

IMPORTER EXPERIENCE REPUBLIC OF CHINA

Seven Xu

from

FUHUIDA CO.LTD

BRIEF INDEX

- ‘Timing’ conception in China market
- Consumption habit of Chinese
- Market structure & Features
- The competition between cherries and other fruits
- Changes happening to import market
- How to expand cherry demands





1. TIMING CONCEPT IN CHINA FRUIT BUSINESS



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1-1 SPRING FESTIVAL: CHINA NEW YEAR

Hint: a new beginning of a year, time for families to reunite with all members



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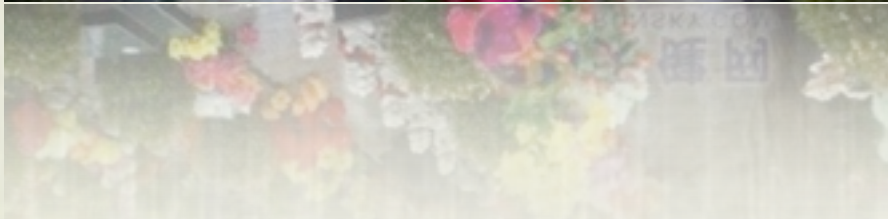
1-2 QING MING FESTIVAL

Hint: a time to memorize the dead family members; a time to reunite all members again, and take an excursion with family normally



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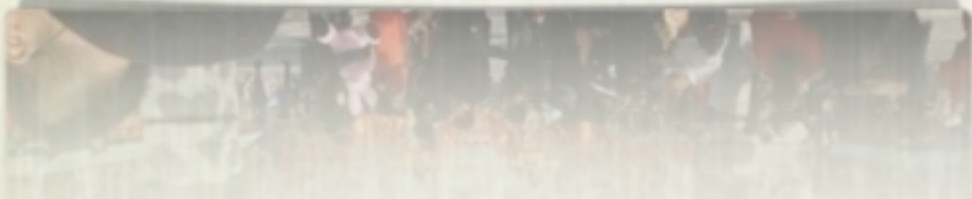
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1-4 OTHER VARIOUS FESTIVALS IN CHINA TRADITIONAL CULTURE

Hint: to pray for the blessing from gods, or memorize the great persons in history, by various ceremonies.



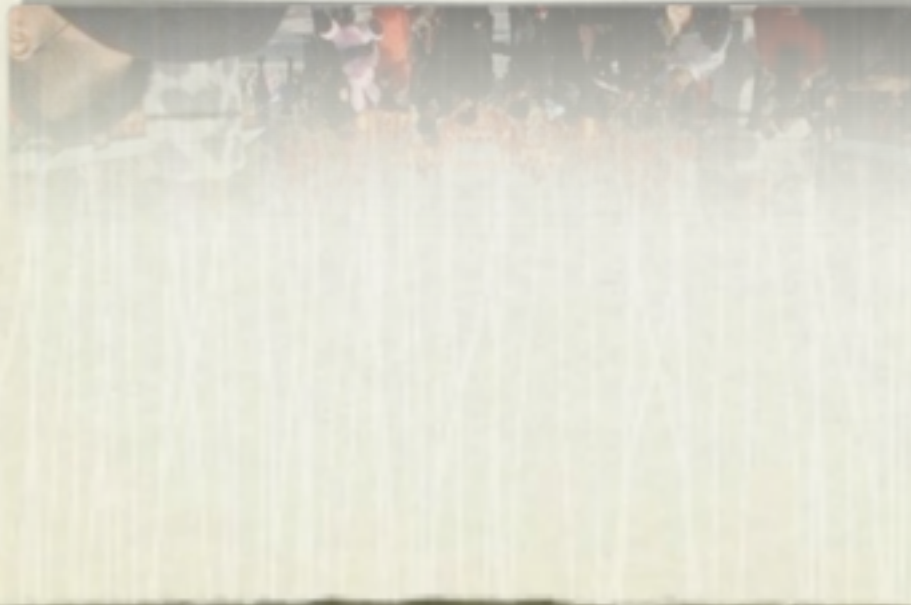
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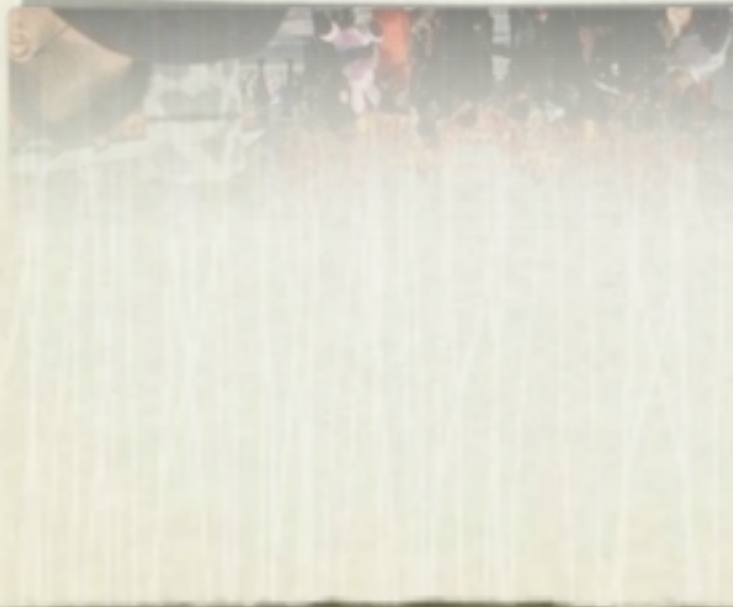
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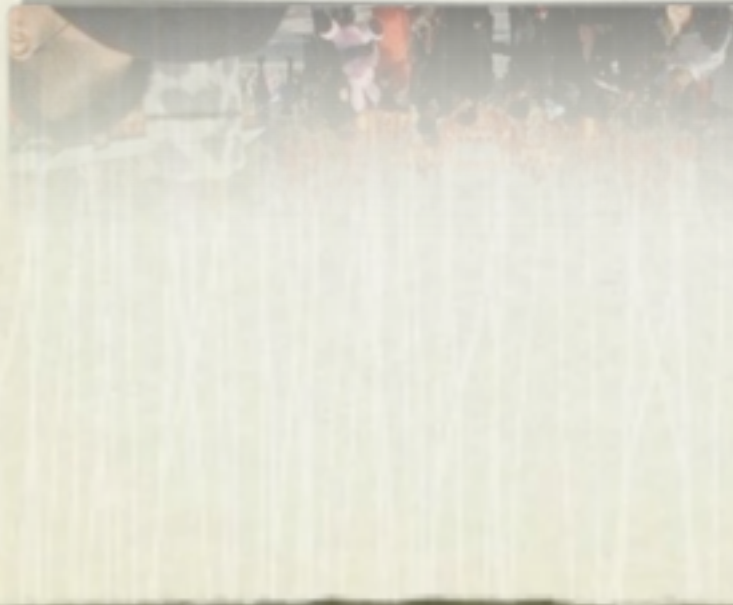
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1-5 PUBLIC HOLIDAYS

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2, CONSUMPTION HABIT OF CHINESE

Fruits are not just eaten in family, but also exchanged as a gift between neighbors or friends.

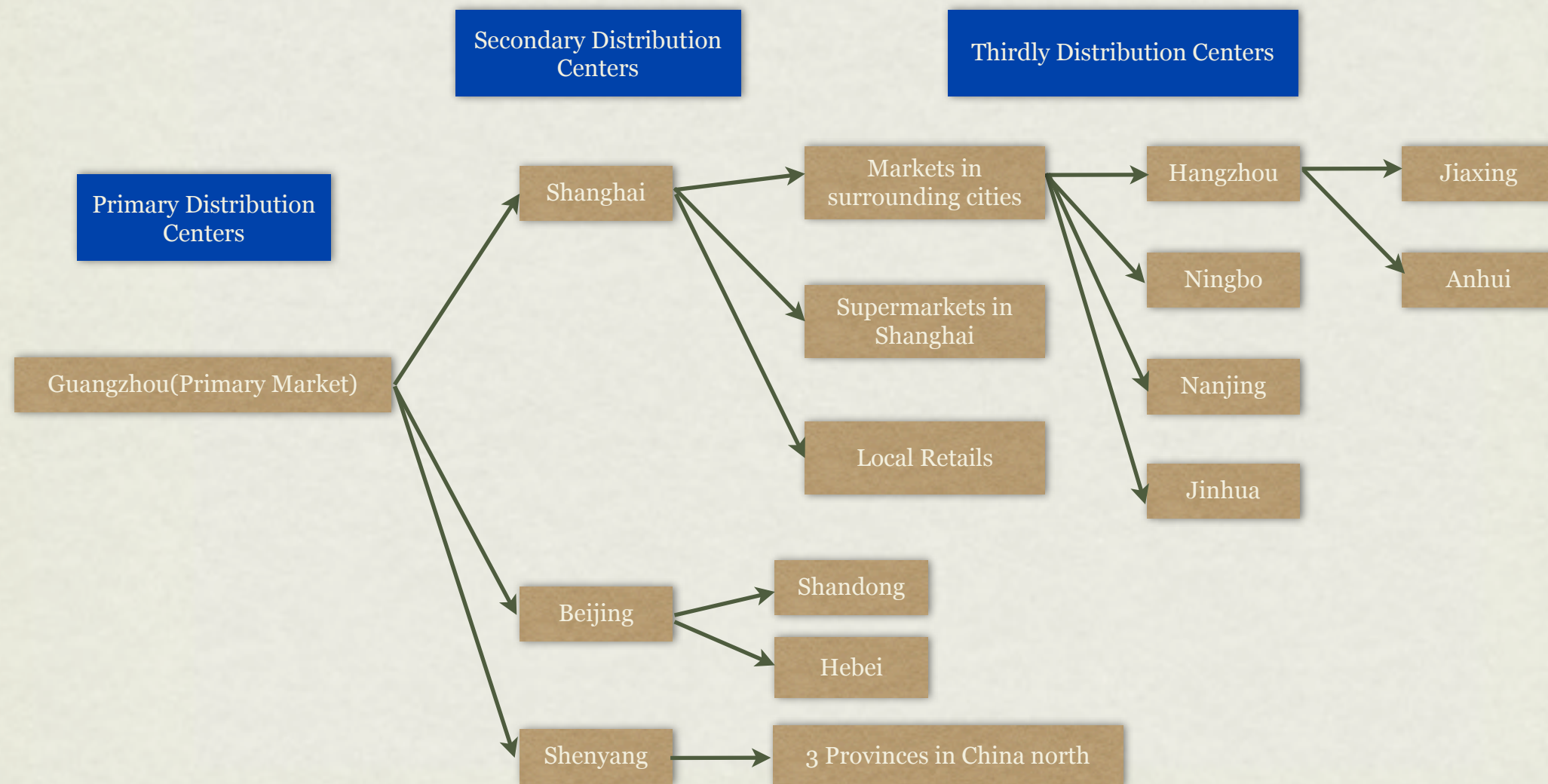
It's also kind of measure in social relationship. Sometimes, buyers pickup fruits by 'Eyes'.

3-1, CURRENT MARKET STRUCTURE

- Supply chain in the past: Guangzhou is the only Primary Market, and the rest are all 'Secondary markets', even though for cities like Shanghai or Beijing.



- Guangzhou (Primary market) - Secondary - Thirdly



3-2, QUALITY REQUIREMENT DIFFERENCE

- Regarding the market structure, our logistic is far away from one-stop service, so we need stronger fruits with longer shelf lives for extra transitions. It physically refers to fruits' pressure and maturity mainly. That's why Chinese importers always ask for 'Firm Fruits'.
- Most of buyers in a wholesale market coming from surrounding areas. Better quality can guarantee lower risks during secondary, or thirdly sales.
- Quality requirement differences in various markets:
 - Primary market: best quality - best pressure, best presentations about color & best shape
 - Secondary markets: good quality - lower requirements in terms of color, but still ask for good presentations
 - Thirdly markets & Retails: repack to pick up different quality for different demands
 - Supermarkets: normally cheap, but stable in prices. Lower volume when prices are at high level.

3-3, CURRENT MARKET FEATURES

- Wholesale Markets:

- In China, there has over 50.13% of population are farmers; middle-income family, regarding a yearly income from USD 10,000 to 80,000, only occupy about 11.9% in society. This general economic situation limit the demanding pattern of imported fruits, especially high-end fruits like cherries.
- **As the average living level of China is still at low standard**, even though in grant cities like Beijing or Shanghai. The local demands in each city actually are still small. For instance, if there have 8/c of cherries in Shanghai, only 1-2/c will be consumed locally, and the rest must go to surrounding regions/cities. Per those 1-2/c consumed locally, about 30-40% (depending on products), will happen to supermarkets.
- Regarding the expense level & the costs, logistic & administration, grant Supermarkets still have long way to cover secondly/thirdly cities in China. They must wait for the general improvement of residents' consuming ability. **So in China, we need to go through 'Wholesale market' in next 5-10 years.**
- Per the structure of supplying chain, currently there have 'Primary markets' & 'Secondly markets', as well as 'Thirdly markets'.

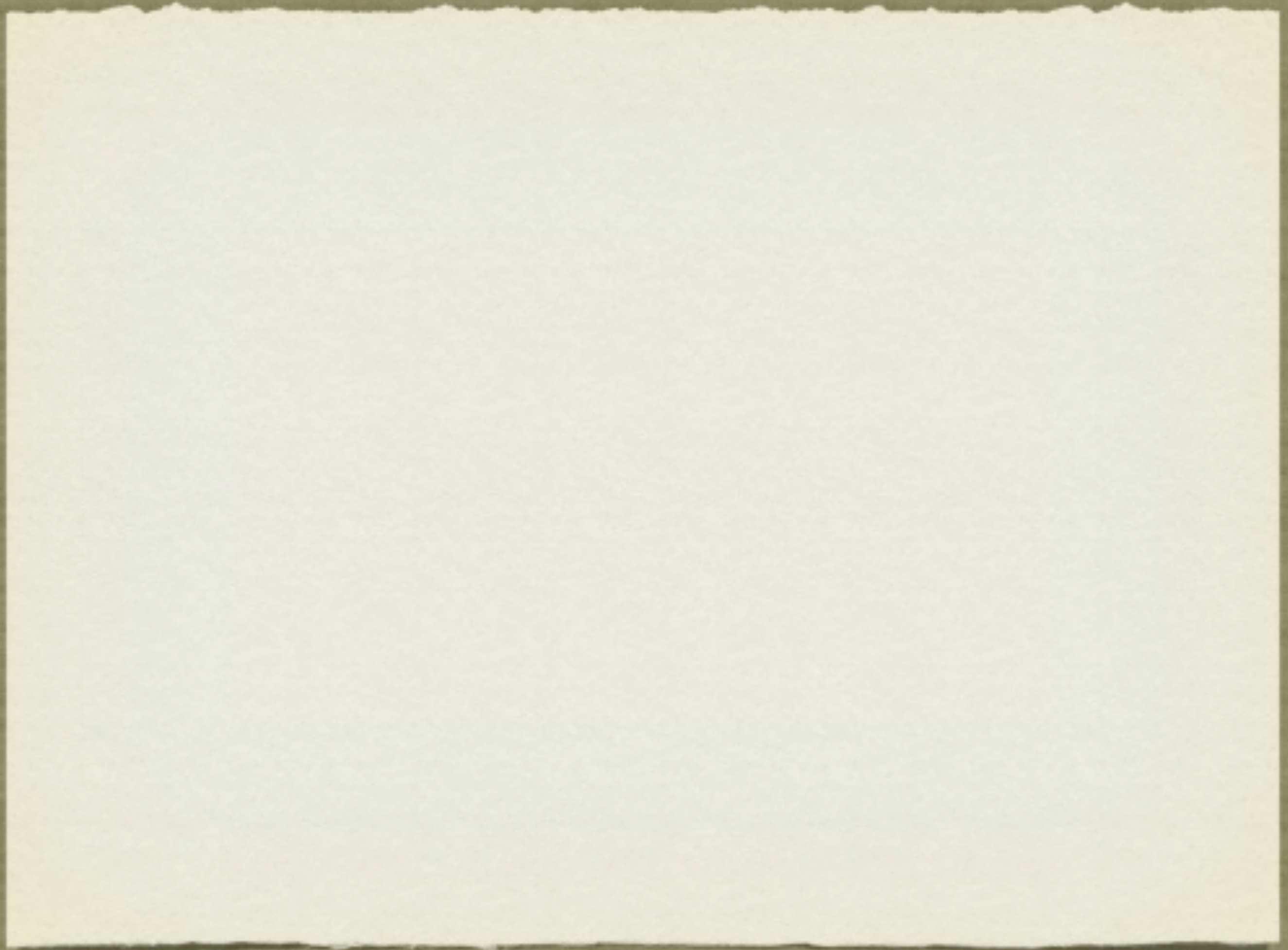
4-1, THE COMPETITION BETWEEN CHERRIES AND OTHER FRUITS

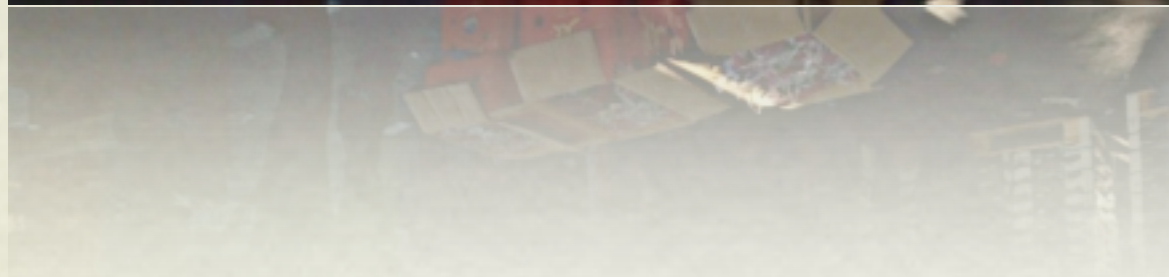
- Per nutritious: challenge from other nutritious fruits like blueberries or kiwis
- Per prices: cheap fruits coming from South-east countries or domestic
- Per taste: tropical fruits like Durain, Mongosteen, Lechee, etc
- Per logistics: Chilean products suffers from long traveling time by ocean, which result in more risks from quality & fluctuating prices

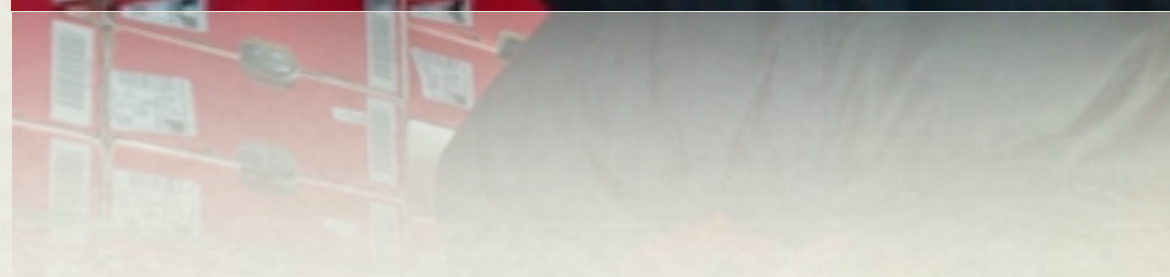
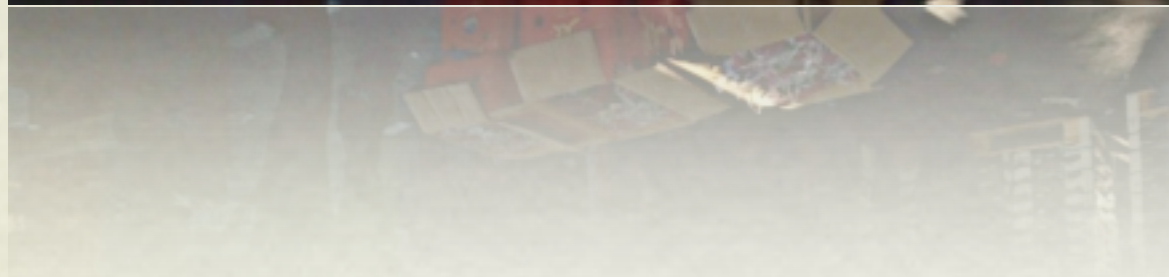


4-2, NEW CHALLENGES

- China Custom become more restricted in terms of the fruits quality, and the transition via HKG to Mainland.
- Buyers become more professional. Even though they don't really understand English, but they recognize the feature for each variety, and know about their advantage & shortage well.
- As the improving living level, more people afford imported fruits, and begin to focus on better eating quality, but not just buy as gifts in the past. (eg: the tough development of Pink Lady due to the taste; the contradiction to kiwis... etc.)









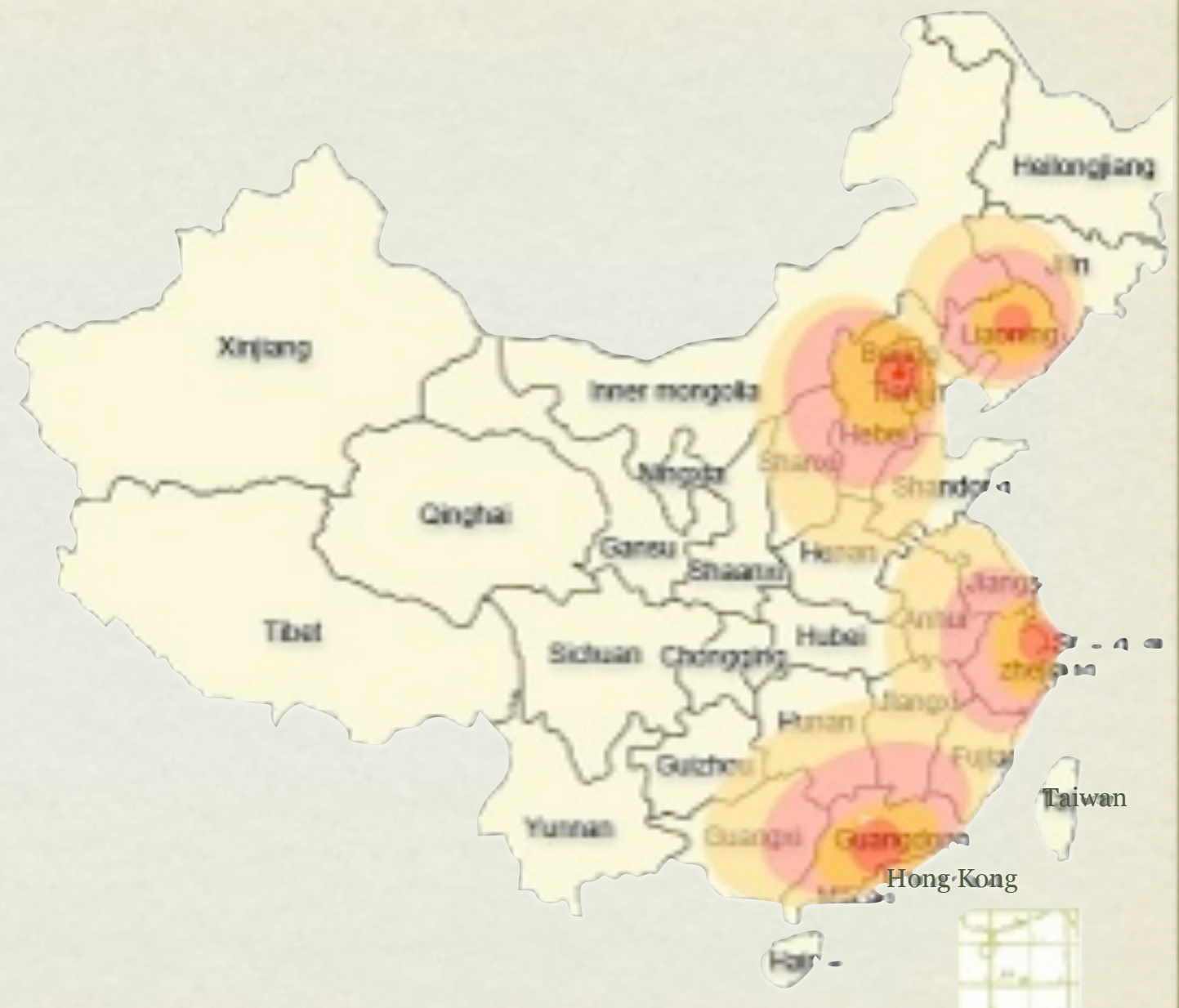
4-3, THE RISK FROM TOO DEPENDING ON PRIMARY MARKETS

- The current China import market is like a Guard.
- There has risk if the supply concentrated into couple markets



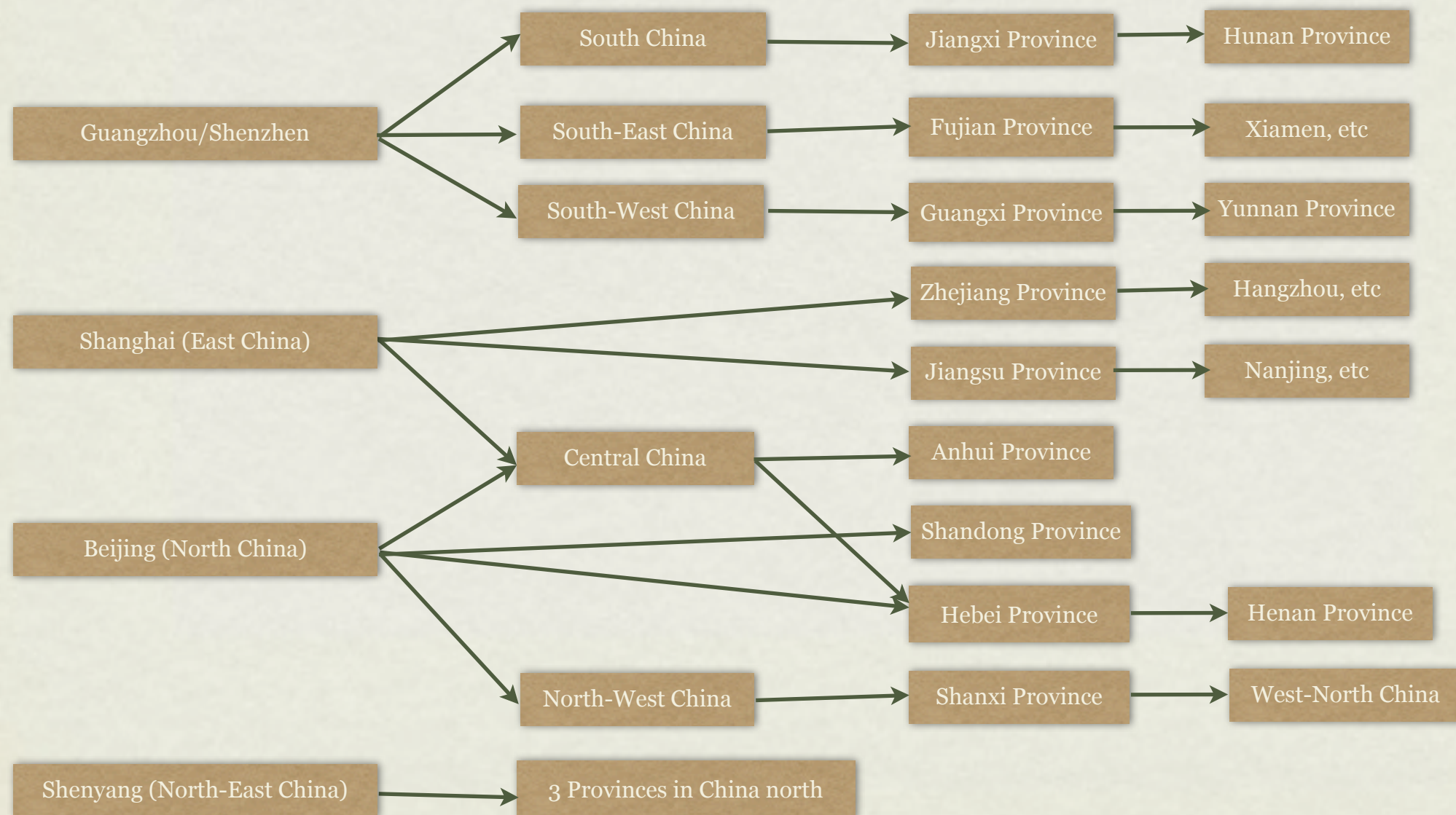
5-1, THE CHANGES HAPPENING TO CHINA IMPORT MARKET

- To disperse the old import pattern into at least 4 new different Distribution Centers: Guangzhou, Shanghai, Beijing, Shenyang, which means they will all become Primary markets.



- Promotion in supply chain:

- New direct import channels will establish and distribute to more regions with more *efficiently*.



5-2, INCREASING DIRECT IMPORT VOLUME IN CHINA MAINLAND PORTS

- Shanghai Longwu market: Chilean Cherries import volume

Items	Net Weight	QTY (Boxes)	QTY (Containers)
2010~2011	4,003,184.7	784,052	198
2011~2012	7,717,787.4	1,697,291	381
2012~05/2013	5,681,943	1,296,052	286

- Shanghai Longwu market: All Fruits import volume

Items	QTY (Containers)	Gross Weight	Net Weight	Value (USD)	QTY (Boxes)	VAT (USD)
2010	3,431	82,975,990.5	75,786,017.5	16,929,937.6	8,001,515	24,971,894.4
2011	4,875	109,919,429	100,111,610	24,536,589.4	9,942,822	32,992,666.8
2012	6,249	143,304,932	130,395,001	37,003,119.2	12,576,445	50,928,853.3
05/2013	4,096	91,685,399	82,766,529.8	26,525,251	9,320,944	30,484,725.9

- Datas from Shanghai New Long March.
- PS: Amounts above only refers to the import via New Long March in Longwu port & market.

5-3, LOWER COSTS

- Import Cost difference in 2012-2013 season (RMB)

Port/item	Shanghai		Shenzhen		Xiamen		Hong Kong	
	BF 20/1/13	AF 20/1/13	BF 20/1/13	AF 20/1/13	BF 20/1/13	AF 20/1/13	BF 20/1/13	AF 20/1/13
VAT	106,000	136,000	110,000	136,000	110,000	136,000	202,400	231,840
Clearance Costs	12,800	12,800	15,000	18,000	12,000	12,000	3,800	4,000
Total	118,800	148,800	125,000	154,000	122,000	148,000	206,200	235,840

- Datas from Shanghai New Long March, Shenzhen Global Logistic, Fuhuida Co.Ltd, Huitong Economic Trade Ltd Foshan.

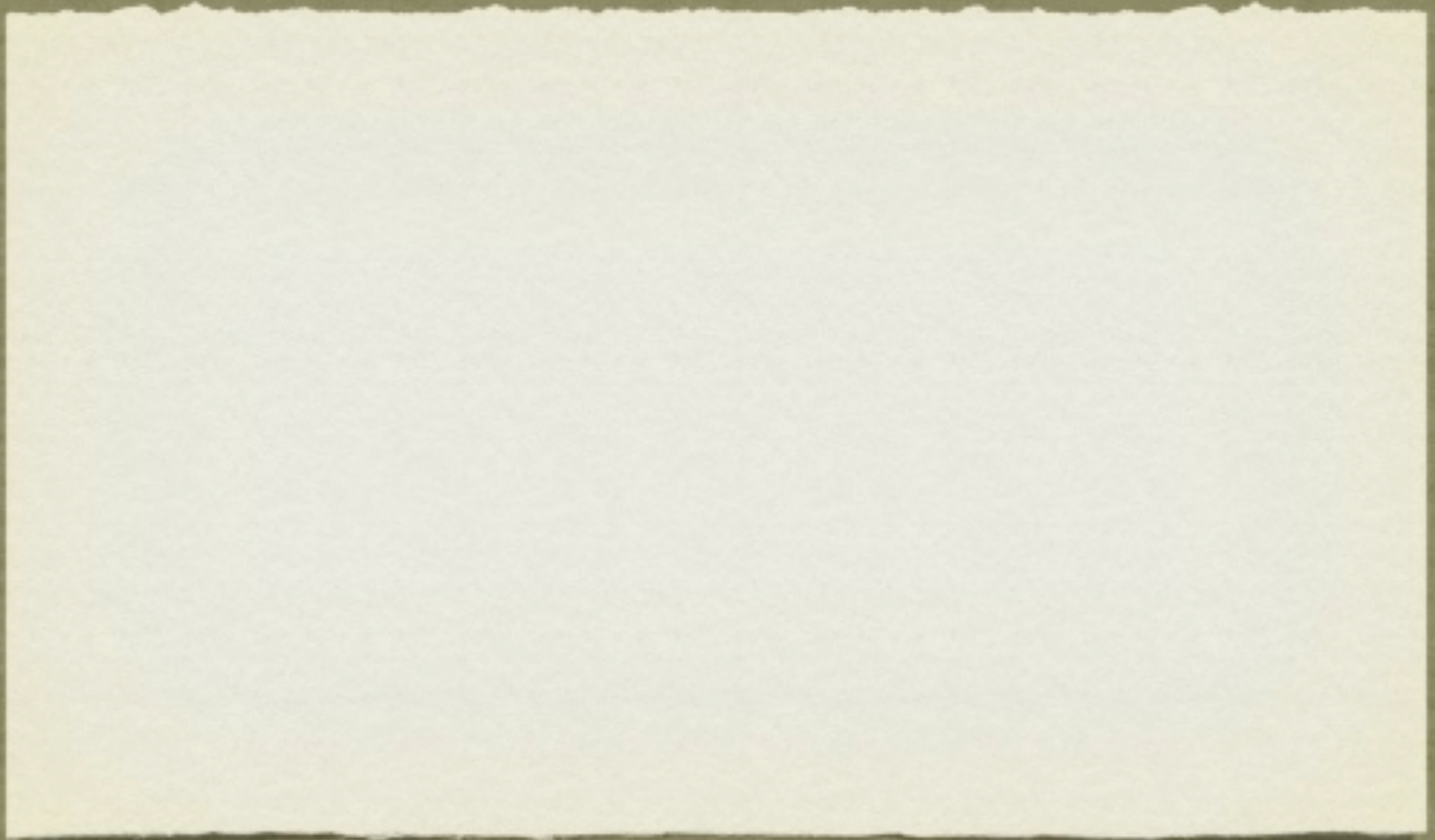
6, HOW TO DEVELOP CHERRY DEMANDS IN CHINA: TO FOCUS ON EXPANDING SECONDARY MARKETS IN NEAR FUTURE

- To shorten the supply chain by direct import (to avoid everything via HKG or Guangzhou).
- To gather demands by building up more and more distribution centers in more regions, which means 'Secondary Markets'.
- The point for future, is to create the demands of cherries in China, which also contribute to the development of growing more cherries in Chile, but not only focus on the extra profit from Secondary or Thirdly market.
- Q: As we mentioned above, more grant markets are getting stronger and will become 'Primary markets' soon. Guangzhou is losing its monopolization statue. But could we get rid of it right now?





SUMMARY



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- To understand and respect the tradition and consumption habits in a different market.
- To understand the reason for different quality requirements
 - to deliver right fruits to right demands
- To know about the trends, to avoid risk but catch up opportunities by a proper sustainable plan.

THANKS FOR
ATTENTION

SEVEN XU