

China Fruit Market Research Monthly Report

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BOABC:China's High Quality Apple Prices Would Rise If the Cold Injury Caused Reduction of Apple Output by 20%

Hit with a cold spell before and after the Tomb-sweeping holidays, large areas of the apple production areas of Shaanxi, Shanxi and Gansu were affected. According to the present estimation, the apple production of Gansu would reduce by about 60%, the apple production of Shaanxi would reduce by about 50% and the apple production of Shanxi would reduce by about 35%. China's apple output in 2018 was foreseen to drop by 20% (the actual reduction would be confirmed during the physiological fruiting period). In 2017, China's apple output was 43.8 million tons. In 2018, the apple output would drop to about 35 million tons. This would definitely have certain influences on the apple market.

In 2017, as the sales cost increased including carton sales cost, plus the environmental rectification made some enterprises stop producing and some construction work stopped, also, the fruit substitutes increased, apple inventories remained high. At present, the inventories is estimated to be about 50%; the high quality apple purchase price in the high quality production areas could reach 6 RMB/kg and the currency price is less than 4RMB/kg. This means there is an imbalance in the high quality apple supply and demand. In 2018, a certain degree of apple oversupply would still remain. The reduction of output due to the cold injury would play a part in easing the apple imbalance and restraining the apple price decline. At present, the Western producing areas are China's important high quality apple producing areas, especially, the areas such as Jingning of Gansu Province and Luochuan of Shaanxi Province. According to the present statistics, Jingning's reduction of output was foreseen to be about 80%, Luochuan's reduction of output was foreseen to be about 65% and Wannong's reduction of output was foreseen to be about 45%; This means the reduction of output of the high quality apples would be more serious. The high quality apple price would rise sharply. In conclusion, if the cold injury caused China's apple output to reduce by 20%, it wouldn't be able to change the total apple oversupply and make the apple price rise sharply. However, it would bring great impact on the high quality apple prices.

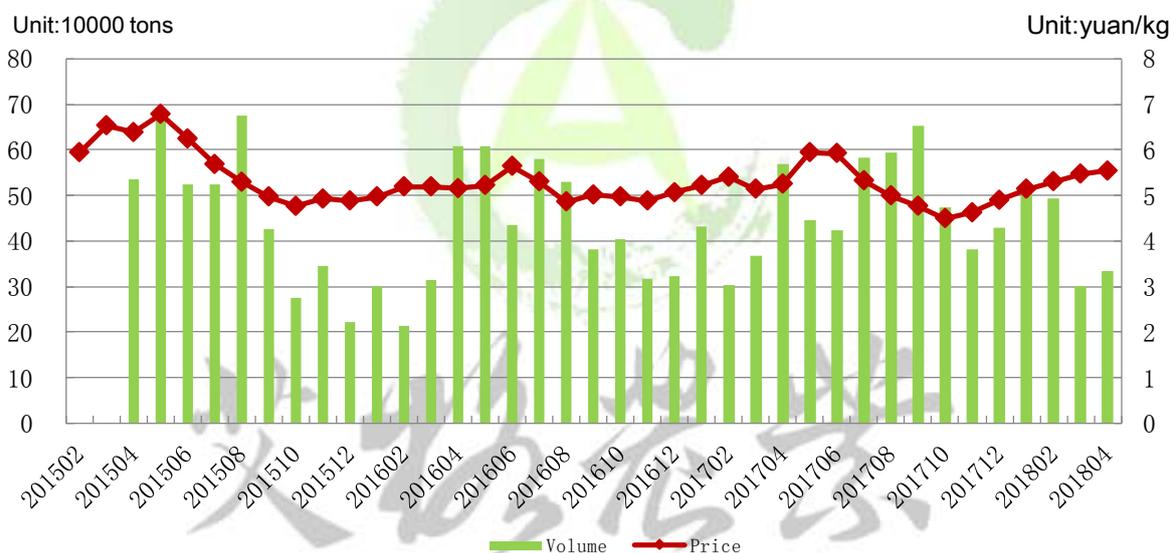
1 In March, the main fruit variety market price changes

1.1 The fruit market condition in April

1.1.1 The average price of fruit was 5.54RMB/kg, and volume was 334,300 tons

According to Wholesale market data monitored by the ministry of agriculture, In April, The average wholesale price of fruit was 5.54 RMB/kg, up1.19% month on month, up 5.39% year on year; the volume of fruit was 334,300 tons, up11.69% from the previous month, down 41.23% from the same period of 2017.

FIG.1 Monthly fruit volume and price changes in wholesale markets monitored by the ministry of agriculture (2015-2018)



Source: Department of agriculture information center

1.1.2 Fruit prices will fell slightly in May

The volume of Southern Fruit is larger, of which mango, watermelon, cherry and pineapple become the protagonist, fruit average wholesale prices continue to rise, the increase narrowed. It is expected that May, the spring fruits are concentrated on the market, the average price of fruit flat slightly down.

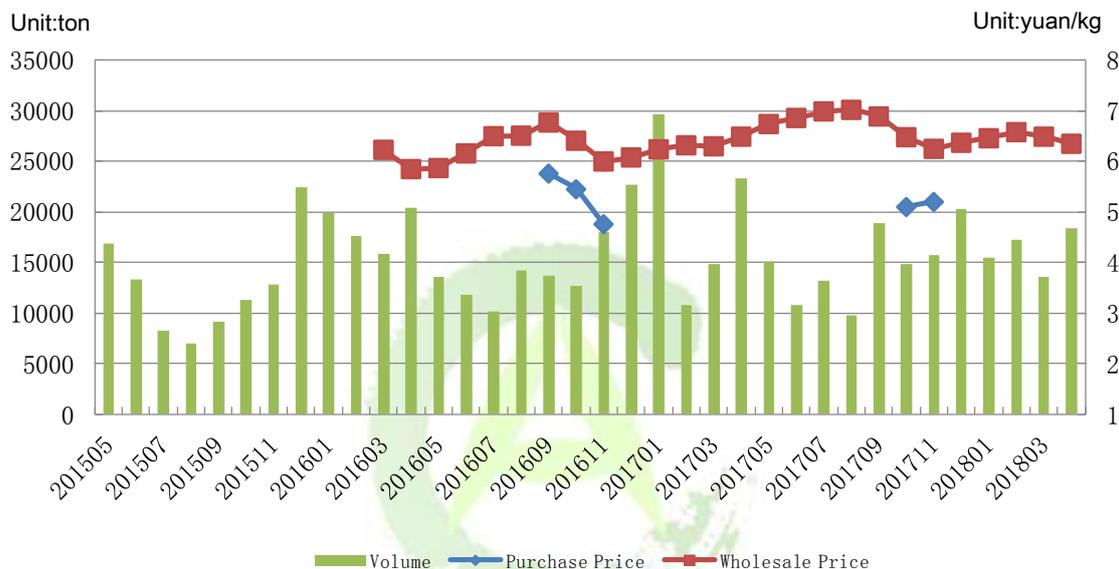
1.2 Fuji apple market price change and forecast

1.2.1 The wholesale price of Fuji apples was 6.35 RMB/kg

In April, the average wholesale price of Fuji apple was 6.35 RMB/kg, down 2.16% month on

month, down 2.16% year on year. The wholesale market for fruit products monitored by the ministry of agriculture, traded at 18,351 tons, up 35.03% month on month, down 21.43% year on year.

FIG.2 Monthly Fuji apple volume and price changes in wholesale markets monitored by the ministry of agriculture (2015-2018)



Source: Department of agriculture information center, ChinaFruit Circulation Association

1.2.2 The price of Fuji apples will fell in May

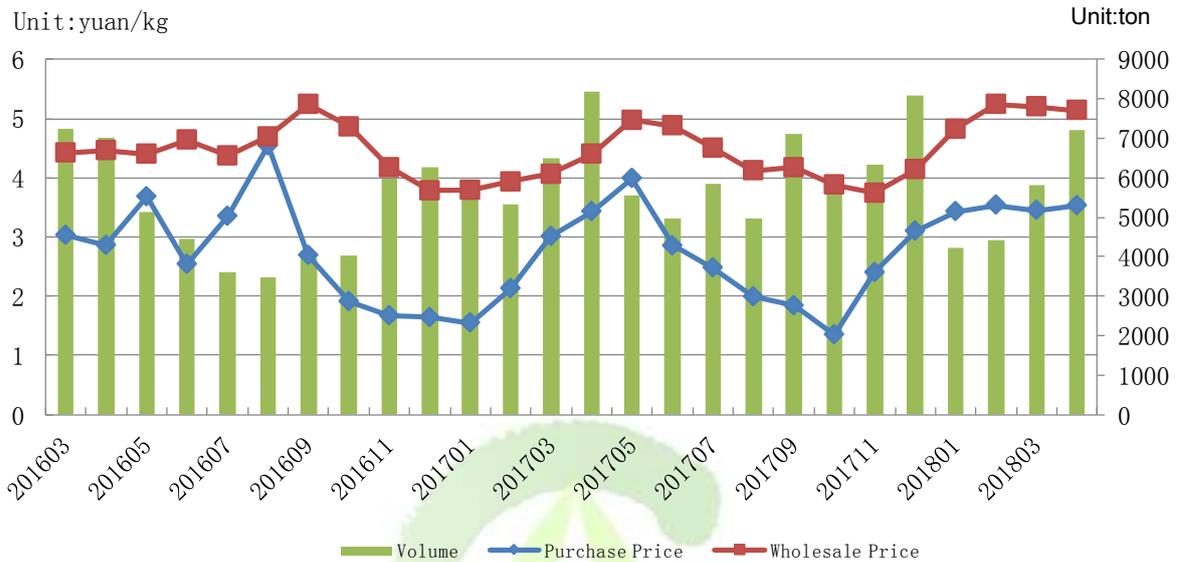
At present, Fuji Apple stocks higher, coupled with the lack of consumer demand, seasonal fruit substitution effect highlighted, but by the impact of production cuts, the market is strong willingness to price, Fuji Apple decline will be narrowed or flat.

1.3 Banana market price change and forecast

1.3.1 Banana purchase price rose, wholesale price fell

In April, the average purchase price of banana was 3.53 RMB/kg, up 2.32% month on month, up 2.92% year on year. The average wholesale price of bananas was 5.14 RMB/kg, down 1.15% month on month, up 16.52% year on year. The wholesale market for fruit products monitored by the ministry of agriculture, traded at 7,221 tons, up 24.36% month on month, down 11.6% year on year.

FIG.3 Monthly banana volume and price changes in wholesale markets monitored by the ministry of agriculture (2016-2018)



Source: Department of agriculture information center, ChinaFruit Circulation Association

1.3.2 The price of banana will fell in May

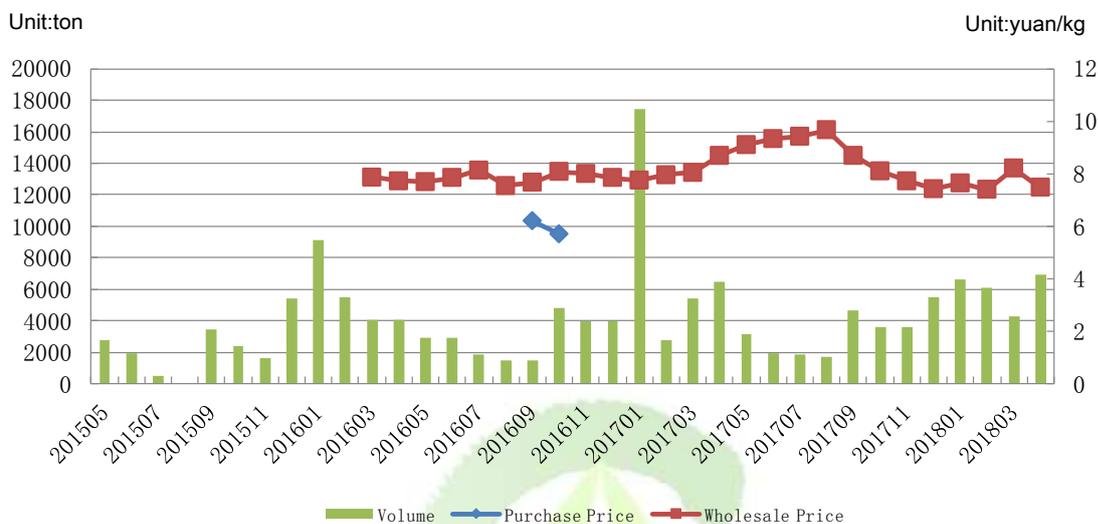
Domestic banana Planting Area reduction, import banana impact increase, typhoon and yellow leaf disease constantly attack, make current our country banana price is in relatively high, but be affected by spring fruit concentrated listing, banana price or will drop slightly.

1.4 Fragrant pear market price change and forecast

1.4.1 The fragrant pear market price was 7.48RMB/kg

In April, the average wholesale price of fragrant pear was 7.48 RMB/kg, down 8.89% month on month, down 13.92% year on year; The wholesale market for fruit products monitored by the ministry of agriculture, traded at 6,900 tons, up 7.25% year on year.

FIG.4 Monthly fragrant pear volume and price changes in wholesale markets monitored by the ministry of agriculture (2015-2018)



Source:

Department of agriculture information center, ChinaFruit Circulation Association

1.5 Kiwi berry market price change and forecast

1.5.1 The kiwi berry market price was 8.74RMB/kg

In April, the average wholesale price of kiwi berry was 8.74RMB/kg, down 1.13% month on month, down 7.61% year on year. The wholesale market for fruit products monitored by the ministry of agriculture, traded at 4,706 tons, up 60.9% year on year.

FIG.5 Monthly kiwi berry volume and price changes in wholesale markets monitored by the ministry of agriculture (2015-2018)



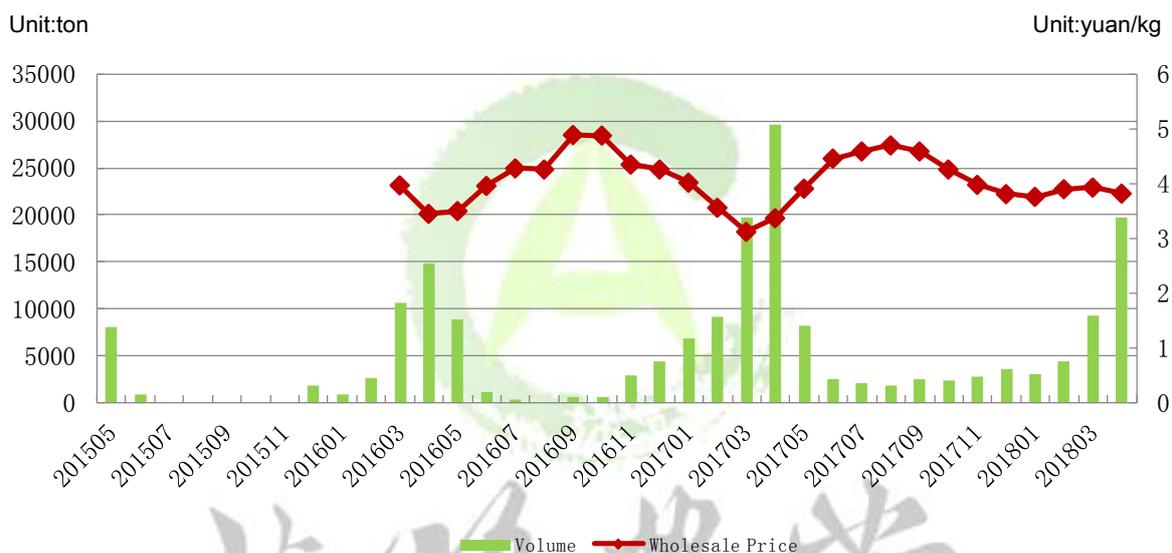
Source: Department of agriculture information center

1.6 Pineapple market price change and forecast

1.6.1 The pineapple market price was 3.82 RMB/kg

In April, the average wholesale price of pineapple was 3.82RMB/kg, up 0.77% month on month, up 25.96% year on year. The wholesale market for fruit products monitored by the ministry of agriculture, traded at 19,779 tons, up 33.21% year on year.

FIG.6 Monthly pineapple volume and price changes in wholesale markets monitored by the ministry of agriculture (2015-2018)



Source: Department of agriculture information center

1.6.2 Pineapple price will rise in May

Pineapple is now a large number of listed pineapple prices relatively low, into the May, the period of pineapple will continue to end, the price will rise.

1.7 Watermolen market price change and forecast

1.7.1 Watermolen wholesale price was 4.77RMB/kg

In April, The average wholesale price of watermolen was 4.77 RMB/kg, up 3.7% month on month, up 10.93% year on year. The wholesale market for fruit products monitored by the ministry of agriculture, traded at 4,394 tons, down 38.05% year on year

FIG.7 Monthly watermelon volume and price changes in wholesale markets monitored by the ministry of agriculture (2015-2018)



Source: Department of agriculture information center, ChinaFruit Circulation Association

1.8 The giant peak grapes market price change and forecast

1.8.1 the giant peak grapes wholesale price was 9.43RMB/kg

In April, The average wholesale price of the giant peak grapes was 9.43 RMB/kg, up 9.14% month on month, down 1.67% year on year.

FIG.8 Monthly the giant peak grapes volume and price changes in wholesale markets monitored by the ministry of agriculture (2015-2018)



Source: Department of agriculture information center, ChinaFruit Circulation Association

2Fruit Market Analysis

2.1 Second and Third-tier Cities Became Key Areas Fresh Retail Leading Enterprises Competed for

2017 was the first year of the new retail businesses. The e-commerce giants such as Ali, JD.com, Tencent.com, Yonghui Superstores, Amazon, Meituan.com and Suning.com and retailers all entered the fresh retail business. The first-tier cities are the important markets that almost every nationwide retail enterprise must enter. They are also the new comers' starting points. Most of China's middle class and high-end fresh food consumers concentrate in the first, second and third-tier cities. The second and third-tier cities are also the key areas in which the fresh retail leading enterprises want to distribute.

On the one hand, local enterprises' poor management provided opportunities for the nationwide fresh retail enterprises in the second and third-tier cities. Also there is still a relatively unworked area in new fresh retail in the second and third-tier cities. Most of the enterprises are regional fresh retail enterprises such as Wuhan's Kiss My Fruit, Zhengzhou's CXS, Changsha's Greenery Fruit, etc. The state of operation of these regional fresh fruit markets is not very optimistic and few makes money. Kunming Kankan Fruit Industry kept narrowing down its store-opening number. Hangzhou fruit chain brand "Fruits Pinque" closed down.

On the other hand, as the second and third-tier cities are located in the regional centers, they are suitable for the fresh food enterprises' to set up transit warehouses. In the North, Zhengzhou became the center to provide for Beijing, Shanghai and Shijiazhuang. In the South, Wuhan became the center to provide for some of the Southern cities. Meanwhile, the consumption levels and population densities of these regional city centers are also pretty high.

Therefore, many of the fresh retail leading enterprises distributed in the second and third-tier cities. In April of 2018, Pagoda set up 8 stores in Kunming. The company planned to set up 300 stores in Yunnan in the next three years. Fresh Fruit set up 10 stores in Zhengzhou, 20 in

Wuhan; HemaXiansheng opened stores in Xi'an.

As more and more companies entered the fresh retail business, an explosive development occurred. In 2018, the main fresh retail battle fields transferred from the first-tier cities to the second and third-tier cities. These cities have become the key areas that the fresh retail companies competed for.

2.2 China's High Quality Apple Prices Would Rise If the Cold Injury Caused Reduction of Apple Output by 20%

Hit with a cold spell before and after the Tomb-sweeping holidays, large areas of the apple production areas of Shaanxi, Shanxi and Gansu were affected. According to the present estimation, the apple production of Gansu would reduce by about 60%, the apple production of Shaanxi would reduce by about 50% and the apple production of Shanxi would reduce by about 35%. China's apple output in 2018 was foreseen to drop by 20% (the actual reduction would be confirmed during the physiological fruiting period). In 2017, China's apple output was 43.8 million tons. In 2018, the apple output would drop to about 35 million tons. This would definitely have certain influences on the apple market.

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high quality apples would be more serious. The high quality apple price would rise sharply. In conclusion, if the cold injury caused China's apple output to reduce by 20%, it wouldn't be able to change the total apple oversupply and make the apple price rise sharply. However, it would bring great impact on the high quality apple prices.

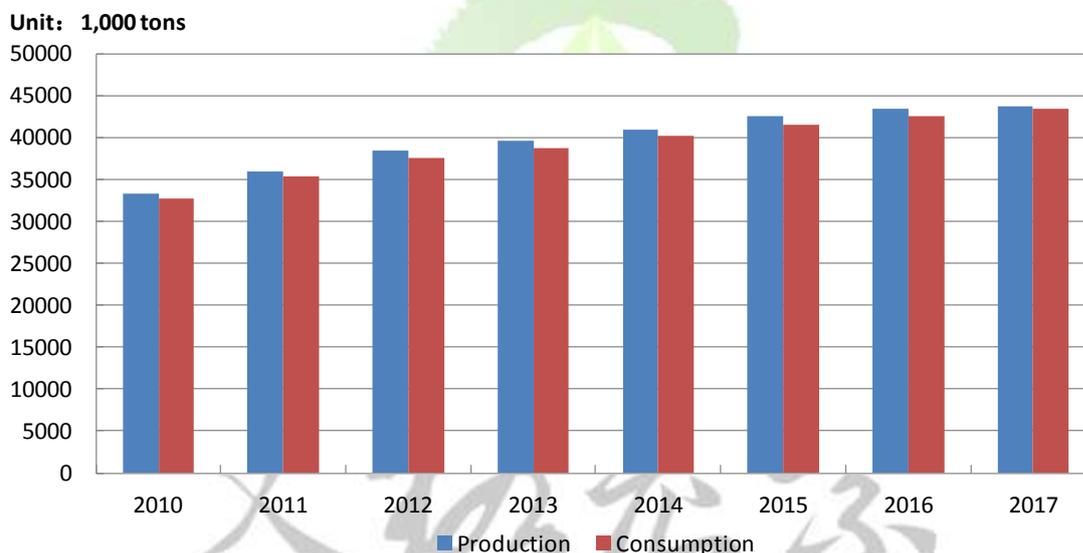
Table, Prediction on Three Western Provinces' Apple Output Reduction

Province	County/City	Cultivated Area (million mu)	Prediction on Production Reduction	Remarks
Shanxi	Luochuan	50	70%-80%	The outputs of Yanan, Xianyang, Baoji and Weinan are about 96.8% of Shaanxi Province's total apple output. The impact of the 4 cities' reduction of outputs on the whole province's reduction of output would be about 50%. Shaanxi's apple output is 25% of China's apple output and its impact on China's apple reduction of output would be 12%.
	Fuxian	30	70%-90%	
	Baishui	50	30%-40%	
	Chengcheng	38	60%	
	Liquan	70	20%	
	Xunyi	50	50%	
Gansu	Jingning	100	80%	Gansu's apple reduction of output was predicted to be between 60% to 70%. Gansu's apple output proportion is 9% of China's apple output. Its impact on China's apple reduction of output would be about 5%.
	Qingan	60	80%	
shanxi	Llyi	50	30%	Shanxi's apple reduction of output

	Wanrong	40	30%-50%	was predicted to be between 30% to 40%. Shanxi's apple output proportion is 10% of China's apple output. Its impact on China's apple reduction of output is about 3%.
	Ruicheng	35	40%	
The preliminary predicted impact of the three Western provinces' apple reduction of output on China's apple reduction of output would be about 20%				

Data Source: www.pingguo7.com

Fig, The Production and Consumption of Apple



Date Source: BOABC Base

3Market Express

3.1 Apple Output May Drop 20% due to Cold Damage in 2018

In early April, the northern fruit producing areas witnessed cold damage and the fruit trees in Gansu, Ningxia, Shanxi, Shanxi suffered the most serious cold damage, even no yield in some counties and townships. At the same time, the cold damage in Xinjiang, Hebei, Henan, Shandong and Liaoning was not very serious. Apple output is expected to decline 20% in 2018.

3.2 Output of Thai Mangosteen, Durian, Rambutan&Longkong Will Decrease

In 2018, the acreage of mangosteen, durian, rambutan and Longkong reached 1.6277 million mu in Thailand, an increase of 0.17% over last year. However, due to a wide range of thunderstorms, the output of mangosteen, rambutan and Longkong is expected to decline 0.30%, 1.63% and 8.97% respectively; only the output of durian will grow 2.56%.

3.3 Hainan's Litchi Output May Reach 300,000 Tons in 2018

Litchi is the most widely planted tropical cash crop in Hainan province. In 2018, the output of litchi is expected to reach 300,000 tons in Hainan and the direct output value may exceed RMB 4 billion.

3.4 India Relaxed Apple Import Regulations, Any Port Can Receive Imported Apples

India has relaxed the restrictions on apple imports since April. Any port in India can receive apple shipments but India has not approved the entry of the apples from China. Previously, the apple imports were only allowed to go through the airports and seaports in Kolkata, Chennai, Mumbai and Cochin; New Delhi's land ports and airports as well as the border checkpoints in India.

3.5 Chile's Blueberry Exports to China Rose 12% in 2017/18

Chile's national bureau of statistics reported of blueberry historical export record in 2017/18, the exports reached 107,000 tons, up 7% year on year. The blueberry exports to mainland China increased 12% but the exports decreased to Hong Kong and Taiwan.

3.6 Production & Marketing of China's Strawberries Hit a Record High in 2017

According to the first international strawberry brand conference in Nanjing, China's strawberry planting area was more than 2.3 million mu in 2017, the output of more than 4 million tons, the total output value of RMB 60 billion. China has become the world's largest strawberry producer.

4 Company News

4.1 Zespri's Kiwi Fruit Output May Reach 70,000 Tons

Zespri reported that the new season kiwi fruit output would exceed last year's level and reach 70,000 tons, equivalent to 20 million trays.

4.2 Chiquita's New Container System Can Prolong Banana Life-span to 45 Days

Chiquita is equipped with containers which have a new controllable atmosphere system to improve the freshness of fruits and vegetables, extend the life-span of bananas and other fruits and vegetables to 45 days.

4.3 Daling Family Yiguo.com Channel Officially Has Opened to Expand Fresh Food Market of Female Consumers

On April 16, the new retail fashion platform for female consumer shopping experience - Daling Family Yiguo.com channel was launched. With the aid of Yiguo.com's high-quality overseas fresh food supply chain, Daling Family APP's fresh food shopping sector has been upgraded and the high quality resources are constructing and benefiting mutually from each other.

4.4 Alibaba & Thai Government Signed a Durian Order Worth RMB 3 Billion

Alibaba held a strategic cooperation conference with the Thai government and signed a three-year durian order worth RMB 3 billion and the durian will be sold in Tmall, RT-Mart, etc. Most of the imported durian comes from Thailand which has grown to be the biggest imported fruit supplier of Tmall, of which 80% of the transactions come from Golden Pillow durian.

4.5 Sam's Club Has Officially Joined JD Daojia Platform

Sam's Club is under Wal-Mart and it has officially joined JD Daojia platform and becomes the first paying member merchant in order to meet demand of high quality fresh food "one-hour delivery" service and this function only works in parts of Shenzhen, China.

4.6 Yonghui's B2B Platform - Caishixian's Revenue Exceeded RMB One Billion in 2017

Yonghui Supermarket reported that its B2B platform - Caishixian's revenue was more than RMB one billion in 2017. Caishixian has established fresh food plants in Chongqing, Beijing, Fujian, Sichuan and Anhui with 438 stores. In 2018, the company plans to expand business in Henan, Hebei, Guizhou, Shaanxi, Hangzhou, Guangdong, establish four to six fresh food processing and distribution plants, gradually make them platforms for Yonghui in other regions.

4.7 Pagoda Orchard Plans to Open 300 Stores in Kunming

In April, Pagoda Orchard has opened eight stores in Kunming. The company plans to open more than 300 stores in Yunnan province in the next three years. Meanwhile, the online service will be available, the latest information and the newest fruits will be updated timely with online purchase and no-hassle return policy, the online purchase guarantees the delivery time of 59 minutes.

4.8 Hangzhou Qunfeng Fruits Opened 10 Stores in Zhengzhou, Entering the Central Plains Market

On April 20, Hangzhou Qunfeng Fruits Chainstore Corp opened 10 stores in Zhengzhou. It is Qunfeng's important step to enter the Central Plains, taking Zhengzhou as its center, covering the surrounding five provinces.

5 Investment trend

5.1 New Fruit Retail Brand "TianmaBianli" Gained RMB 5 Million Financing

China's new fruit retail brand, an internet retail platform "TianmaBianli" recently gained RMB 5 million financing which would be used for the platform's team building and platform construction. Based on the internet+the industry, "TianmaBianli" is a fruit retail mall which was set up through WeChat Public Number and small program applications. It mainly sells mid-to-high end fruits.

5.2 XinyangfengPeiruiPlanned to Set up a Dragon Fruit Processing Plant in Vietnam

XinyangfengPeirui (Beijing)Ecological Agriculture Science & Technology Corp and Jiasheng Import & Export Trade Corp (hereafter referred to as Jiasheng) achieved a strategic cooperation. The company would set up XinyangfengPeirui (Vietnam) dragon fruit processing plant in Vietnam.

