

# Exporting South African Table Grapes to China



# Overview



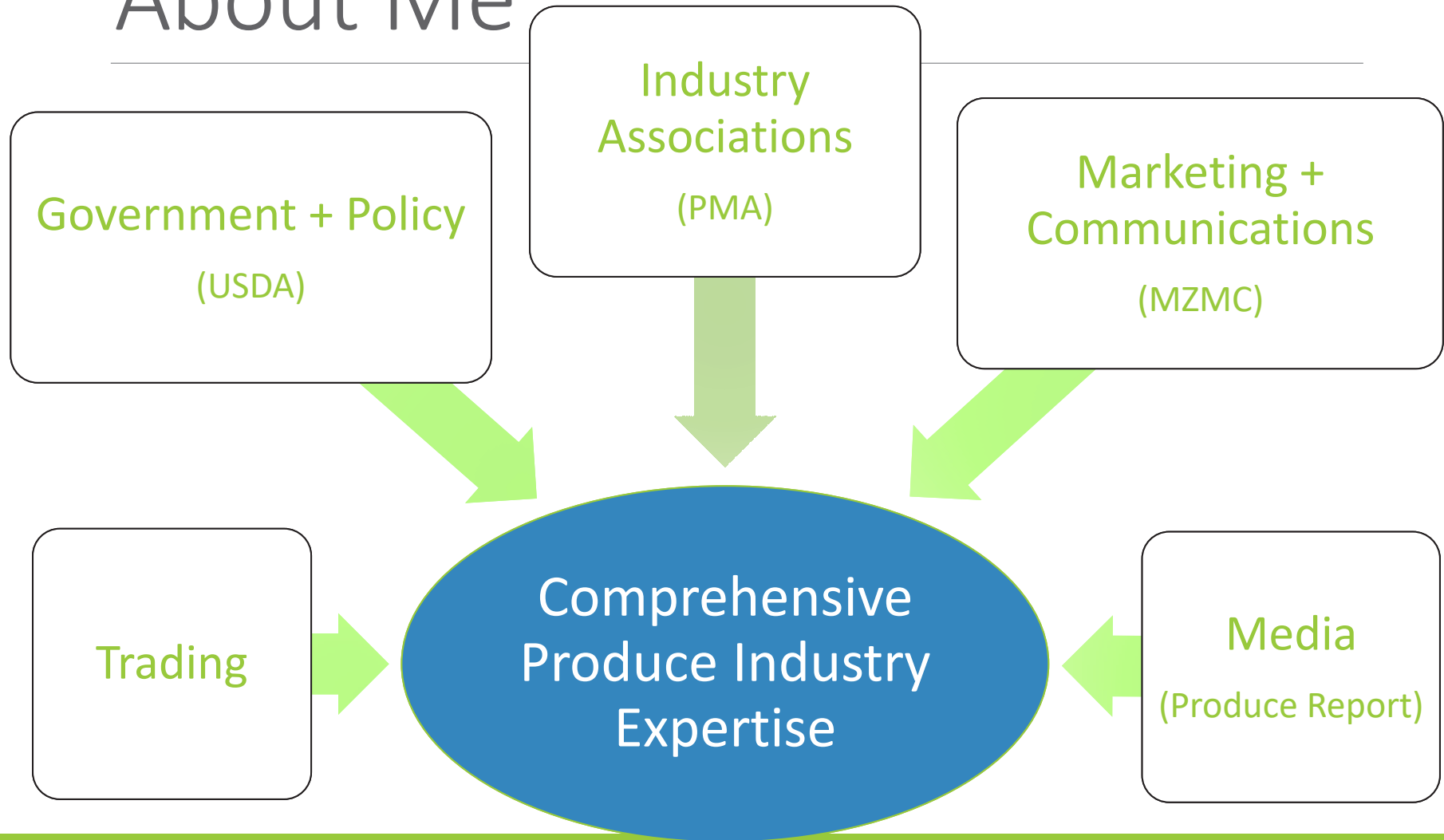
- About Us
- China's Economy: An Overview
- China's Imported Fruit Market
- China's Table Grape and Raisin Market
- Doing Business in China
- Challenges & Recommendations

# About Us

---



# About Me



# M.Z. Marketing Communications Co., Ltd. (MZMC)



## Who we are

← Association management, marketing, and public relations firm based in Shanghai, China

## What we do

- ← Specialize in assisting foreign companies, trade and industry associations, governments, and others to navigate China's imported fresh food market
- ← Help clients achieve market access, market and make their product known in China, and position them for long-term success in China's fresh produce market

## How we accomplish this

- ← Provide clients with a full suite of potential activities, ranging from complex trade and industry education campaigns to comprehensive consumer marketing promotions and media outreach
- ← Recognized by clients for work excellence, attention to client needs, timeliness in project delivery, budgetary savviness, high quality of completed projects, producing measurable results

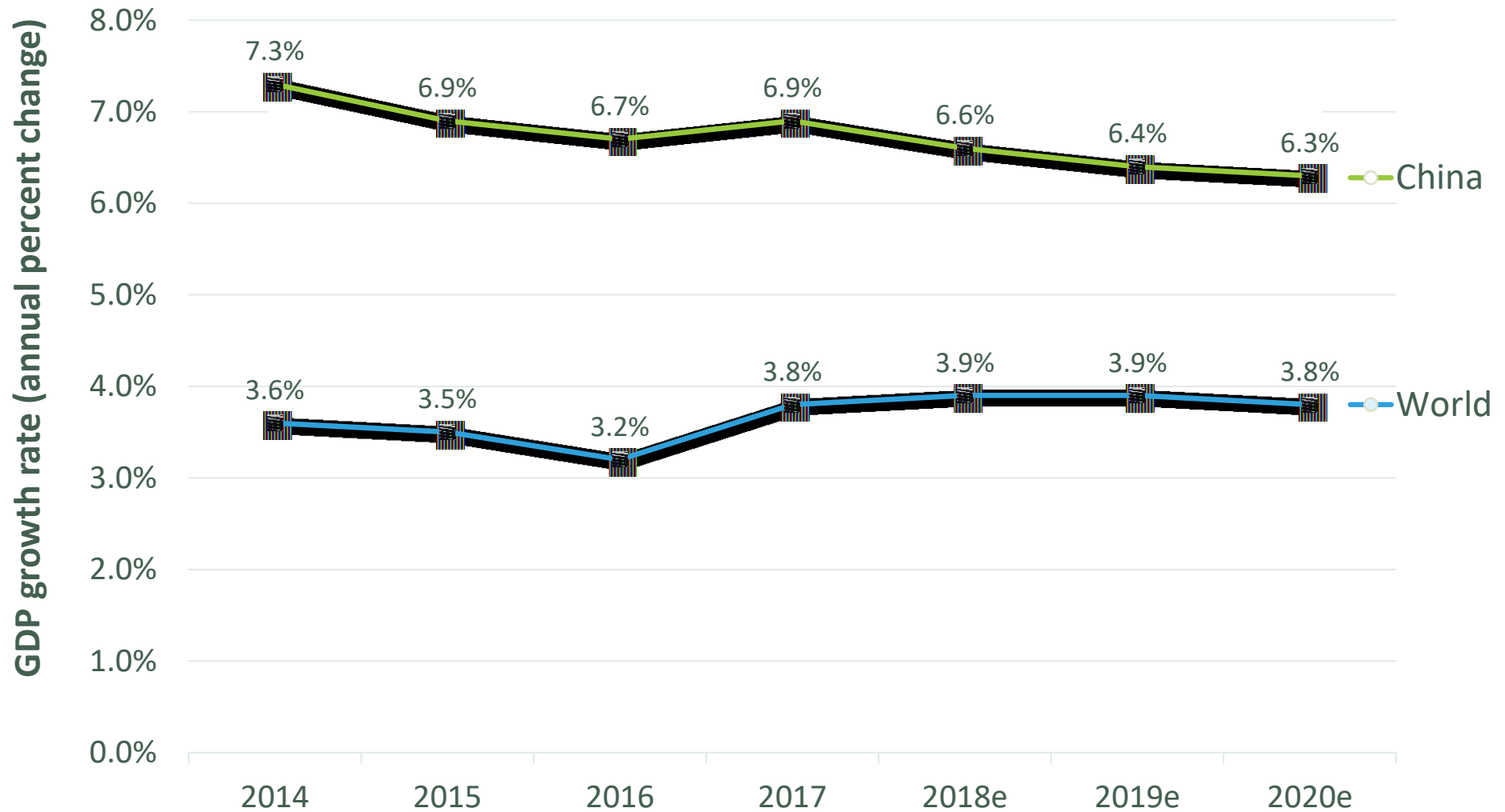


# China's Economy: An Overview

---



# Real and Predicted GDP Growth Rate (2014-2020, by % increase)



Source: World Bank, IMF average

# China's Shifting Economy

---

- Overall move away from exports/manufacturing and to services and a consumption-driven economy
- In the face of increasing protectionism (namely in the U.S.), China has become more involved in pursuing bilateral free trade agreements and shown greater interest in regional trade initiatives
- Current trade war between the U.S. and China causing uncertainty as to the future health of China's, and the world's, economic growth
  - If continuation and escalation of current tit-for-tat tariffs continue, global economic ramifications will be significant



# Opportunities

## Growing middle class

- Expected to reach 400 million by 2020
- Greater disposable income, more willing to pay for high quality and healthy food
- Foreign fruit imports a sign of wealth, prestige
- Growth centered around Tier II/III cities

## Health foods and food safety

- More disposable income = more concern for food safety/health foods
- Social media impact on food safety scandals
- Foreign fruit imports enjoy great reputation
  - Natural, safe, less use of pesticides and chemicals, high quality

## Direct export to Tier II/III

- Increase in chartered flights to inland cities, bypassing Shanghai & Guangzhou

## New varieties/products



# Opportunities: E-commerce

---

## Fresh produce e-commerce

- Chinese e-commerce users 2018: 589 million (843 million expected by 2021)
  - Average user spends 799 USD per year shopping online (by 2021 – 995USD)
- Fresh produce e-commerce: \$22.1 billion in 2017
- Average fresh e-commerce shopper: female, 33 years old, married, white-collar, well-educated
- Why shop online?
  - Fresher produce (79%), purchase/delivery convenience (74%), greater choice in product and country of origin (72%)



# China's Imported Fruit Market

---

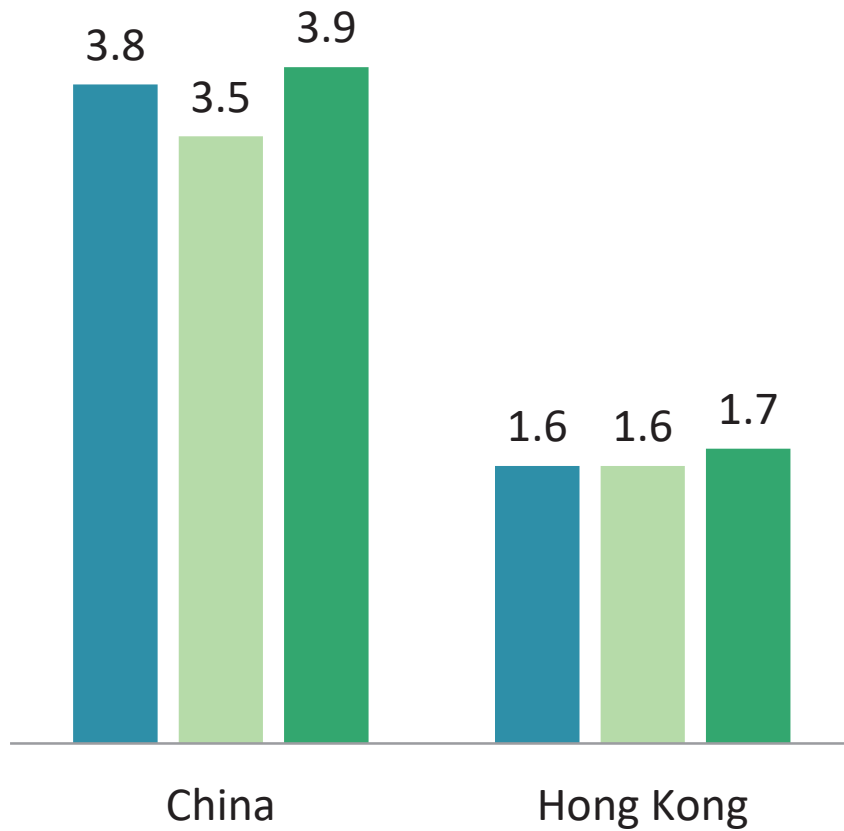


# Total Fresh Fruit Imports for Hong Kong and Mainland China

(2015-2017, by value and volume)

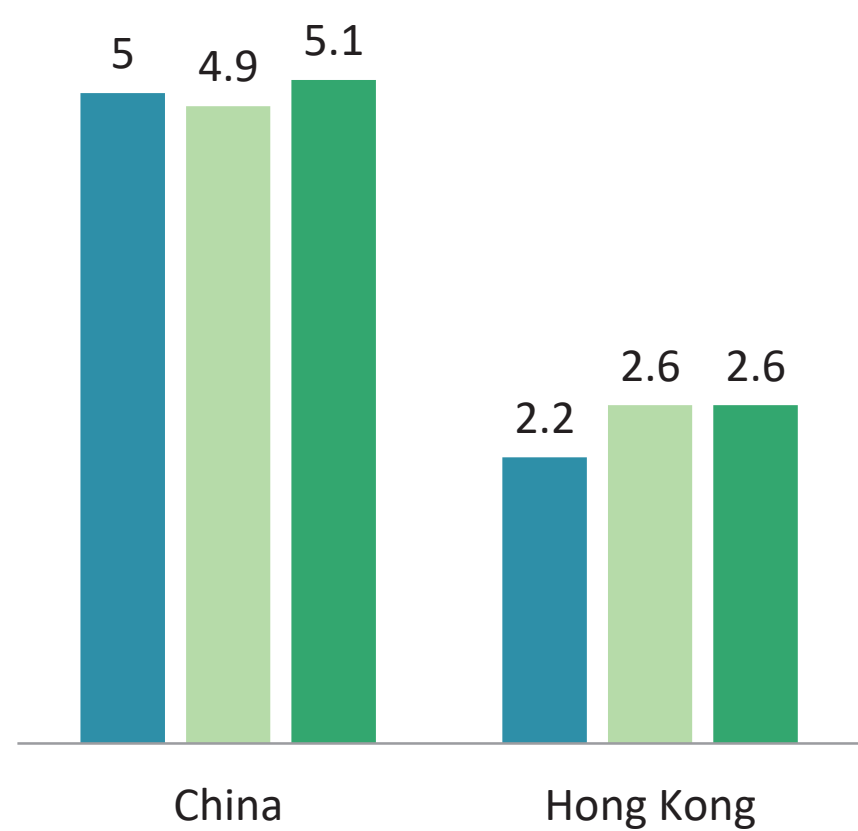
## Volume (million tons)

■ 2015 ■ 2016 ■ 2017

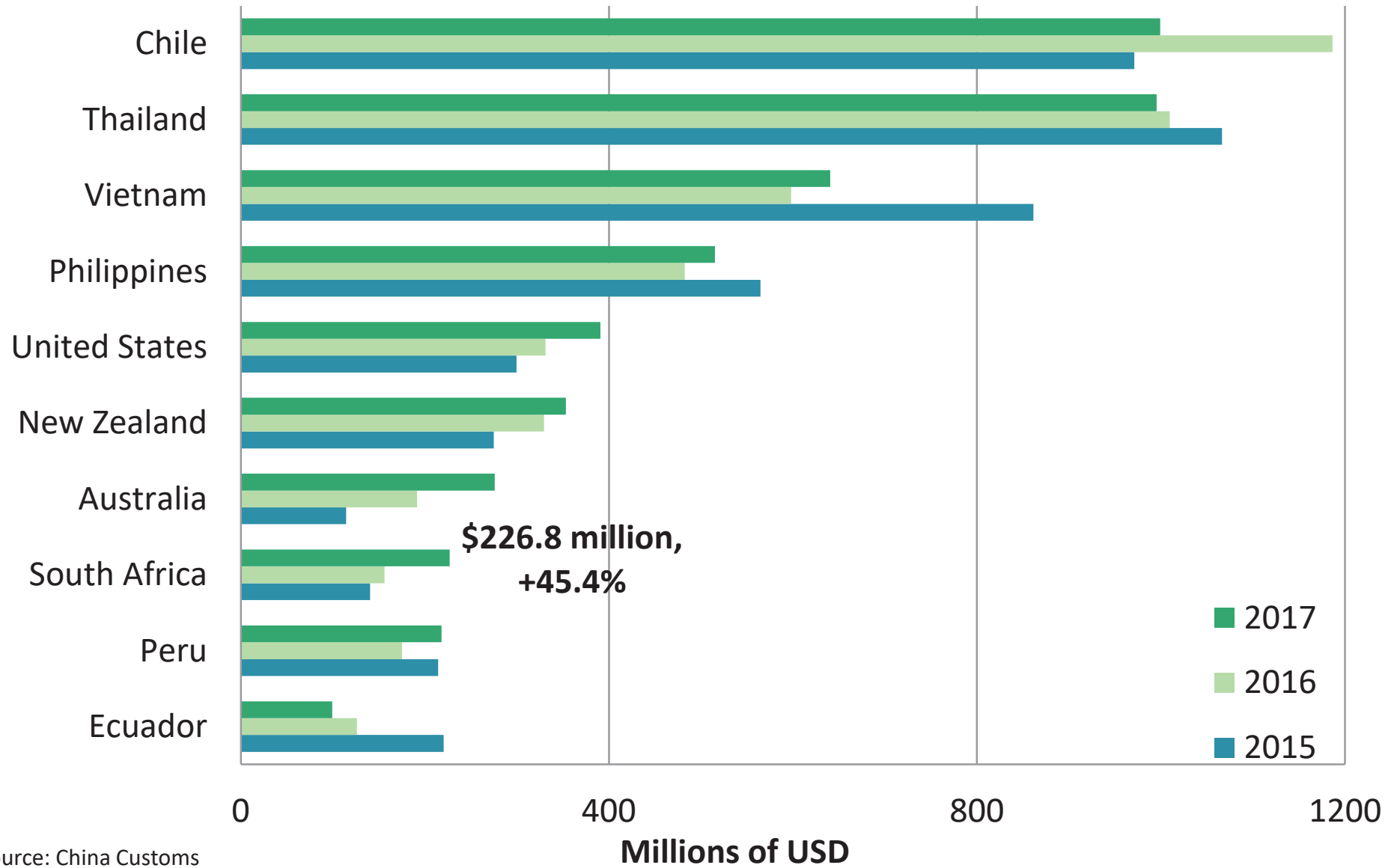


## Value (billion USD)

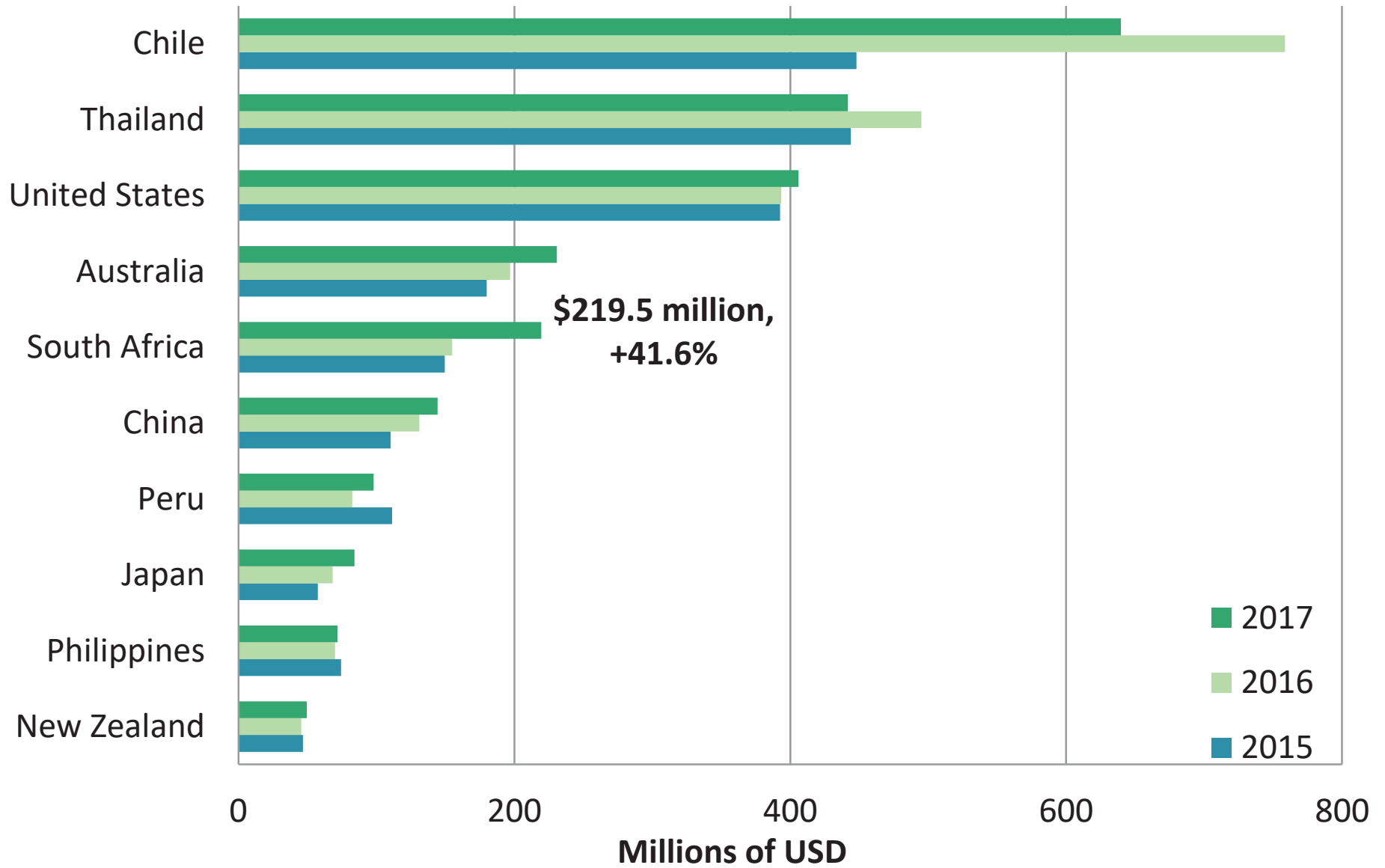
■ 2015 ■ 2016 ■ 2017



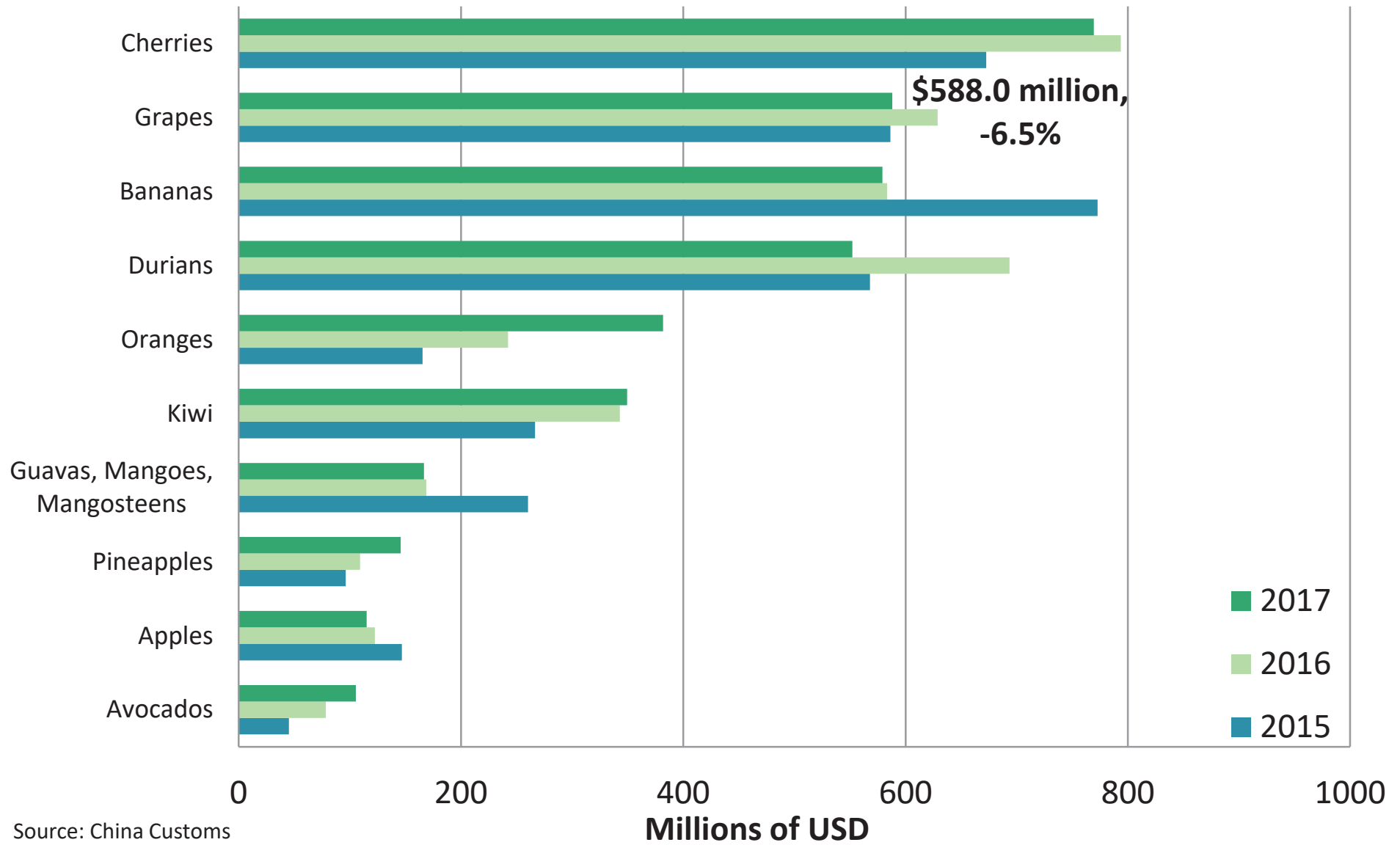
## Top 10 Fruit Importers to Mainland China by Country (in millions of USD)



## Top 10 Fruit Importers to Hong Kong by Country (in millions of USD)



## Top 10 Fruit Imports to Mainland China by Variety (in millions of USD)



# China's Table Grape and Raisin Market

---





# 葡萄 (pútáo) versus 提子 (tízi)

Domestic table grapes = 葡萄

Imported table grapes = 提子



Local table grapes



Local table grapes



American table grapes



Locally-grown flame table grapes



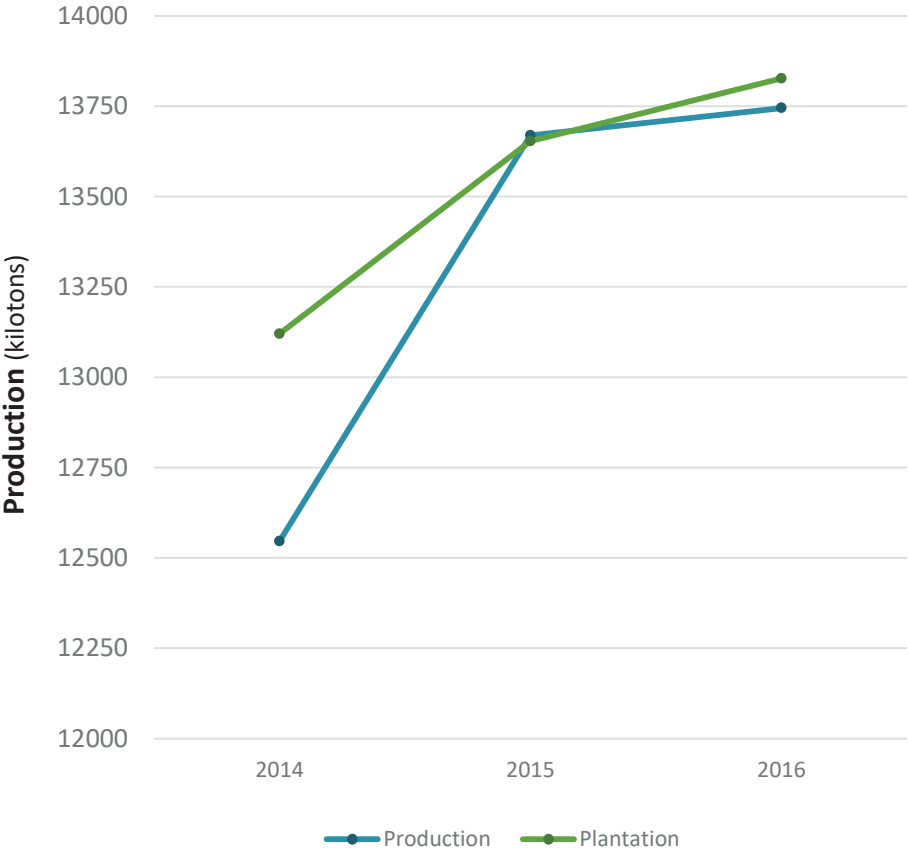
Xinjiang-grown red globe grapes



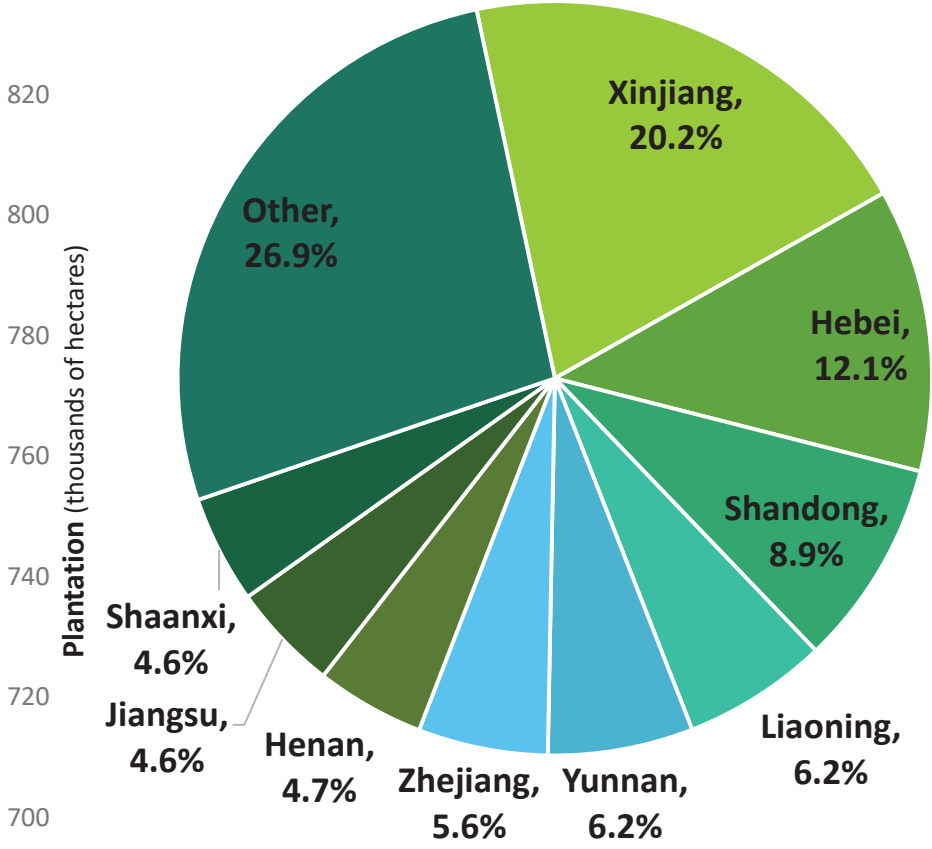
Peruvian table grapes

# China's Domestic Grape Production

Grape Production (2014-2016)

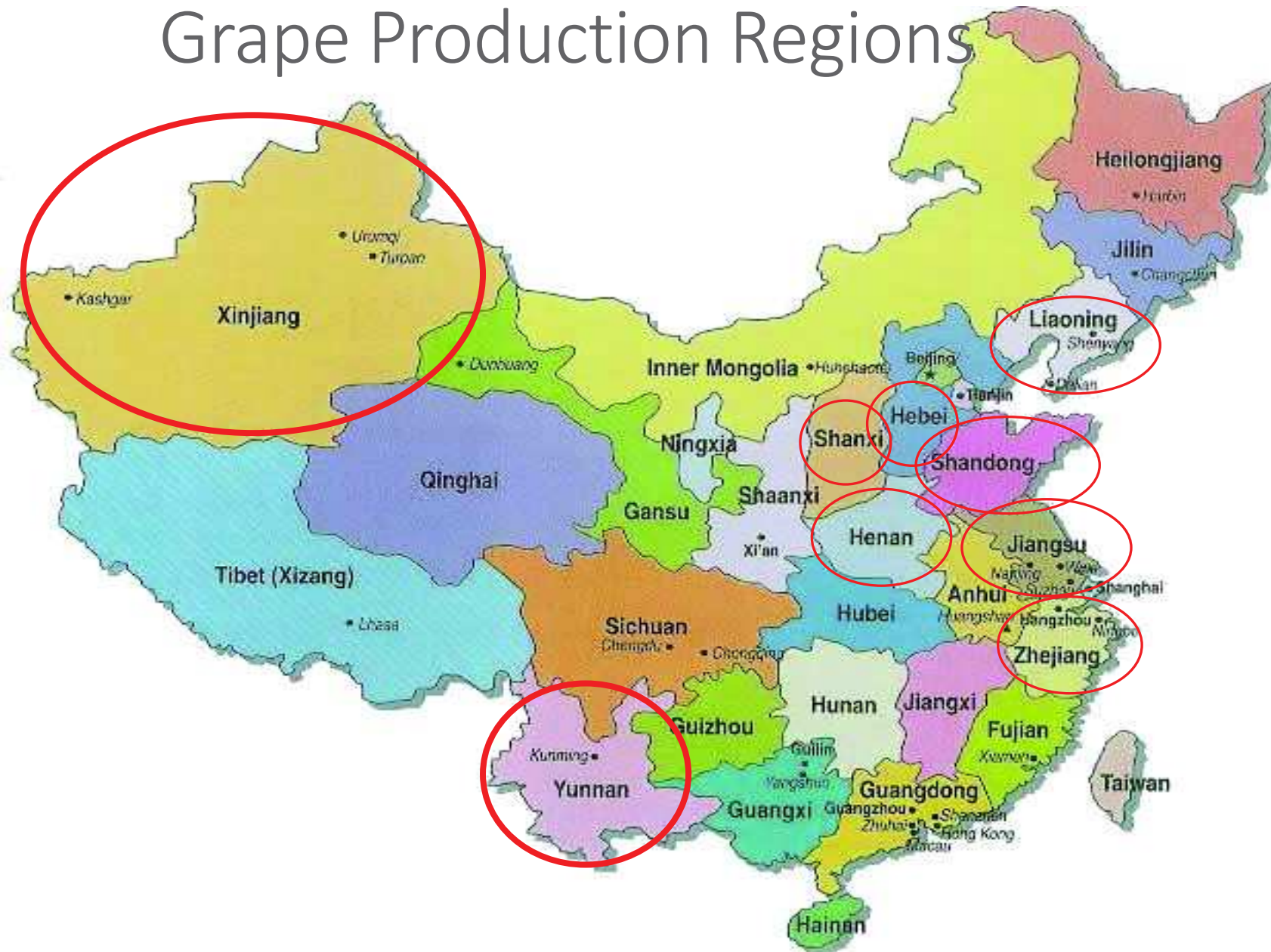


Grape Production per Province (2015)

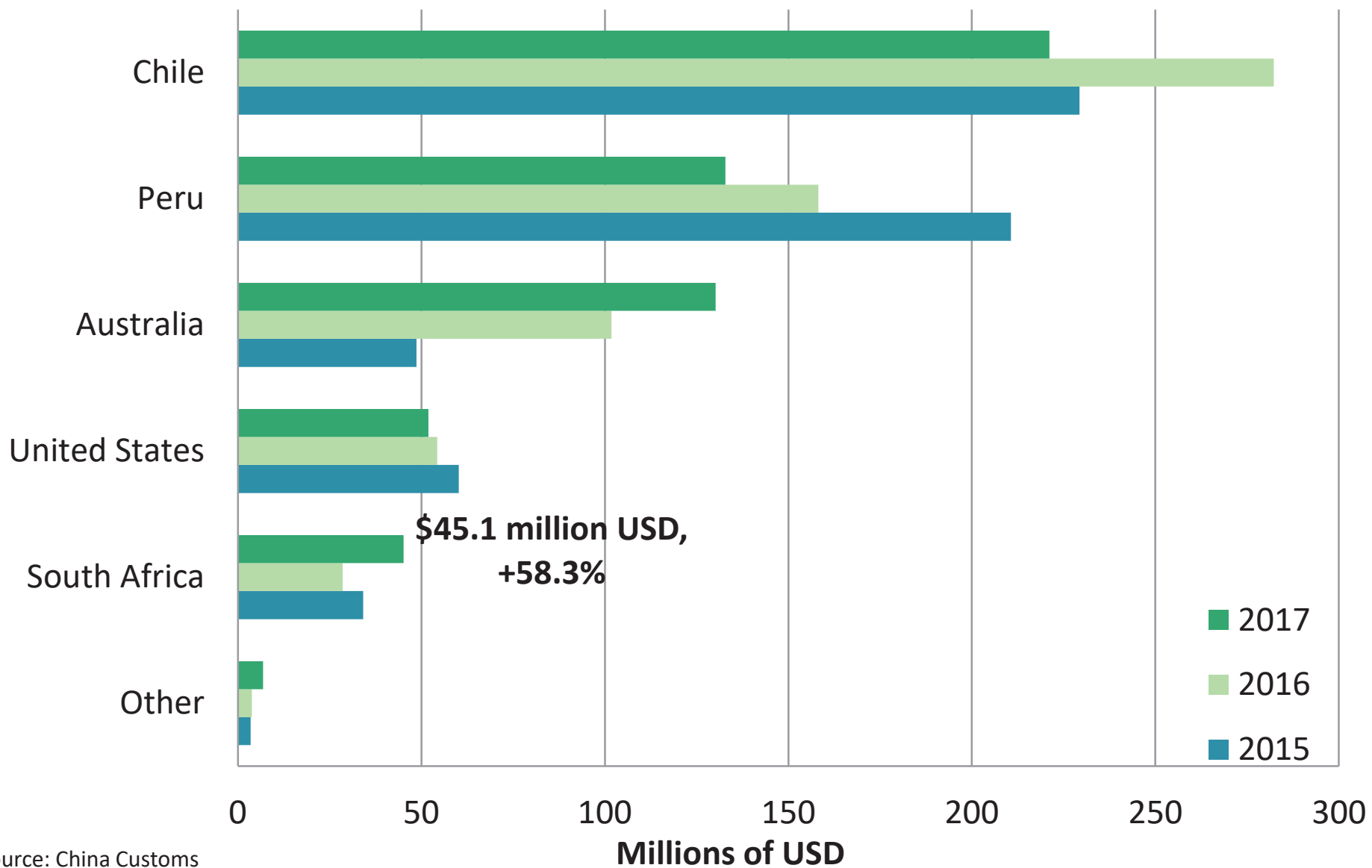




# Grape Production Regions



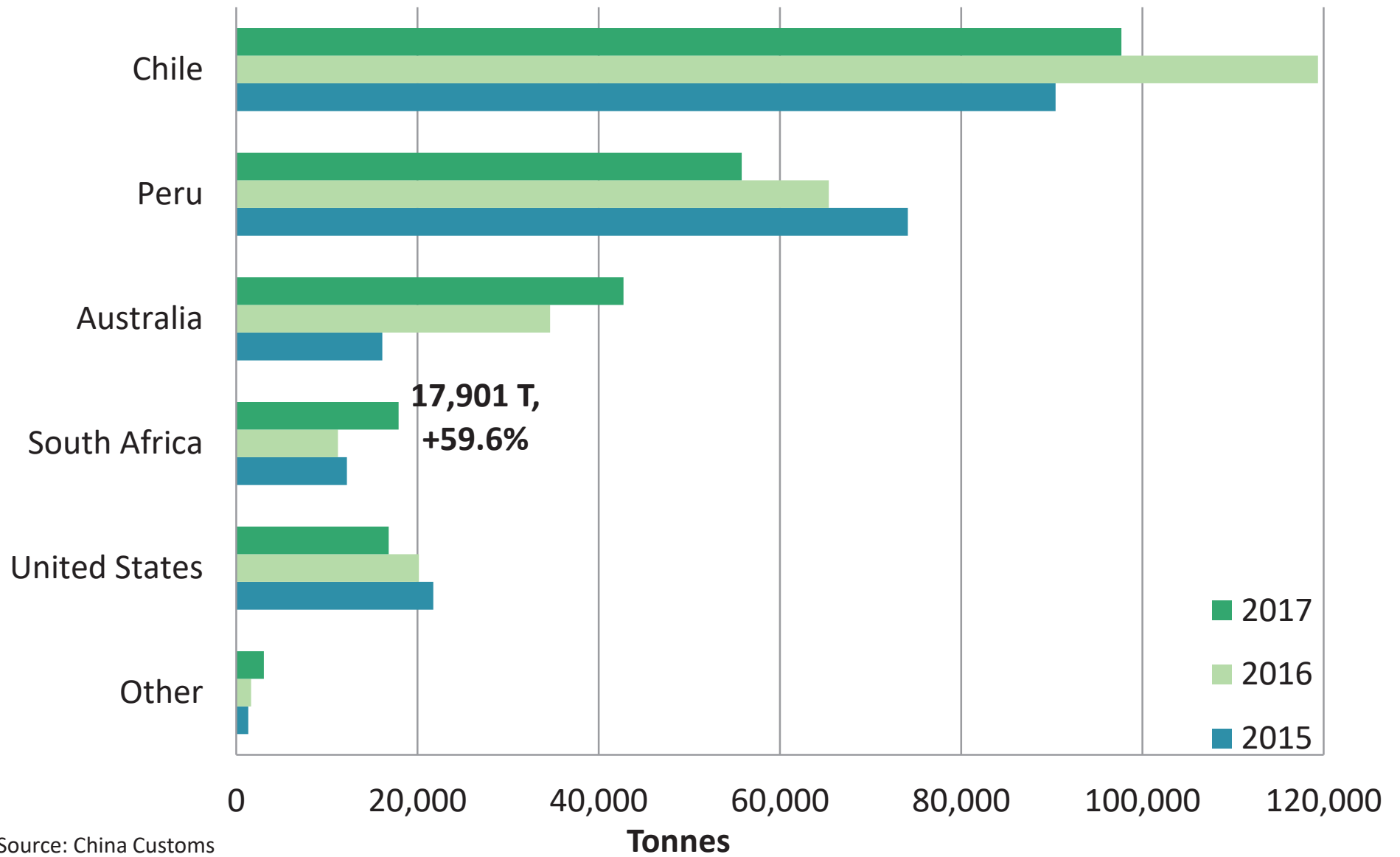
## Top 10 Grape Exporters to Mainland China (in millions of USD)



Source: China Customs

Millions of USD

## Top 10 Grape Exporters to Mainland China (in tonnes)



Source: China Customs

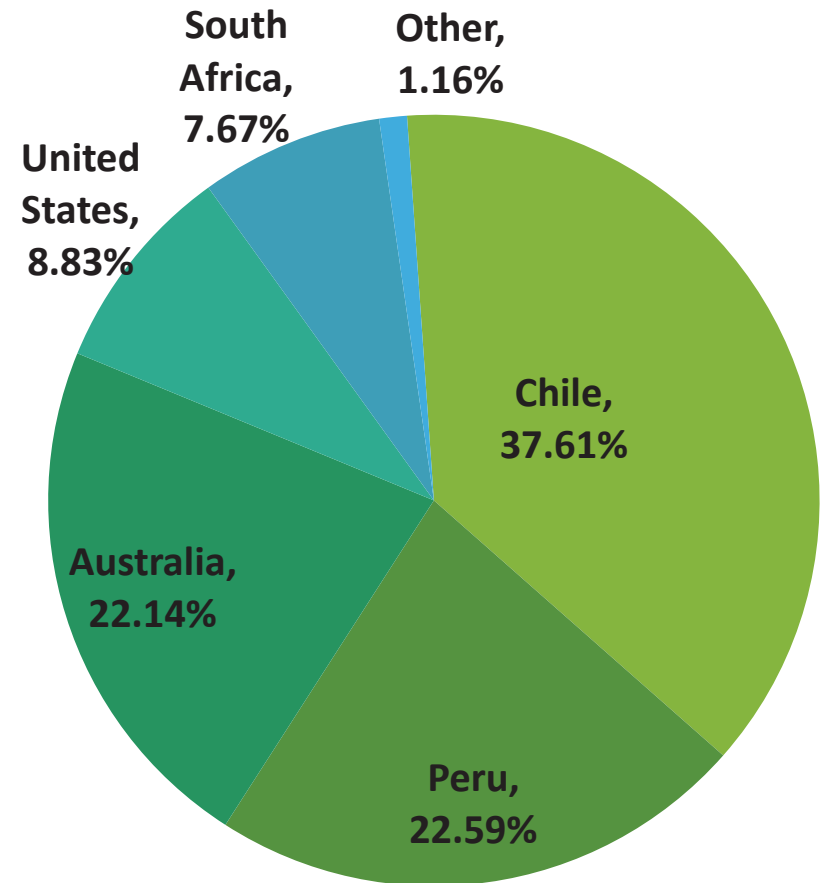
Tonnes

Source: China Customs

## 2016-2017 in China's Imported Grape Market (thousand USD)



### Market Share (2017)



	2016	2017	Growth (2016 – 2017)
Chile	\$282,278	\$221,128	-21.66%
Peru	\$158,136	\$132,810	-16.02%
Australia	\$101,807	\$130,200	+27.89%
United States	\$54,317	\$51,894	-4.46%
South Africa	\$28,514	\$45,125	+58.26%
Global Total	\$628,839	\$628,839	-6.49%



# China's Raisin Market

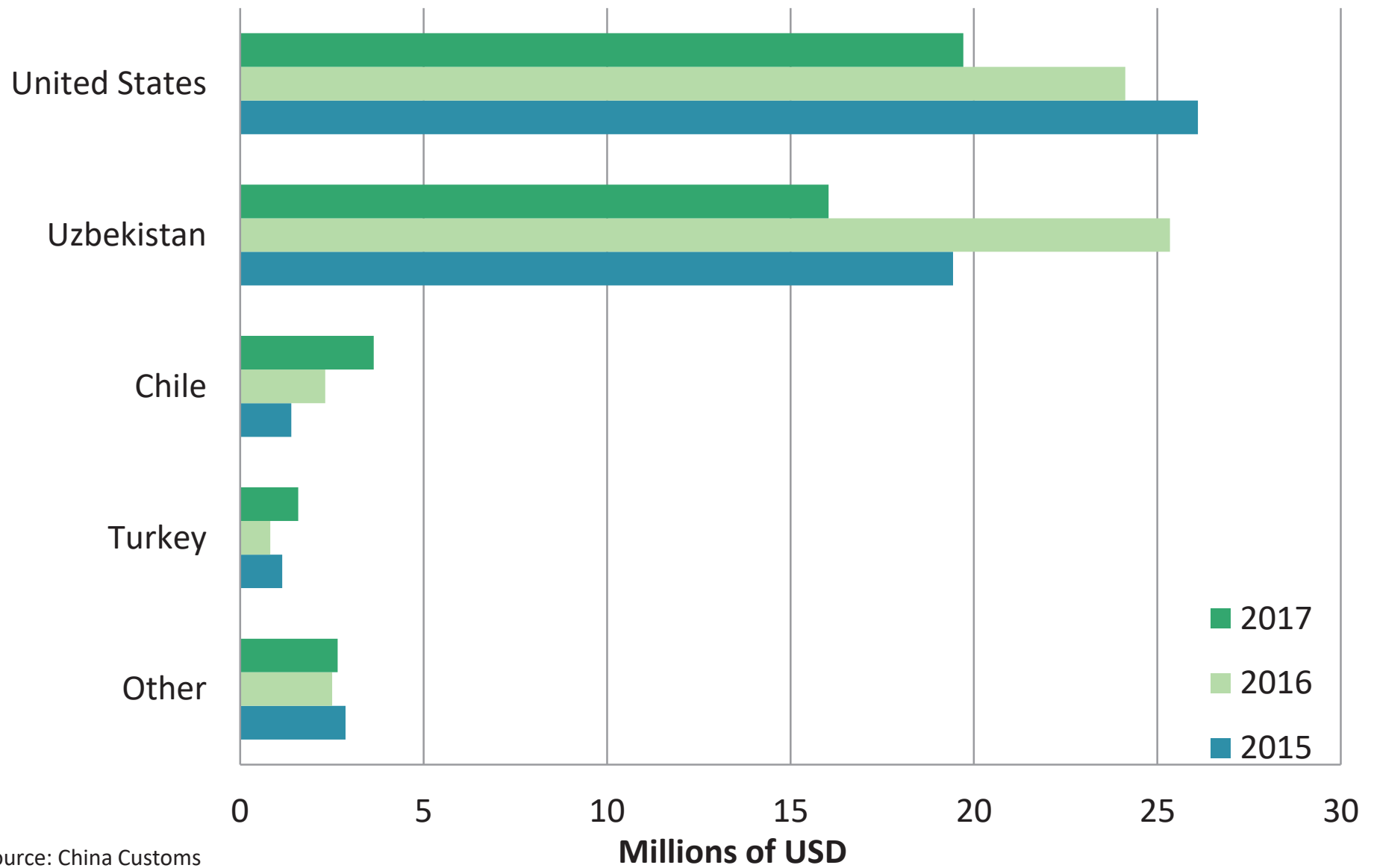
China's major domestic raisin producing region: Xinjiang

Main raisin applications in China:

- Snacking by consumers
- Used as ingredients by bakeries



## Top 10 Raisin Exporters to Mainland China (in millions of USD)



Source: China Customs

Millions of USD



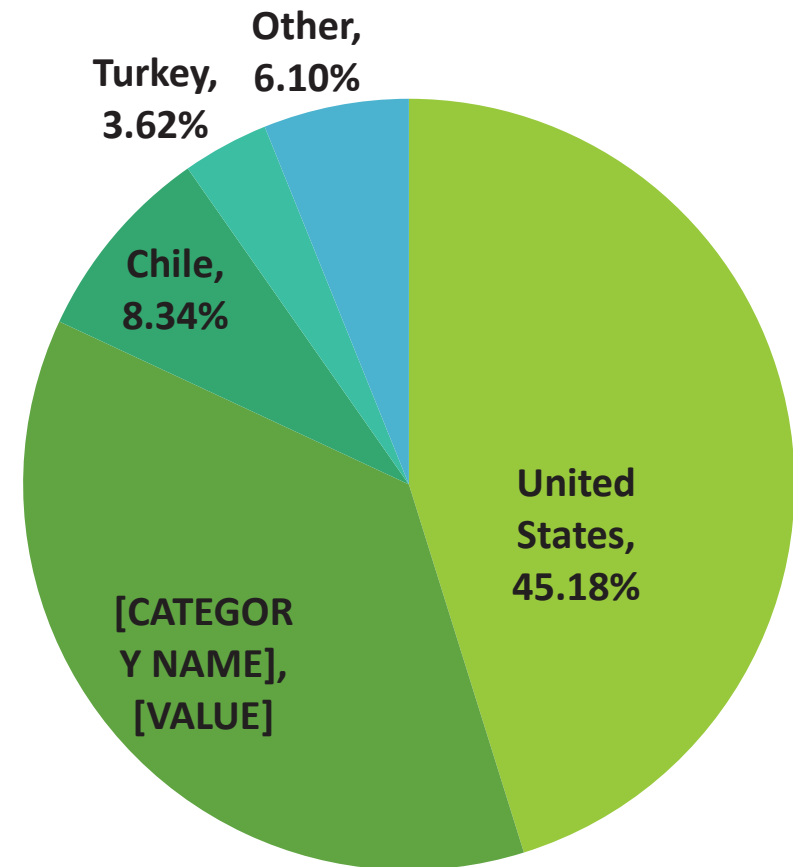
Source: China Customs

## 2016-2017 in China's Imported Raisin Market (thousand USD)



Market Share (2017)

	2016	2017	Growth (2016 – 2017)
United States	\$24,122	\$19,713	-18.28%
Uzbekistan	\$25,342	\$16,041	-36.70%
Chile	\$2,321	\$3,638	+56.76%
Turkey	\$821	\$1,581	+92.46%
Global Total	\$55,115	\$43,633	-20.83%



# Doing Business in China

---



# Government Agencies

---

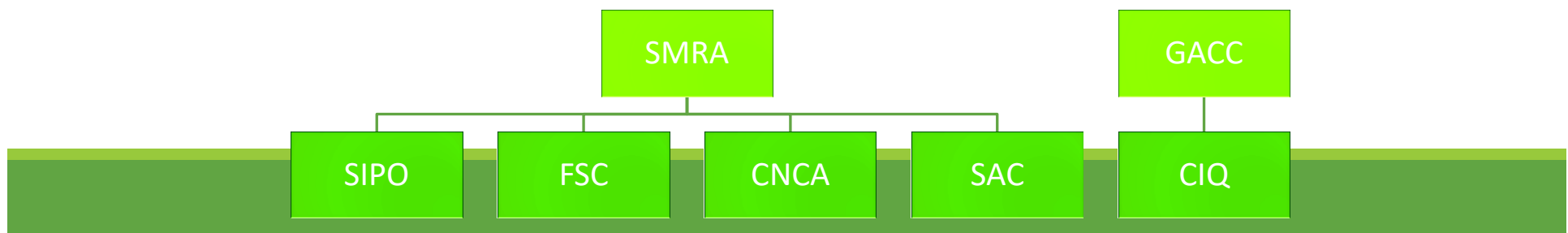
## State Market Regulatory Administration (SMRA)

- In March 2018, SMRA was created as main agency responsible for imported and exported food inspection, safety, and quarantine
- Incorporates numerous agencies under one umbrella (AQSIQ, CFDA, SAIC, SIPO, etc.)

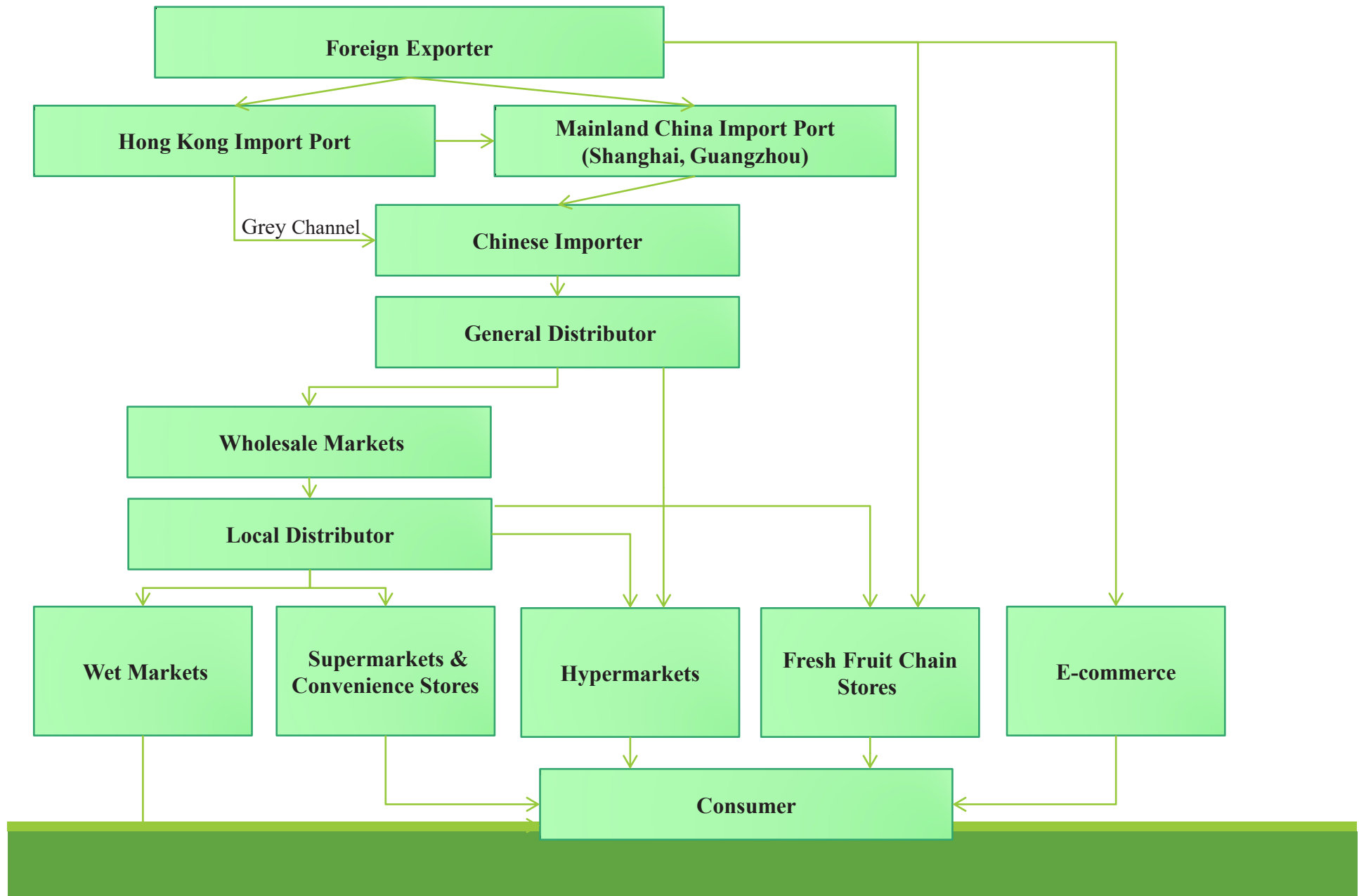
## General Administrations of Customs of the People's Republic of China (GACC, aka China Customs)

- Collects tariffs, taxes, duties, engages in anti-smuggling, and protects IPR
- As of March 2018, also oversees China Inspection and Quarantine (CIQ)
  - ~35 offices across China responsible for entry/exit inspection, quarantine, labeling standardization

### After March 13 Restructure



# Distribution Channels



# Importers

---

Usually have a presence in wholesale markets

Have strong networks/relationships with distributors/govt. agencies

A necessity to navigate China's complex distribution system



# Wholesale Markets

---

Still largest entry point for foreign fruit imports

- Guangzhou's Jiangnan: ~70% all fruit imported into China
- Shanghai's Huizhan: main imported fruit wholesale market for East China

Transport from wholesale to markets in inner China remains an issue (quality preservation)





# Retailers

---

Advanced distribution networks, established cold chain infrastructure in Tier I/II cities

International retailers (Walmart, Sam's Club, Carrefour, Citysuper, etc.) and Chinese retailers (Yonghui, Ole, Jiajiayue, etc.)

Offer, in-store branding and marketing, O2O services

Fresh fruit 'boutique' chain stores (Pagoda, Xianfeng)

- Direct import of some foreign high-end, high quality produce

# New Era of Retail

---

Connecting online with offline: Hema Fresh

30-minute delivery for fresh food the new norm

Featured on-site dining service

Two major rivalries: Alibaba vs. Tencent/JD, with both seeking out numerous acquisitions





# China's Major Fresh Food Players



**JD.COM 京东**



# Setting up Business in China

---


## Representative Office

- Example: PCNZ
- Minimal overhead, establish networks, conduct research
- Limited function, no more than 4 foreign employees working in China, parent company must have been established for more than 2 years

## Wholly Foreign-Owned Enterprise

- Example: Zespri, Camposol
- Direct import, completely owned by foreign company
- Can be difficult operating without Chinese partner

## Joint Venture

- Example: Joy Wingmau together with Hortifrut
  - Use of partners' distribution/sales channels/networks
  - Highly reliant on partner
- 

# Export Channels

---

## Advantages:

- Tariff, duty, tax evasion
- Market access not dependent on AQSIQ



## Disadvantages:

- Semi-legal/illegal
- Complete product loss and confiscation
- Poor product quality
- Broken cold chain

## Advantages:

- Quick
- Efficient
- Cheaper
- Establish basis for marketing/branding



## Disadvantages:

- Full tariff, VAT, duty payment
- Complete compliance w/ AQSIQ

# Challenges & Recommendations

---



# Challenges

---

1. Low trade and consumer awareness of South African table grapes and raisins
2. Strong competition from other exporting countries
3. South Africa's country image in China

# Recommendations – Overall Strategy

---

- ▶ Increase South African table grape **awareness** among Chinese trade and industry groups
- ▶ **Educate** consumers, trade, and industry as to South African table grapes
- ▶ Establish South Africa as a premium producer of quality table grapes through concerted **branding** efforts



# Recommendations – Trade Engagement

---

Increase awareness about South African table grapes among Chinese trade and industry groups through:

- Comprehensive online trade media advertising campaign
- Chinese social media engagement
- Season launch and media events
- Trade seminars
- Trade delegation to China
- Trade delegation of Chinese importers to South Africa





# Recommendations – Consumer Outreach

Educate consumers as to South African table grapes via:

- In-store and online promotions
- Chinese social media outreach

Establish South Africa as a premium producer of quality table grapes among consumers







# Any Questions?


---

## **M.Z. Marketing Communications**

Web: [www.mzmc.com.cn](http://www.mzmc.com.cn)  
[www.guojiguoshu.com](http://www.guojiguoshu.com)  
[www.producereport.com](http://www.producereport.com)

Email: [mabel@mzmc.com.cn](mailto:mabel@mzmc.com.cn)

Phone: (+86) 21-65216751

A solid green horizontal bar at the bottom of the slide.