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

Comprehensive Produce Industry Expertise

- Government + Policy (USDA)
- Industry Associations (PMA)
- Marketing + Communications (MZMC)
- Trading
- Media (Produce Report)
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)

<table>
<thead>
<tr>
<th></th>
<th>Value (billion USD)</th>
<th>Volume (million tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>5.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2.2</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: China Customs, HK Customs
Top 10 Fruit Importers to Mainland China by Country (in millions of USD)

- Chile: $226.8 million, +45.4%
- Thailand
- Vietnam
- Philippines
- United States
- New Zealand
- Australia
- South Africa
- Peru
- Ecuador

Source: China Customs
Top 10 Fruit Importers to Hong Kong by Country
(in millions of USD)

<table>
<thead>
<tr>
<th>Country</th>
<th>2017</th>
<th>2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>600</td>
<td></td>
<td>+41.6%</td>
</tr>
<tr>
<td>Thailand</td>
<td>400</td>
<td>300</td>
<td>+41.6%</td>
</tr>
<tr>
<td>United States</td>
<td>200</td>
<td>150</td>
<td>+41.6%</td>
</tr>
<tr>
<td>Australia</td>
<td>100</td>
<td>75</td>
<td>+41.6%</td>
</tr>
<tr>
<td>South Africa</td>
<td>100</td>
<td>75</td>
<td>+41.6%</td>
</tr>
<tr>
<td>China</td>
<td>75</td>
<td>50</td>
<td>+41.6%</td>
</tr>
<tr>
<td>Peru</td>
<td>50</td>
<td>25</td>
<td>+41.6%</td>
</tr>
<tr>
<td>Japan</td>
<td>25</td>
<td>10</td>
<td>+41.6%</td>
</tr>
<tr>
<td>Philippines</td>
<td>10</td>
<td>5</td>
<td>+41.6%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>5</td>
<td>2</td>
<td>+41.6%</td>
</tr>
</tbody>
</table>

$219.5 million, +41.6%
Top 10 Fruit Imports to Mainland China by Variety
(in millions of USD)

<table>
<thead>
<tr>
<th>Fruit</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cherries</td>
<td>$588.0 million</td>
<td>$588.0 million</td>
<td>$588.0 million</td>
</tr>
<tr>
<td>Grapes</td>
<td></td>
<td></td>
<td>-6.5%</td>
</tr>
<tr>
<td>Bananas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durians</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oranges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kiwi</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guavas, Mangos, Mangosteens</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pineapples</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apples</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avocados</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: China Customs
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

Locally-grown flame table grapes

Xinjiang-grown red globe grapes

Peruvian table grapes

American table grapes
China’s Domestic Grape Production

Grape Production (2014-2016)

Grape Production per Province (2015)

- Xinjiang, 20.2%
- Hebei, 12.1%
- Shandong, 8.9%
- Liaoning, 6.2%
- Yunnan, 6.2%
- Zhejiang, 5.6%
- Henan, 4.7%
- Jiangsu, 4.6%
- Shaanxi, 4.6%
- Other, 26.9%

China’s Domestic Grape Production
Top 10 Grape Exporters to Mainland China
(in millions of USD)

- Chile: $45.1 million USD, +58.3%
- Peru: $200 million USD
- Australia: $150 million USD
- United States: $50 million USD
- South Africa: $40 million USD, +58.3%
- Other: $10 million USD

Source: China Customs
Top 10 Grape Exporters to Mainland China
(in tonnes)

- **Chile**: 17,901 T, +59.6%
- **Peru**:
- **Australia**:
- **South Africa**: +59.6%
- **United States**:
- **Other**:

Source: China Customs
### 2016-2017 in China’s Imported Grape Market (thousand USD)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>$282,278</td>
<td>$221,128</td>
<td>-21.66%</td>
</tr>
<tr>
<td>Peru</td>
<td>$158,136</td>
<td>$132,810</td>
<td>-16.02%</td>
</tr>
<tr>
<td>Australia</td>
<td>$101,807</td>
<td>$130,200</td>
<td>+27.89%</td>
</tr>
<tr>
<td>United States</td>
<td>$54,317</td>
<td>$51,894</td>
<td>-4.46%</td>
</tr>
<tr>
<td>South Africa</td>
<td>$28,514</td>
<td>$45,125</td>
<td>+58.26%</td>
</tr>
<tr>
<td>Global Total</td>
<td>$628,839</td>
<td>$628,839</td>
<td>-6.49%</td>
</tr>
</tbody>
</table>

**Market Share (2017)**

- Chile, 37.61%
- South Africa, 22.14%
- United States, 8.83%
- Peru, 22.59%
- Australia, 7.67%
- Other, 1.16%

Source: China Customs
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
# 2016-2017 in China’s Imported Raisin Market (thousand USD)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>United States</strong></td>
<td>$24,122</td>
<td>$19,713</td>
<td>-18.28%</td>
</tr>
<tr>
<td><strong>Uzbekistan</strong></td>
<td>$25,342</td>
<td>$16,041</td>
<td>-36.70%</td>
</tr>
<tr>
<td><strong>Chile</strong></td>
<td>$2,321</td>
<td>$3,638</td>
<td>+56.76%</td>
</tr>
<tr>
<td><strong>Turkey</strong></td>
<td>$821</td>
<td>$1,581</td>
<td>+92.46%</td>
</tr>
<tr>
<td><strong>Global Total</strong></td>
<td>$55,115</td>
<td>$43,633</td>
<td>-20.83%</td>
</tr>
</tbody>
</table>

Source: China Customs

## Market Share (2017)

- United States, 45.18%
- Chile, 8.34%
- Turkey, 6.10%
- Other, 3.62%
- [CATEGORY NAME], [VALUE]
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

Foreign Exporter

Hong Kong Import Port

Mainland China Import Port (Shanghai, Guangzhou)

Grey Channel

Chinese Importer

General Distributor

Wholesale Markets

Local Distributor

Wet Markets

Supermarkets & Convenience Stores

Hypermarts

Fresh Fruit Chain Stores

E-commerce

Consumer
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
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/illega
• 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

Hong Kong
(Grey Channel)

Direct Export
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
www.guojiguoshu.com
www.producereport.com
Email: mabel@mzmc.com.cn
Phone: (+86) 21-65216751