Fresh Produce Forum China: 20 key trends

Asiafruit brings you the programme highlights from Fresh Produce Forum China, which launched in Chengdu last week.

Going West
Southwest China — centred on Chengdu and Chongqing — is China’s new growth hotspot. Since 2008, the population of mega-city Chongqing has edged up by 17m to a staggering 30m. Chengdu’s has swelled by some 25 per cent, from 11m to 14m. The growth in population and income levels — underpinned by China’s Go West policy — has driven demand, according to Li Yamao, southwest China regional manager for Joyvio-Golden Wing Mau, who made the opening presentation at Fresh Produce Forum China.

Logistics enables market growth
Li said the time it takes to truck imported fruits from east coast entry ports of Guangzhou and Shanghai to the west has almost halved over the past decade. Back in 2008, it used to take 50 hours. Now it takes around 30 hours — and shipping cycles are getting shorter all the time.

New routes to consumers
But there’s much more development to come. “From Chongqing, we’re trying to expand to many other second-, third- and fourth-tier cities in the region,” said Deng Hongjiu of Chongqing-based importer-distributor Hongjiu Fruits. “Chongqing is like a bridgehead.” Chongqing’s river port, which has customs clearance capability, offers potential to bypass the many layers of distribution via the east coast — and get imported fruit into market much quicker. New rail links along the ‘new silk route’ connecting both Chongqing and Chengdu to Europe will open up the west of China for European suppliers, said Deng.

Distribution shift
The growth rates will be staggering and could see the west overtake coastal areas in the future, he believes. “Up until now, the import trade has been dominated by two major trading ports — Guangzhou and Shanghai — but this will change,” said Deng. He sees key distribution hubs forming around the country to serve regional clusters. Guangzhou will focus mainly on the southern part of China; Shanghai will primarily serve eastern China with Jiaxing at the core; the southwest will be covered by Chongqing/Chengdu; the central region by Zhengzhou; and the north by Beijing-Shenyang (and far north by Dalian). Shanghai and Guangzhou will become more like first-tier wholesale markets. “The change is inevitable,” he said.

Getting the best for the west


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Consumer behaviour and demands have changed in the southwest. "People here used to want cheaper fruit at lower prices," said Joyvio-GWM's Li. "As we moved into the 1990s and 2000s, their incomes and quality of life improved. The productivity and output of local fruit increased. A push to make these fruits bigger and prettier led to problems with food safety due to excessive chemical and pesticide usage," he explained. Consumers got scared. The situation has improved with local production, but still consumers are sensitive. This has spurred demand for imported fruits. "Consumers now put quality first – the fruit has to be premium grade. Their other key concerns are food safety and health and nutrition," said Li.

Imported and local
Sichuan Province is a major fruit-growing region. Citrus, kiwifruit and berries are all grown in significant volumes locally, and suppliers are moving to capitalise on consumers' increasing appetite with graded and branded offerings. But that's not inhibiting the opportunities for imported fruits – kiwifruit, berries and table grapes to name a few.

Tropical fruits drive import volumes
China’s direct fresh fruit imports have increased four-fold over the past decade to reach 3.8m tonnes last year, revealed Fresh Intelligence Consulting’s Wayne Prowse. More than 70 per cent of the volume is coming from South East Asian countries (the Philippines, Thailand and Vietnam) supplying tropical fruits, such as bananas, dragon fruit and durian. These products are especially popular in southwest China, so much so that many local distributors and buyers have established their own sourcing and packing operations in South East Asia.

Top of the trops
Tropical fruit might be a big volume trade, but that’s not to say there aren’t opportunities for to forge a premium position within the commodity-led category. Take Taiwan, whose pineapples have become very popular, according to Joyvio-Golden Wing Mau's Li.

Berry lovers
Berries are becoming a big deal in China.

means more innovation. Lack of PBR is a disincentive for any company to innovate [or invest]," he said. "China needs investment in rural areas as 360m of its people are still poor by World Bank standards, and many of them live in the areas where we’re working," he said. "We want to develop small Chinese growers, give them economic opportunities and help them to become business owners."

Modernisation mission
Maggie Xie of Haisheng, the world's largest apple juice concentrate producer, outlined the group's mission to modernise the fresh fruit and vegetable sector in China. Haisheng has established close to 6,000ha of modern agriculture plantings around the country. Apples make up more than half of the planted but it has also planted tropical fruits, citrus, berries and cherries, importing plant material and production techniques. Indeed, it is focused on using the best technologies throughout the supply chain. It's now embarking on construction of Asia's largest high-tech greenhouse for growing cherry tomatoes.

New import sources
China’s fruit import market is changing as new suppliers and products clinch access. Italy is already an established supplier of kiwifruit, but Paolo Bruni, president of CSO Italy, was at Fresh Produce Forum China to discuss plans to ramp up its presence with Freshness from Europe – a new three-year campaign to promote Italian fruit in a range of export markets. Co-funded by the EU, Italian government and CSO Italy – the campaign has a budget of some 5.3m euros. Delegates to Fresh Produce Forum China were prospecting opportunities for products as diverse as Indian grapes, Spanish stonefruit and Costa Rican pineapples.

Healthy, but how healthy?
Chinese consumers display a deep interest in the health and wellness attributes of fresh produce, but the industry is too modest when it comes to marketing the health benefits of its products. "Don’t just tell consumers your product is healthy, tell them exactly how healthy it is," said McCann Health’s Zhongxing Zhang in a telling a story and building a brand.

Produce spend grows despite downturn
Overall spending on fresh produce will continue to grow sharply in China, even though the economy has slowed down. That's the opinion of Liu Youcai of online retailer Benlai. "Consumption is being transformed," he said. "Chinese consumers are pursing a higher quality of life and that is reflected in the way they buy – it's no longer just about feeding themselves; it's quality driven," he said. Liu also sees a generational shift. "Previously, consumers were very cautious and preferred to save their money, but younger consumers spend much more freely. This is a mega-trend and it's hard to change."

Kiwifruit boom
Simon Limmer, Zespri's chief operating officer, put some numbers on the consumer market expansion, noting that incremental growth in Chinese private consumption over the next five years will equal a market 1.3 times bigger than Germany or the UK to reach US$6.5 trillion by 2020 (from US$4.2 trillion). Consumer research suggests that nothing is likely to show stronger growth than fresh fruit, he said.

China will overtake Japan this year to become the New Zealand kiwifruit marketer's top market. As the home of the fruit and the world’s largest producer, China is gearing up to capitalise. With many young plantings yet to come online, China’s kiwifruit production could double in the future to reach around two-thirds of global production, according to Zespri’s analysis. Limmer said the local industry is at a critical juncture in its development as it moves from a fragmented smallholding base to a modern, sophisticated and well-organised industry.

Green light for avocados
It's a while for avocados to gain consumer acceptance in China, but there are signs of a breakthrough. Imports have grown sharply off a low base, rising by more than 160 per cent for each of the last two years to reach 15,000 tonnes in 2015. Mexico remains the key supplier, and ProMexico's Felipe Garcia was on-hand to

“We believe at Driscoll’s that China is the biggest fresh berry market opportunity in the world today,” said the group’s VP for the Asia-Pacific region, Jae Chun. So much so that Driscoll’s has established its own plantings in Yunnan province. It’s no easy feat. There are big challenges throughout the supply chain – whether it be protecting your IP, finding clean land and water, managing the cold chain or winning the trust of Chinese consumers who don’t think domestically-grown fruits are safe. But Driscoll’s has a clear mission. “We want to bring the freshest possible product to market,” Chun explained. “For us, it doesn’t matter whether it’s domestic or imported, if we can get the quality right, the consumer will reward it.”

**Building domestic brands**

Driscoll’s is not the only company seeking to create a new quality benchmark for domestically-grown fruits. Leading Chinese fruit e-tailer Fruitday has built it business on high-profile brands of imported fruits. Now it is building a brand of domestically-grown oranges with guaranteed sweetness – Mr Orange. The e-tailer has aligned with packers of domestically-grown citrus who have invested in infra-red grading technology to provide fruit that can deliver its brand promise, and price premiums. “We have a lot of catching up to do with international companies in terms of standardisation, capital, technology and so on. But the gap is not as wide as we imagined,” said Fruitday’s co-founder Loren Zhao.

**Protect and prosper**

Driscoll’s Jae Chun also underlined the importance of IP protection and plant breeders’ rights (PBR) for China’s production to flourish. “More protection workshop session on consumer marketing. He laid out a roadmap – find the evidence of the health benefits, find the target audience, develop the story behind the brand and find an authority to make the brand story believable.

**Online future**

Clark Meng, global sourcing manager at e-commerce giant JD.com, explained the critical importance of fresh produce to the future of its business. Using his smartphone, he gave a live demonstration of the ease of buying fresh fruits online in China. “We’re able to make deliveries in first-tier cities and most second-tier cities the same day if you order before 11am,” said Meng. Fresh produce is a very challenging business for e-commerce companies. Meng acknowledged, but he said JD.com was confident of success in the sector. The group has been investing heavily in the ‘last-mile delivery’, with half of its 120,000 staff focused on this part of the business, as it sees service and reliability as keys to winning over consumers.

**Changing retail channel mix**

China’s fresh food retail market is not a war between bricks-and-mortar and e-commerce channels. Fresh Produce Forum China’s retail panel – featuring executives from Ito-Yokado, Pagoda, Benlai and Jiuye Supply Chain Management – agreed that China’s multiple retail channels can co-exist and complement one another. Liu Youcai of online retailer Benlai said his sector had much to learn from retailers like Ito-Yokado and Pagoda, particularly when it came to handling and selling fresh produce. Jiuye’s Cory Guo said ‘offline retailers’ had an overwhelming advantage in selling fresh produce, adding that that online represented more of a marketing vehicle for

**What’s next? The appetite for novelty…**

Avocados are starting to catch on, but there is potential to introduce a range of new products to Chinese consumers, such as the appetite for novelty. Rockit apples – the miniature apples packed into tubes as a premium snack food – garnered interest on the shelves of retail stores visited at Fresh Produce Forum China. Ian Simmons of ITS Assoc/Fresh Concepts Asia was at the event to introduce Love Beets, the branded baby beetroot that’s available in a range of value-added formats. With independent research currently being completed to confirm the health benefits of beetroot, Simmons is hopeful there will be a potential nutritional punch to any future marketing campaign.

Watch video highlights from Fresh Produce Forum China by Fruitnet Media International’s Chris White.

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