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Report Highlights:

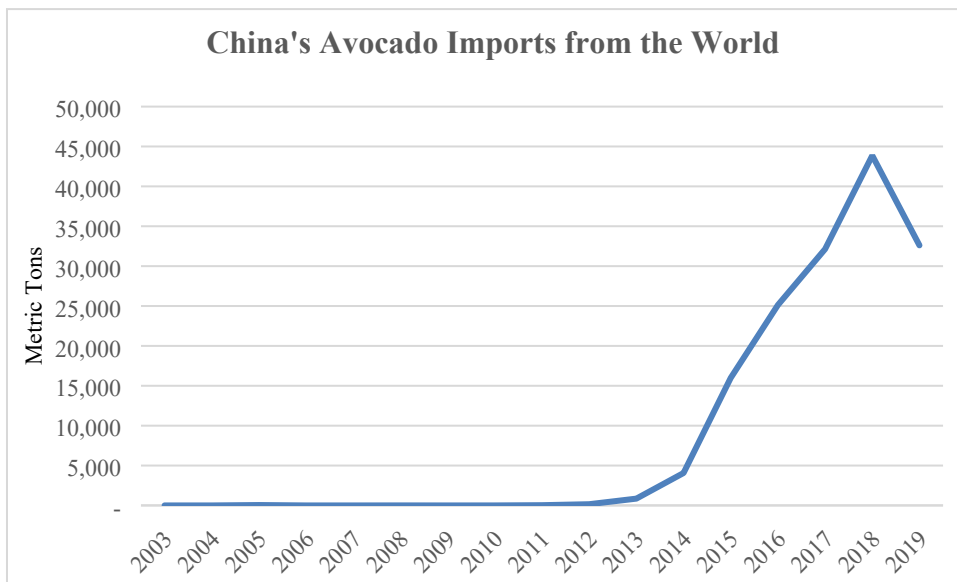
On April 26, 2020, China announced market access for fresh California Haas avocados as part of the U.S.-China Economic and Trade Agreement (ETA). This report briefly mentions the market access conditions for California Haas avocados, discusses several key factors of China's avocado market (including import competition), and offers market-entry recommendations to consider when exporting California Haas avocados to China.

Product Description and Access Overview

As part of the U.S.-China Economic and Trade Agreement (ETA), California-grown Hass avocados received market access to China on April 26, 2020.¹ The California avocado harvest begins in March and peaks April through July, with some late-season fruit still available in September and October.

Market overview

Though grown in some areas of southern China before 2005, avocados were a relatively unknown fruit at that time. Even when Mexican avocados got market access in 2005, it took until after 2010 for avocados to gain some traction among consumers, then starting in 2013, avocado consumption exploded.



Source: China Customs

Imported avocados have been marketed as a healthy dietary choice, a good source of monounsaturated fat, vitamins and minerals, and with benefits for women, children and elderly. The rising demand for fresh avocados in China in the past few years is mainly driven by the increasing number of middle-class consumers who are willing to pay higher prices for quality, healthy fruits as well as the millennial generation who are eager to try new and international products. Fresh avocados are now almost ubiquitous in both online and offline retail outlets. Some restaurants in first tier cities offer menu options – like salad and sandwiches - that incorporate avocados.

With growing consumer demand both spurred and sustained by imports, Chinese avocado producers in Yunnan and other areas in south China have begun expanding planting area and output in recent years.

¹ [USTR US-China Economic and Trade Agreement Fact Sheet - Horticulture](#)

In 2017, Yunnan avocado production area was estimated at just 1,300 acres, in 2020 it has expanded to about 8,200 acres. In addition, farmers in Guangxi are also said to be experimenting to grow avocados.

In general, Chinese consumers are increasingly interested in healthy lifestyles and foods, and their perception of avocados as fitting these categories strengthens market demand. Key consumer groups interested in avocados are: young and middle-aged high-income professionals who seek nutrition and nutrient dense foods; young mothers who purchase nutritious foods for their children, their older parents, and themselves; and elderly consumers who seek produce with nutrition and health benefits.

As ready-to-eat avocados were increasing in popularity throughout China, companies acted to deliver on demand. In April 2017, China's first ever avocado-specific ripening center was opened outside of Shanghai. The center, which was jointly established by Mission Produce, Lantao International and Pagoda, distributes imported ripe avocados under the Mr. Avocado brand. The brand is available through several online and offline channels.

China's fresh avocado imports reached a record high in CY 2018 at almost 44,000 metric tons, up almost 37 percent from CY 2017 and up more than 1,369 percent from just 31.8 metric tons back in 2011. However, this supply spike exceeded demand and a number of importers lost money on excess product. This loss led importers to reduce 2019 imports back to 2017 levels.

Industry insiders believe that the weaker avocado sales in 2019, coupled with the negative impacts of COVID-19 will result in reduced import demand in 2020. Though it may take importers some time to regain confidence in the avocado market, the low per capita demand suggests there is growth potential for avocados in China if the price is competitive and marketing efforts are made.

In the first quarter of 2020, China's fresh avocado imports decreased 19 percent compared with same period the previous year, partially due to the spread of COVID-19 and related transportation challenges and consumers' shifting prioritization to familiar, staple foods. Industry insiders predict the pandemic may continue to have a negative impact on international trade and prices of avocados. This uncertainty and slowing domestic market demand as consumers reduce discretionary spending has made importers conservative in placing large volume orders from overseas.

Competitors

Peru, Chile and Mexico currently dominate China's imported avocado market. Before 2018, these were the only three countries to have market access to China. In January 2018, New Zealand avocados gained access, and in July and November 2019, avocados from Colombia and the Philippines (respectively) did also. California Haas avocados gained access on April 26, 2020, as agreed under the U.S.-China Economic and Trade Agreement.

Currently Peru, Chile, New Zealand and the Philippines enjoy a zero tariff on avocado exports to China due to preferential trade agreements. Tariffs on Mexican and Colombian avocados are 7 percent.

Tariffs for Avocados (percentage)	
Mexico	7
Chile	0
Peru	0
New Zealand	0
The Philippines	0
Colombia	7

Source: ATO Guangzhou

In addition to the MFN rate, imports of California Haas avocados are subject to the Section 301 retaliatory tariffs of 25 percent. Importers can apply for a waiver of this 25 percent retaliatory duty even though California avocados are not among the approximately 150 products listed as eligible for tariff exclusions. If granted, the applied tariff would be 27 percent. For more details on the tariff exclusion process, please refer to the following GAIN reports: [China Announces a New Round of Tariff Exclusions](#), [China Publishes Step-By-Step Tariff Exclusion Guide](#), [China Publishes Frequently Asked Questions Document on Tariff Exclusion Process](#).

Tariffs for U.S. avocados						
HS Code (8-digit)	Product Description	MFN Rate	232	301	Add'l tariff	Total Applied Tariff
	Implementation Date	Jan 1, 2019	Apr 2, 2018	Jun 1, 2019	Adjusted Feb 14, 2020	
08044000	Fresh, Dried, Avocados					
	United States	7	15	25	5	52

As stiff competitors in China's imported avocado market, Mexico, Chile, and Peru have jockeyed for position as top supplier over the past 5 years. Expecting growing demand from China, the major competitor countries have been increasing their planting areas in recent years in the hope of supplying more to the Chinese market. The increased supply and strong competition among foreign suppliers inevitably led to a price drop in China market. In 2016, one avocado cost 15-20 RMB (\$2.20-\$2.80). From the end of 2017 to the end of 2019, the price of avocados dropped 15 percent. Current retail prices are 5 – 8 RMB (\$0.80- \$1.10) each. Price differences can occur due to sales location (wet market vs high end supermarket) and quality, but they tend to only vary a few RMB from the average. Fruit with a recognizable brand may win a small price premium.



Source: China Customs

Peru

In 2019, Peru was the largest avocado supplier to China market with 40 percent market share (12,932 tons). In 2019, approximately 3 percent of exported Peruvian avocados were destined for China, the 6th largest market. Industry insiders credit the export growth – up 16 percent between 2016 and 2019 – to new planting areas and the improved productivity of young fruit trees.

Peruvian avocado sales are typically March through June, peaking in March and April. Peruvian market share is driven by competitive prices and seasonality. During peak Peruvian avocado months, Mexican avocados are in short supply and Chilean avocados suffer from inconsistent quality.

In addition, Peru’s active online sales strategy and marketing efforts have been driving factors for gaining consumer awareness and preference.

Chile

Chile obtained market access for avocados in 2014; by 2016 it was China’s largest supplier, representing over 45 percent of China’s import volume. Chilean avocados’ long season, consistent quality, and favorable tariff rates make it a top competitor in the China market. Poor weather in 2018 severely affected production and export quantity. Chile also exports to the Netherlands, United Kingdom, United States, Argentina, Spain, Germany and Belgium.

Mexico

Mexico is the largest avocado producer in the world and almost monopolized the Chinese market from when it entered in 2005 until 2013. From 2012 to 2018, avocados were the third largest Mexican agricultural product exported to China. Since Peruvian and Chilean avocados entered the market in

2015, Mexico has lost market share, making up only 27 percent of China's avocado imports in 2019, down 7 percentage points from the previous year. Though Mexican avocados are available year-round, traders report this reduction in market share is due largely to the higher tariffs and less consistent quality when compared with competitors. Mexico also exports to the United States, Canada, Japan, Spain, Netherlands, France, Honduras, and El Salvador.

New players: New Zealand, the Philippines and Colombia

New Zealand avocados were officially approved to enter the China market in 2018. By the end of 2019, China imported 250 metric tons of fresh avocados from New Zealand, accounting for less than 0.5 percent of total avocado imports. New Zealand mainly exports avocados to Australia, Thailand, South Korea, Japan, Singapore, Taiwan and China. The Philippines got market access in November 2019. The first shipment of fresh avocados from the Philippines arrived in Shanghai in early 2020. Colombia signed a protocol in July 2019, and industry insiders expect around 23 metric tons of Colombian avocados will arrive in Shanghai at the end of June 2020.

In the short term, Chinese production, with peak harvest in August and September, will not be a major source of competition for imports. However, if domestic production continues to expand and quality fruits are produced, they could compete in the long term.

Regulations

Avocado producers are expected to adhere to the General Administration of Customs China's (GACC) phytosanitary import requirements. According to GACC's April 26th announcement Number 60, (<http://www.customs.gov.cn/customs/302249/302266/302267/3025900/index.html>), California Hass avocados are allowed to China market if they meet the quarantine requirements. The announcement provides many details, but U.S. exporters are encouraged to work directly with Chinese importers to ensure the product meets relevant regulations, where applicable, as well as commercial conditions.

Shipments of fresh California Haas avocados may arrive in China by air or sea but may only arrive at certain ports that are authorized to inspect and clear fresh fruit imports. Shanghai, Shenzhen and Guangzhou are major ports of entry by air and sea. Zhengzhou and Changsha are inland ports of clearance.

Distribution Channels

Shanghai, Shenzhen and Guangzhou are the key entry ports for fresh imported avocados, which enter by air and by sea. In addition to the Beijing-Tianjin-Hebei region in the north, the major consumption areas include Pearl River Delta (Shenzhen and Guangzhou) in the south and Yangtze River Delta (Shanghai and area) in the east. Other cities such as Dalian, Zhengzhou and Changsha – emerging 2nd tier city markets - are new transaction hubs.

Wholesale trade

Jiangnan Fruit Wholesale Market in Guangzhou and Huizhan Market in Shanghai are the major wholesale business hubs for fresh avocados. From here, fruits are distributed through the country with cold storage equipped trucks. Recently Jiangnan Wholesale Market also launched its own e-commerce platform for both wholesale and retail business.

Retail O2O (online and offline) distribution

Imported avocados are widely available both online and offline. The share of avocado sales via online and digital platforms is increasing as consumers increasingly shop online. During the peak of avocado season, major e-commerce platforms (including Tmall.com and JD.com) and specialized fruit trade platforms (such as Fruitday, Benlai, Sanshi jia, and Pagoda) all carry fresh avocados.

With consumers' increasing use of mobile retail channels to purchase food, complementary short music or video apps like WeChat, Douyin (English: Tiktok) have become new trendy ways to market and sell products to both millennial consumers and those aged between 40-60. Mid-range to high-end retail outlets such as Ole, Taste, BLT, Aeon, Space, City Super and Sam's also promote imported avocados. In addition, specialized fruit chains mostly located in residential neighborhoods are another important distribution channel. Cold chain storage and proper handling are essential for keeping fruits fresh; past losses from system lapses mean retailers, wholesale markets, and distributors are now paying greater attention to these issues.

Industry Outreach and Market Entry Recommendation

Trade shows

Most fruit professionals will attend the following major fruit shows in China to exchange ideas and market intelligence.

- **Asia Fruit Logistica (www.asiafruitlogistica.com):** A USDA Endorsed show. Top trade show featuring various fruits, normally held in Hong Kong in September. This year it is scheduled for November 18-20 in Singapore.
- **Fruit Expo & World Fruit Industry Conference (www.fruit-expo.com):** a new trade show in Guangzhou normally held in the Summer. In 2020, the show is rescheduled for September 24-26 due to COVID-19.
- **Beijing Fruit and Vegetable Fair (www.chinafvf.com):** a trade show in Beijing, normally in November 2020 dates are pending.
- The **International Fruit Conference:** Each year the China Chamber of Commerce of Import & Export of Foodstuffs, Native Produce & Animal By-products (CFNA) organizes the conference, which focuses mainly on the China market. In 2020, it is expected to be held sometime between September and December, pending COVID-19 developments. For more information about the conference, please contact chinafruit@cccfn.org.cn.

Major Chinese trade/industry associations

Currently there is no specific national avocado association in China.

China's Chamber of Commerce of Import and Export of Foodstuffs, Native Produce, and Animal By-Products (CFNA) is the primary food trade industry association in China. It was established in 1988 under the Ministry of Commerce and with a membership exceeding 6,500 companies. CFNA organizes fruit industry conferences and activities and publishes industry data. They also serve as the primary facilitator between the Chinese government (e.g., GACC) and importers. The key CFNA contact for fresh products is Mr. Lu Kun, lukun@cccfna.org.cn.

The China Agricultural Wholesale Markets Association (CAWA) is a national association established in 1968 under the Ministry of Commerce. In China, more than 70 percent of agricultural products are distributed through wholesale markets. CAWA has China's largest 300 wholesale markets as its members, and the largest five wholesale markets in each province. CAWA organizes conferences and national/regional trade shows. The key CAWA contact is Ms. Wang Lijuan at wanglijuan@cawa.org.cn or international@cawa.org.cn.

Market Entry Recommendations

The [China Exporter Guide \(2019\)](#) contains practical information for U.S. agricultural, forestry, and fishery exporters interested in doing business in China. The report includes useful information on local business practices, a review of consumer preferences, food standards and regulations, and import and inspection procedures.

The key to success in China is maintaining consistent superior quality control, sustainable supply and differentiating U.S. avocados from other competitors. Branding California Haas to a niche group of high-end consumers, communicating its superior value and supporting activities about proper handling and consumption could help differentiate California Haas and garner higher than average prices.

China is a huge country with complex regional difference. Tastes, customs, culture, business practices and government regulations vary from region to region and city to city. What's more, with e-commerce and online sales booming for all products, including retail foods, consumer behaviors have been changing dramatically. Therefore, it is highly recommended that U.S. avocado exporters take all the following factors into consideration when making a marketing strategy to enter into China market.

- 1) Understand the market and adapt to the change. Appropriate market research will help U.S. exporters have a thorough understanding of the current market situation, including the competitor's performance in the market.
- 2) Find a local partner and/or distributor. For smaller companies without the resources to directly market their products in China, a good distributor is critical to success. Distributors provide the network of relationships with buyers, regulators and others, that is essential to doing business in

China.

- 3) Invest in building a relationship with right person. Trade incentive programs will help stimulate traders' willingness to carry U.S. avocados. The best strategy is to target a specific place and get to know it well. Travel to China is highly recommended to evaluate partnerships, build relationship and identify new opportunities and potential obstacles.
- 4) Know the rules. Chinese regulations are often vaguely worded, arbitrarily enforced and opaque. Your distributor can (and should) handle this for you.
- 5) Be flexible. The China market changes quickly. Consumers behavior also change dramatically. A recent survey conducted by Nielsen indicated that Asian consumers may consider and prioritize eating at home more often due to COVID-19 safety concerns. Exporters who enter the market with preconceived notions may miss out in such a changing environment.
- 6) Find your niche market and focus on it with these tips:
 - Invest in consumer research and consumer educational training on proper handling and consumption.
 - Invest in media coverage to enhance produce awareness.
 - Invest in marketing promotions including retail outlet displays and online promotions.
 - Build up a brand and get the word out.
 - Invest in inviting celebrity and popular stars to help promote the sales by making videos and arrange live broadcasting sales.
 - Create innovative package and consider single or small family.
 - Pursue gradual and sustainable growth.

Additional Considerations

According to [the April 28, 2016 Foreign Non-governmental Organization \(FNGO\) Management Law](#), China requires all FNGOs, including agricultural trade associations, to register before undertaking certain marketing activities (e.g., public gatherings, promotions, trainings, conferences). The requirements include securing a Chinese sponsoring organization and registering a permanent office or filing for a temporary activity permit. This typically takes up to six months to complete. Certain activities may exempt from this law, and it does not apply to for-profit businesses and governmental organizations. For more information about the Law, see the USDA GAIN report [China's Foreign NGO Management Law: A Review for U.S. Agricultural Trade Associations](#).

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This office covers Guangdong, Guangxi, Fujian, Hunan and Hainan Provinces

Attachments:

No Attachments.