

**Voluntary Report** – Voluntary - Public Distribution

**Date:** July 21,2020

**Report Number:** CH2020-0100

**Report Name:** New to Market Product Report - Fresh Nectarines

**Country:** China - Peoples Republic of

**Post:** Guangzhou ATO

**Report Category:** Stone Fruit, Promotion Opportunities

**Prepared By:** FAS China Staff

**Approved By:** Lindsay Malecha

**Report Highlights:**

On March 4, 2020, China announced market access for fresh U.S. nectarines as part of the U.S.-China Economic and Trade Agreement (ETA). This report briefly mentions the market access conditions for U.S. nectarines, discusses several key factors of China's nectarine market (including import competition), and offers market-entry recommendations to consider when exporting fresh U.S. nectarines to China.

## Product Description and Access Overview

On March 4, 2020, in accordance with the U.S.-China Economic and Trade Agreement (ETA), China granted official market access for U.S. fresh nectarines from designated counties in California (specifically Fresno, Tulare, Kern, Kings and Madera counties). California nectarines account for 95 percent of U.S. production. The harvest season for U.S. nectarines runs from mid-summer to mid-autumn, partially overlapping with Chinese domestic supply, which runs from May to October.

## Market overview

*NOTE: All data in this report refers to HS Code 080930, Peaches and Nectarines, Fresh. However, only U.S. nectarines gained new market access under the ETA.*

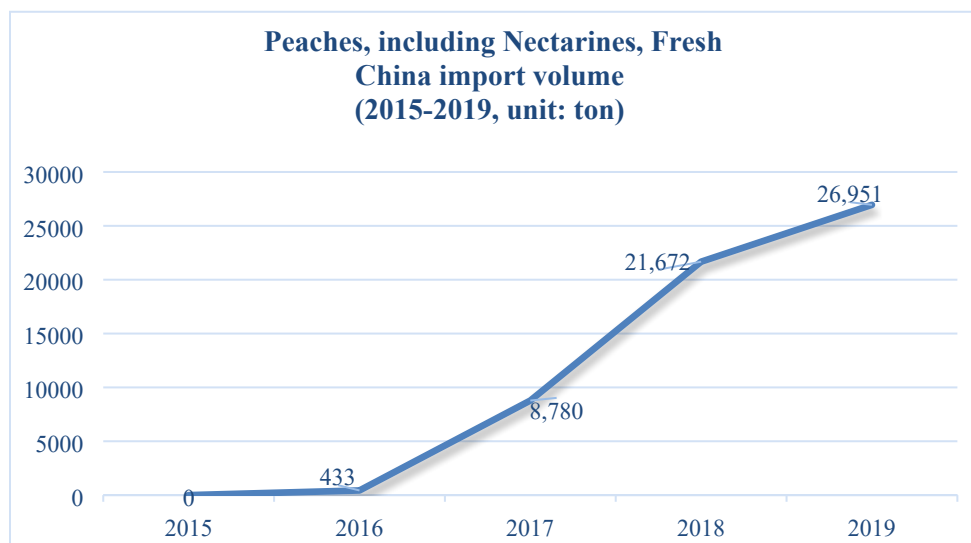
The demand for fresh fruit in China has and continues to increase rapidly, fueled by an increasing number of people joining the ranks of China's middle class and growing per capita fruit consumption, which is strongly driven by increased attention to nutrition and health. U.S. fruit are directly benefitting from these trends. China has a long history of domestic peach and nectarine production and exports and is a net exporter.



*Source: China Customs/TDM*

Enjoying increasing demand, Chinese producers have increased the planting area of both white and yellow fleshed varieties. Production has expanded significantly in Guizhou and Yunnan in southwest China. Domestically produced peaches and nectarines are available from May through October, peaking in July and August. Early varieties from southern China are available from May to July, and later

varieties from northern China are available June through August. U.S. nectarines face strong competition in the market from domestic Chinese varieties because of the overlapping harvest season.



Source: China Customs/ TDM

Almost all peaches and nectarines are sold through retail channels, including wet markets, supermarkets, and ecommerce. Chinese consumers are quite selective and pay close attention to fruit quality; they prefer fruit with a clean appearance and sweet taste. While domestic white flesh varieties dominate the market because of availability and price, imported yellow flesh varieties are gaining popularity because of their unique color and consumers' curiosity towards new varieties. In July 2020, domestic nectarines sold for \$1.14 (8RMB)/ 500g at a local supermarket. In May 2020, the retail price of imported nectarines was approximately \$1.00 (7RMB)/ 500g; this represents an approximately 60 percent price decrease from the same time in 2019 owing to consumer and economic concerns over COVID-19.

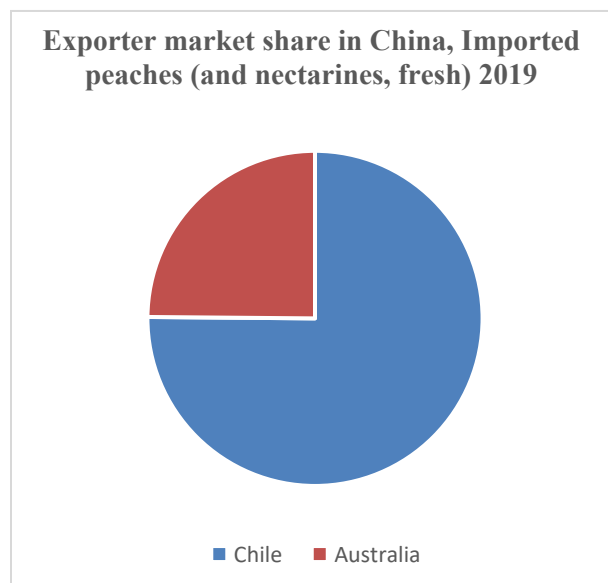
China began accepting imports of fresh peaches and nectarines in 2016; since that time, demand has driven imports up, from 433 tons in 2016 to almost 27,000 tons in 2019.

### Competitors

Domestic nectarines and peaches dominate the market because of availability and price. Imported peaches and nectarines mostly come from the southern hemisphere – namely Chile and Australia - because of their counter seasonality. Most imports arrive from November to April.

<b>China Imports of Peaches and Nectarines, Fresh (HS 080930)</b>						
<b>Partner</b>	<b>Unit</b>	<b>Calendar Year (Unit: Tons)</b>				
		<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Chile	T	0	0	4,289	16,347	20,216
Australia	T	0	246	2,280	5,012	6,690
Spain	T	0	188	2,211	312	46
TOTAL	T	0	433	8,780	21,672	26,951

*Source: China Customs*



*Source: China Customs*

The China and Chile Free Trade Agreement provides tariff free access for Chilean peaches and nectarines. On January 1, 2019, Chinese tariffs on Australian nectarines were also eliminated as part of that bilateral Free Trade Agreement.

Country	Applied Tariff	2018 Imports (tons)	2019 Imports (tons)
Australia	0%	5,012	6,690
Chile	0%	16,347	20,216
Spain	10%	312	46
U.S.	55% (25% after tariff exclusion)	N/A	N/A

*Source: China Customs, TDM*

In addition to the MFN rate, China's imports of U.S. peaches and nectarines (HS Code 080930) are subject to various retaliatory tariffs (see table below). Since March 2020, Chinese importers can apply

for a waiver of the 25 percent retaliatory 301 tariff. While U.S. nectarines are not among the approximately 150 products specifically listed as eligible for tariff exclusions, all imported commodities may apply for a tariff exclusion. Industry sources report that several importers have successfully obtained tariff exclusions for fruit not specifically enumerated on the announcement.

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](#).

HS Code (8-digit)	Product Description	MFN Rate	232	301	Additional Tariff	Total Applied Tariff
	Implementation Date	January 1, 2019	April 2, 2018	June 1, 2019	Adjusted February 14, 2020	
08093000	Peaches, Including Nectarines, Fresh	10%	15%	25%	5%	55%

**Chile:**

Chilean peaches and nectarines received market access to China in 2016. China is Chile’s second largest buyer of peaches and nectarines. In 2019, Chile’s market share of China’s imports of peaches and nectarines, reached 75 percent. Twenty one percent of all Chilean peach and nectarine exports go to China. Chilean nectarines are harvested from November through March, which is counter seasonal to Chinese domestic production. The main export varieties to China include but not limited to: *Bright pearl*, *Giant pearl*, *Arctic snow*, *Magique* and *Venus*.

**Australia:**

Though China’s imports of peaches and nectarines from Australia are small compared to imports from Chile, China is an important export destination for Australian growers, accounting for approximately 53 percent of total Australian peach and nectarine exports in 2019. The Australian harvest runs from January to February for nectarines. Most of Australia’s peach and nectarine exports are yellow-fleshed varieties, although white-fleshed fruit are exported to certain markets. Currently there are both yellow and white varieties of Australian nectarines available in China. Australia supplies over 30 varieties of yellow fleshed nectarines (including: *Rose Bright*, *Diamond Bright*, *Spring Fire*, *May Fire*, and others), and 20 varieties of white fleshed nectarines (including *Spring Pearl*, *May Pearl*, *Giant Pearl* and others).

## **Regulations**

Producers are expected to adhere to the General Administration of Customs China's (GACC) phytosanitary import requirements. According to GACC's March 4th Number 67, announcement

(<http://www.customs.gov.cn/customs/302249/302266/302267/2879995/index.html>), nectarines must come from California production areas in Fresno, Tulare, Kern, Kings and Madera counties. Tracing is required. 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 U.S. nectarines 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**

Most imported nectarines and peaches are destined for retail sale, either in a physical store or via e-commerce. Guangzhou and Shanghai are the predominant fresh fruit import destinations as they have the most efficient customs processes, are situated on popular ocean freight routes, and have well established domestic transport networks. Fresh fruit imports have traditionally been handled by importers and regional distributors, however large retail chains with advanced logistics and transport efficiencies are increasingly seeking to source directly from exporters and importers to eliminate distributor networks.

The share of nectarine sales via online and digital platforms is increasing, expedited by consumers' preference for contactless delivery because of COVID-19. Australian and Chilean nectarines are regularly available on most e-commerce platforms, including JD.com, Alibaba and specialized fruit shopping platforms such as fruitday.com. With the increasing use of mobile apps including WeChat and Douyin, short video presentations are a trendy way to sell products, especially to the younger generation.

Medium-to-high end retail outlets such as Ole, Taste, Space, and Sam's Club also promote imported nectarines during the main shipping season with promotional materials and samples. In addition to large supermarkets, specialized fruit chains mostly located in residential areas, generate strong sales. Fruit importers, because of the perishability of the product, employ strong cold chain networks from port to retail outlet or consumer. This network has been tested and strengthened during the COVID-19 pandemic, as online sales increased and e-commerce and retail outlets had to establish reliable networks to get the freshest product possible to the end customer.

## 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](http://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](http://www.fruit-expo.com)):** a new trade show in Guangzhou normally in summer. In 2020, the show is rescheduled for September 24- 26 due to COVID-19.
- **Beijing Fruit and Vegetable Fair and International Fruit Conference ([www.chinafvf.com](http://www.chinafvf.com)):** a trade show in Beijing, normally in November. 2020 dates are pending.

### *Major Chinese trade/industry associations*

There is currently no specific national nectarine association in China.

The China Fruit Marketing Association ([www.China-fruit.com.cn](http://www.China-fruit.com.cn)) is a non-profit organization founded in 1991, voluntarily organized by fruit producers, dealers, marketers, processors and packers. The association provides market information on domestically grown fruits.

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](mailto: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](mailto:wanglijuan@cawa.org.cn) or [international@cawa.org.cn](mailto: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.

China is a huge country with complex regional difference. Tastes, customs, culture, business practices and government regulations vary from place to place. What's more, with the booming of new technology, new shopping experience has emerged, the consumption market and consumer behaviors have been changing dramatically nowadays. Therefore, it is highly recommended that U.S. nectarine exporters should take all the following factors into consideration when making a marketing strategy to enter into China market.

- 1) Understand the market: 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 relationship with right person, trade incentive program will help stimulate traders' desire to carry U.S. nectarines Experience in other markets will not necessarily help in China, and some aspects of the market need to be witnessed to be fully understood. 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) Find your market niche and focus on it by following steps:
  - Invest in consumer research and consumer educational training
  - Invest in media coverage to enhance produce awareness.
  - Be flexible: remember that exporters who enter the market with preconceived notions may miss out in such a changing environment.
  - Invest in marketing promotion including retail display PR program and online PR promotions
  - 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](#).



It is highly recommended that U.S. exporters get in touch with one of the five ATO offices in China. Our staff are able to help U.S. exporters establish linkages with the major players in the region, provide local fruit industry contacts, and consult on the development of a market entry and promotion strategy.

**For more information about this report, please contact:**

**Agricultural Trade Office in Guangzhou**

U.S. Consulate General Guangzhou

Phone: (86-20) 3814-5000

[atoguangzhou@fas.usda.gov](mailto:atoguangzhou@fas.usda.gov)

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

**Attachments:**

No Attachments.