, Liaoning Province supplies the cities of Shenyang and Dalian; Hebei Province to Beijing and Tianjin; and Zhejiang Province to Shanghai. China's limited cold chain facilities and high transportation costs continue to hinder additional sales. Strawberries are transported in non air-conditioned trucks from production areas to packinghouses to retail outlets where supplies are often displayed on the floor without the benefit of cold or chilled storage.

**Production, Supply and Demand Data Statistics :**  
**Table 1: Fresh strawberry PS&D**

<b>PSD Table</b>						
<b>Country</b>	<b>China, Peoples Republic of</b>					
<b>Commodity</b>	<b>Strawberries, fresh</b>				<b>(HA)(MT)</b>	
	2010	Revised	2011	Estimate	2012	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2010		01/2011		01/2012
Area planted	92,000	95,000	105,000	100,000	0	105,000
Area harvested	92,000	95,000	105,000	100,000	0	105,000
Production	1,350,000	1,400,000	1,750,000	1,260,000	0	1,600,000
Imports	0	0	0	0	0	
Total supply	1,350,000	1,400,000	1,750,000	1,260,000	0	1,600,000
Exports, fresh	200	350	250	600	0	500
Fresh Dome. Consumption	1,146,800	1,189,650	1,486,750	1,084,400	0	1,329,500
For Processing	203,000	210,000	263,000	175,000	0	270,000
TOTAL distribution	1,350,000	1,400,000	1,750,000	1,260,000	0	1,600,000

**Table 2: Frozen strawberry PS&D\*\***

<b>PSD Table</b>						
<b>Country</b>	<b>China, Peoples Republic of</b>					
<b>Commodity</b>	<b>Strawberries, frozen</b>				<b>(MT)(MT, Net Weight)</b>	
	2010	Revised	2011	Estimate	2012	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		06/2010		06/2011		06/2012
Deliv. To Processors	145,000	150,000	167,000	122,000	0	167,000
Beginning Stocks	0	0	0	0	0	0
Production	130,000	135,000	150,000	110,000	0	150,000
Imports	10,500	6,791	11,000	7,500	0	8,000
TOTAL SUPPLY	140,500	141,791	161,000	117,500	0	158,000
Exports	105,000	120,857	111,500	95,000	0	130,000
Domestic Consumption	35,500	20,934	49,500	22,500	0	280,000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	140,500	141,971	161,000	117,500	0	158,000

**\*\*Supplies from open-field production in May are used for frozen strawberries production in June, so the market year for frozen strawberries is revised to June-May from Jan-Dec like fresh strawberries.**

