Fruit and Vegetable study tour to China to investigate market opportunities
May 2002

James Kellaway
Horticulture Australia

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Horticulture Australia
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<td>Wholesale Environment</td>
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</tbody>
</table>
Distribution Environment:  
- "Peoples Republic of China, retail food sector, 2002"  

Retail environment:  
- Wal-Mart Superstores  
- Park’N Shop Supermarkets  
- Minrun Supermarkets  
- "Park’N Shop pulls out of Shanghai"  
- "Recent supermarket developments, 2002"

Competitor Environment:  
- Chile  
- South Africa  
- New Zealand  
- Thailand  
- United States of America

Australia’s Competitive advantage:  
- what does this advantage mean for Australia

Companies visited:  
- Xinzhou Trade Co. Ltd  
- Joyful Fruit (Food) Ltd  
- Jet All Trading Co.  
- Sun Rising Development (HK) Ltd  
- Dingli Fresh Fruit Co. Ltd  
- Hop Hing Trading Co. Ltd  
- Jing Fa Fresh Fruit Co. Ltd  
- Zhongxing Trade Co. Ltd  
- Shenzhen YuanXing Fruit Co. Ltd  
- Austech (China) Co. Ltd  
- Guangzhou Hongli Industry Development Co. Ltd  
- Shenzhen Vegetable & Fruit Co. Ltd  
- EH Export & Import Co. Ltd

Market scenes – photographs

"Import Regulations & Standards – Fruit Entry Quarantine Regulations, 2001"
Executive Summary

A broad SWOT analysis for the potential of Australian horticultural products in Mainland China is outlined below.

Strengths
- Australia has counter-seasonal supply to local Chinese and Northern Hemisphere competitors.
- Strong market interest in Australian products.
- Strong links with Hong Kong importers.
- Perception of Australian fruits being of high quality.

Weaknesses
- No formal access is limiting direct trade expansion.
- Limited Australian trade awareness of opportunities in mainland China.
- Inability to supply continual lines of consistent quality.
- Limited long term market commitment by Australian exporters.
- Lack of promotion and brand building by Australian exporters.
- Australian produce is relatively expensive compared to competitors.
- Australian packaging is perceived to be inadequate for the Chinese market.

Opportunities
- Growing consumer demand in North and South China.
- The accession of China to the WTO will reduce tariff rates and help reduce other non-tariff barriers due to a legal operating framework.
- Build national Australian product image through promotion, once formal market access is gained.
- Sheer size and scope of the market provides opportunities to increase demand for Australian produce.
- Rapid increases in per capita income leads to an increasing capacity to pay for Australia fruit and vegetables.
- To increase market penetration through dealing with the rapidly increasing supermarkets that are entering the Southern China market.

Threats
- Disruption to the current ‘grey’ channel through the central government banning illegal product entry.
- Exports of inconsistent quality undermining the strong quality perception of Australian fruits in the market.
- Sub-standard brands will suffer quickly due to the high degree of concentration in the current import channels.
• Risk of payment default by Chinese importers dealing directly with Australian exporters.
• Lack of infrastructure inhibits distribution and cool chain maintenance.
• Increasing market share captured by South Africa and Chile.
• Increasing supply of high quality Chinese produce.
# Itinerary

The following itinerary reflects the visits, meetings and activities undertaken by both trade missions. It was developed in close consultation with Austrade, Guangzhou with input from local importers and traders in China. The itinerary content was devised with the missions objectives in mind.

<table>
<thead>
<tr>
<th>Day 1</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:25 – 10:07</td>
<td>Hong Kong (HK)-Guangzhou (GZ) by T820 train (own arrangement). Met by Ms Yuling Zhang of Austrade Guangzhou at Guangzhou Tianhe Dong Railway Station.</td>
</tr>
<tr>
<td>10:30 – 11:30</td>
<td>Meeting with Guangzhou Xinzhou Trade Co. Ltd, a key fruit retailer that is now looking for establishing direct business contact with overseas fruit exporters to support its expanding fruit retail networks.</td>
</tr>
<tr>
<td>11:30 – 12:00</td>
<td>Visit Tianpingjia Fruit Wholesale Market, the biggest market in Guangzhou city for the transaction of domestic fruits and vegetables.</td>
</tr>
<tr>
<td>12:00 – 12:30</td>
<td>Drive to Guangdong International Hotel (GITIC) and check in.</td>
</tr>
<tr>
<td>12:30 – 14:00</td>
<td>Lunch (own arrangement).</td>
</tr>
<tr>
<td>14:00 – 14:50</td>
<td>Market briefing by Austrade Guangzhou staff in the conference room of Austrade on 15/F main building of GITIC.</td>
</tr>
<tr>
<td>15:00 – 15:45</td>
<td>Leave Guangzhou for Tanbu Town in Huadu City to visit Joyful Fruit (Food) Ltd, a big fruit trader with its own packaging line and storage facility.</td>
</tr>
<tr>
<td>16:00 – 17:30</td>
<td>Meeting with Mr Leo Chiu, the Managing Director of Joyful Fruit (Food) Ltd and tour company facilities.</td>
</tr>
<tr>
<td>18:00 – 20:30</td>
<td>Dinner hosted by Mr Leo Chiu in Huadu.</td>
</tr>
<tr>
<td>20:00 – 10:40</td>
<td>Driving back to GITIC in Guangzhou.</td>
</tr>
<tr>
<td>8:00 – 8:30</td>
<td>Driving to Lishui Fruit Wholesale Market.</td>
</tr>
<tr>
<td>8:30 – 9:00</td>
<td>Brief introduction on Lishui Market by Ms Liu Feng Yi, the General Manager of the Market.</td>
</tr>
<tr>
<td>9:10 – 10:30</td>
<td>Walk around the market and visit local wholesalers. An opportunity to see how transactions take place with the fruits imported from many different countries.</td>
</tr>
<tr>
<td>10:45 – 12:45</td>
<td>Business opportunity discussion with the key local fruit traders. Mission group will be divided into three sub-groups and have about 40 minutes' meeting with each of the 3 selected fruit traders.</td>
</tr>
<tr>
<td></td>
<td>- Jet All Trading Co.</td>
</tr>
<tr>
<td></td>
<td>- Sun Rising Development (HK) Ltd</td>
</tr>
<tr>
<td></td>
<td>- Dingli Fresh Fruit Co., Ltd</td>
</tr>
<tr>
<td>Time</td>
<td>Activity</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>12:50 - 13:30</td>
<td>Drive back to Guangzhou.</td>
</tr>
<tr>
<td>13:30 - 14:10</td>
<td>Lunch (own arrangement).</td>
</tr>
<tr>
<td>14:20 - 15:20</td>
<td>Visit Park’N Shop in Tianhe District (presentation delivered by managerial staff of the shop on sale of imported fruits), walk around and visit fruit and vegetable section under the guide of shop staff.</td>
</tr>
<tr>
<td>15:40 - 16:40</td>
<td>Meeting with Guangdong AQSIQ (AQIS’s counterpart in China) officials – a key contributor to the Sino-Australia fruit protocol negotiations, to obtain most updated information on quarantine protocol issues between Australian and Chinese governments.</td>
</tr>
<tr>
<td>17:00 - 18:00</td>
<td>Visit a fruit store operated by Guangzhou Xinzhou Trade Co. Ltd within the supermarket to gain an understanding of how the retail fruit and vegetable retail business operates.</td>
</tr>
<tr>
<td>18:30 - 20:30</td>
<td>Dinner hosted by Austrade Guangzhou with 4 - 5 local key fruit traders invited to attend.</td>
</tr>
<tr>
<td>7:00 - 7:20</td>
<td>Check out from the hotel.</td>
</tr>
<tr>
<td>7:30 - 10:00</td>
<td>Leave Guangzhou for Shenzhen.</td>
</tr>
<tr>
<td>10:00 - 11:00</td>
<td>Visit Shenzhen Fruit &amp; Vegetable Co., Ltd (The company previously engaged in vegetable production and marketing and is now exploring new business opportunities such as importing and distribution of fruits).</td>
</tr>
<tr>
<td>11:00 - 11:45</td>
<td>Visit Minrun Supermarket share-owned by Shenzhen Fruit &amp; Vegetable Co. Ltd (there are over 80 networks throughout Guangdong focussing on fresh produce retailing).</td>
</tr>
<tr>
<td>12:00 - 12:50</td>
<td>Visit to Buji Agri Produce Wholesale Market (the major market in Shenzhen).</td>
</tr>
<tr>
<td>13:00 - 13:45</td>
<td>Lunch (own arrangement).</td>
</tr>
<tr>
<td>13:30 - 14:45</td>
<td>Visit EH Import &amp; Export Co. Ltd (newly engaged in importing fruit business and is now looking for expanding the business by sourcing more overseas suppliers).</td>
</tr>
<tr>
<td>15:00 - 17:30</td>
<td>Visit to Wal-Mart Supercenter (brief presentation by Wal-Mart staff on fresh fruit and vegetable retailing). View the fresh fruit section in the Sams Club banner store.</td>
</tr>
<tr>
<td>18:00 - 19:00</td>
<td>Leave Shenzhen for Hong Kong by KCRC Rail.</td>
</tr>
</tbody>
</table>
Fruit & Vegetable Study Tour to China – May, 2002

Mission Participants

Participation in the fruit and vegetable trade mission to China was by those people who showed a dedicated interest in seeking expansion to the Chinese market following the accession of China to the World Trade Organisation (WTO) during December, 2001. Initial invitations were to a large cross section of key industry personnel. This is highlighted through the list below of mission participants and the broad industry representation. Some participants undertook several functions across the supply chain while others were dedicated to growing, packing or exporting.

<table>
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<tr>
<th>Participant</th>
<th>Sector</th>
<th>Company (Position)</th>
</tr>
</thead>
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<tr>
<td>James Kellaway</td>
<td>Consultant</td>
<td>Horticulture Australia (mission leader)</td>
</tr>
<tr>
<td>David Coupland</td>
<td>Consultant</td>
<td>Horticulture Australia (mission leader)</td>
</tr>
<tr>
<td>David Shearer</td>
<td>Consultant</td>
<td>Department of Natural Resources and Environment</td>
</tr>
<tr>
<td>Cameron Turner</td>
<td>Consultant</td>
<td>Primary industries and Resources of South Australia</td>
</tr>
<tr>
<td>Peter Thompson</td>
<td>Grower</td>
<td>Geoffrey Thompson and Growers</td>
</tr>
<tr>
<td>Cliff Riseborough</td>
<td>Grower</td>
<td>Cherry Hill Orchards</td>
</tr>
<tr>
<td>Steven Riseborough</td>
<td>Grower</td>
<td>Cherry Hill Orchards</td>
</tr>
<tr>
<td>Michael Zurcus</td>
<td>Grower</td>
<td>Allendale Exports</td>
</tr>
<tr>
<td>Phil Turnbull</td>
<td>Grower</td>
<td>Turnbull Orchards</td>
</tr>
<tr>
<td>John Cantrill</td>
<td>Grower</td>
<td>Tullmax Exports</td>
</tr>
<tr>
<td>Dennis Hodgson</td>
<td>Packer</td>
<td>Lockhart Bros Pty Ltd</td>
</tr>
<tr>
<td>Cliff Riseborough</td>
<td>Packer</td>
<td>Cherry Hill Orchards</td>
</tr>
<tr>
<td>Steven Riseborough</td>
<td>Packer</td>
<td>Cherry Hill Orchards</td>
</tr>
<tr>
<td>Michael Zurcus</td>
<td>Packer</td>
<td>Allendale Exports</td>
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<tr>
<td>Phil Turnbull</td>
<td>Packer</td>
<td>Turnbull Orchards</td>
</tr>
<tr>
<td>John Cantrill</td>
<td>Packer</td>
<td>Tullmax Exports</td>
</tr>
<tr>
<td>Peter Thompson</td>
<td>Packer</td>
<td>Geoffrey Thompson and Growers</td>
</tr>
<tr>
<td>Peter Thompson</td>
<td>Wholesaler</td>
<td>Geoffrey Thompson and Growers</td>
</tr>
<tr>
<td>Chris Pardy</td>
<td>Wholesaler</td>
<td>Ernest Pardy and Sons</td>
</tr>
<tr>
<td>Fernando Espinosa</td>
<td>Wholesaler</td>
<td>Pacific Fruit Brokers</td>
</tr>
<tr>
<td>Mark Kelly</td>
<td>Wholesaler</td>
<td>Barkers Melbourne</td>
</tr>
<tr>
<td>Cameron McPhee</td>
<td>Wholesaler</td>
<td>Barkers Melbourne</td>
</tr>
<tr>
<td>Neil Barker</td>
<td>Exporter</td>
<td>BGP International</td>
</tr>
<tr>
<td>Pam Wong</td>
<td>Exporter</td>
<td>BGP International</td>
</tr>
<tr>
<td>Stuart Miller</td>
<td>Exporter</td>
<td>Global Exports</td>
</tr>
<tr>
<td>Henry Nah</td>
<td>Exporter</td>
<td>H &amp; M Fresh and Frozen</td>
</tr>
<tr>
<td>Dennis Hodgson</td>
<td>Exporter</td>
<td>Lockhart Bros Pty Ltd</td>
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<tr>
<td>Cliff Riseborough</td>
<td>Exporter</td>
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<td>Steven Riseborough</td>
<td>Exporter</td>
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<td>Exporter</td>
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<tr>
<td>Phil Turnbull</td>
<td>Exporter</td>
<td>Turnbull Orchards</td>
</tr>
<tr>
<td>John Cantrill</td>
<td>Exporter</td>
<td>Tullmax Exports</td>
</tr>
<tr>
<td>Participant</td>
<td>Sector</td>
<td>Company (Position)</td>
</tr>
<tr>
<td>--------------</td>
<td>----------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>Peter Thompson</td>
<td>Exporter</td>
<td>Geoffrey Thompson and Growers</td>
</tr>
<tr>
<td>Daniel Ding</td>
<td>Exporter</td>
<td>Waywin exports</td>
</tr>
<tr>
<td>Chris Pardy</td>
<td>Exporter</td>
<td>Ernest Pardy and Sons</td>
</tr>
<tr>
<td>Fernando Espinosa</td>
<td>Exporter</td>
<td>Pacific Fruit Brokers</td>
</tr>
<tr>
<td>Don Smith</td>
<td>Exporter</td>
<td>Donald Smith Horticulture Pty Ltd</td>
</tr>
<tr>
<td>Paul Scheffer</td>
<td>Exporter</td>
<td>Delica Pty Ltd</td>
</tr>
<tr>
<td>Josefen Ra</td>
<td>Exporter</td>
<td>Fimgold Pty Ltd</td>
</tr>
</tbody>
</table>
The Chinese Economy

The following statistics provide a political, economic, social, technological, legal and environmental perspective of the China mainland by highlighting some key indicators and trends prevalent in the market.

Geography

<table>
<thead>
<tr>
<th>Capital</th>
<th>Beijing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>9,596,960 total sq. km; 9,326,410 land sq. km; 270,550 water sq. km</td>
</tr>
<tr>
<td>Coastline</td>
<td>14,500 km</td>
</tr>
<tr>
<td>Land Use</td>
<td>10% arable land; 0% permanent crops; 43% permanent pastures; 14% forests and woodlands; 33% other</td>
</tr>
<tr>
<td>Irrigated Land</td>
<td>498,720 sq. km</td>
</tr>
<tr>
<td>Country Size</td>
<td>4th largest country</td>
</tr>
</tbody>
</table>
## Demographics

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>1,261,832,482</td>
</tr>
<tr>
<td>Age Structure</td>
<td>25% 0-14 yrs; 68% 15-64 yrs; 7% 65 yrs+</td>
</tr>
<tr>
<td>Population Growth Rate</td>
<td>0.9%</td>
</tr>
<tr>
<td>Birth Rate</td>
<td>16.12 births/1,000 population</td>
</tr>
<tr>
<td>Death Rate</td>
<td>6.73 deaths/1,000 population</td>
</tr>
<tr>
<td>Net Migration Rate</td>
<td>-0.4 migrants/1,000 population</td>
</tr>
<tr>
<td>Sex Ratio</td>
<td>1.15 Male:Female at birth; 1.1 Male:Female under 15 yrs; 1.06 Male:Female 15 - 64 yrs; 0.88 Male:Female 65 yrs+</td>
</tr>
<tr>
<td>Infant Mortality Rate</td>
<td>28.92 deaths/1,000 live births</td>
</tr>
<tr>
<td>Total Labor Force</td>
<td>700,000,000</td>
</tr>
<tr>
<td>Urban Population</td>
<td>N/A</td>
</tr>
<tr>
<td>Access to Safe Water</td>
<td>N/A</td>
</tr>
<tr>
<td>Life Expectancy at Birth</td>
<td>71.38 yrs for total population; 69.6 yrs for males; 73.33 yrs for females</td>
</tr>
<tr>
<td>Total Fertility Rate</td>
<td>1.82 children born/woman</td>
</tr>
<tr>
<td>Literacy</td>
<td>81.5% total population; 89.9% male; 72.7% female</td>
</tr>
</tbody>
</table>

## Economy

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>$4,800 billion</td>
</tr>
<tr>
<td>GDP - Real Growth Rate</td>
<td>7%</td>
</tr>
<tr>
<td>GDP - Per Capita (PPP)</td>
<td>$3,800</td>
</tr>
<tr>
<td>GDP - Composition by Sector</td>
<td>15% from agriculture; 35% from industry; 50% from services</td>
</tr>
<tr>
<td>Inflation Rate - CPI</td>
<td>-1.3%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>10%</td>
</tr>
<tr>
<td>Budget</td>
<td>N/A revenues; N/A expenditures</td>
</tr>
<tr>
<td>Industrial Production Growth Rate</td>
<td>8.8%</td>
</tr>
<tr>
<td>Electricity Production</td>
<td>1,160 billion kWh</td>
</tr>
<tr>
<td>Exports - Total Value</td>
<td>$194.9 billion</td>
</tr>
<tr>
<td>Imports - Total Value</td>
<td>$165.8 billion</td>
</tr>
<tr>
<td>Debt - External</td>
<td>$159 billion</td>
</tr>
<tr>
<td>Economic Aid</td>
<td>N/A</td>
</tr>
</tbody>
</table>

## Communications

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephones</td>
<td>110,000,000</td>
</tr>
<tr>
<td>Televisions</td>
<td>400,000,000</td>
</tr>
</tbody>
</table>
### Transportation

<table>
<thead>
<tr>
<th>Mode</th>
<th>Total Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railways</td>
<td>65,650 km</td>
</tr>
<tr>
<td>Highways</td>
<td>1,210,000 km</td>
</tr>
<tr>
<td>Waterways</td>
<td>110,000 km</td>
</tr>
<tr>
<td>Pipelines</td>
<td>9,070 km in crude oil; 560 km in petroleum products; 9,383 km in natural gas</td>
</tr>
</tbody>
</table>

Sources: The Asia Society, www.asiasource.org

### Guangdong Province

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>177,901 sq km (slightly smaller than Victoria)</td>
</tr>
<tr>
<td>Capital</td>
<td>Guangzhou</td>
</tr>
<tr>
<td>Population</td>
<td>86.4 million</td>
</tr>
<tr>
<td>Population Growth</td>
<td>0.93%</td>
</tr>
<tr>
<td>Main Languages</td>
<td>Official language: mandarin. Major dialects are Cantonese, Hakka and Teochew.</td>
</tr>
<tr>
<td>GDP</td>
<td>RMB950.6 billion (A$233.6 billion, slightly less than NSW)</td>
</tr>
<tr>
<td>GDP Per Capita</td>
<td>RMB11,002 (A$2,703)</td>
</tr>
<tr>
<td>GDP Growth</td>
<td>10.5%</td>
</tr>
<tr>
<td>Inflation</td>
<td>1.4%</td>
</tr>
<tr>
<td>Trade</td>
<td>Merchandise exports US$92 billion, imports US$78 billion.</td>
</tr>
<tr>
<td>Main Trade Partners</td>
<td>Hong Kong, USA, Japan, Taiwan, South Korea.</td>
</tr>
<tr>
<td>Two-Way Trade with Australia</td>
<td>Merchandise imports from Australia US$1.52 billion, exports to Australia US$1.12 billion.</td>
</tr>
</tbody>
</table>

Sources: Guangdong Economic and Social Development Briefing, 2001; Chinese Customs, Guangdong.

### The Southern China Fruit Market

With rising living standards, there has been increasing demand for fresh, good quality, healthy fruit and vegetables. Imported produce enjoys a good reputation for attractive appearance, good taste and carrying the clean and green image, especially fruit and vegetables from Australia. As a result, the market for imported fruit is expanding. Prices of imported produce are much higher than for domestic fruit and vegetables and in most cases the prices are double and even triple that of domestic produce. The demand for imported fruit and vegetables is growing at the rate of over 10% annually.

### Role of Guangdong in import fruit trade business

Guangdong has been one of the most dynamic economic regions in China since 1978 when China decided to implement an ‘open-door’ policy. With the advantage of
being bordered by Hong Kong, Guangdong has played an important role as being the
gateway for a number of imported products including fruit and vegetables.

The imported fruit and vegetable business dates back to the late 1980's and has gone
through rapid development since the early 1990's of last century. In the beginning,
there were three major wholesale markets handling imported fruit and vegetables in
Guangdong, but now there is only one, the Lishui Wholesale Market located on the
outskirts of Guangzhou.

The Lishui Wholesale Market is the largest fruit and vegetable market in China and
has the reputation as being the most important terminal for imported fruit and
vegetables into China. Today, over 90% of imported produce in the China market is
channelled into and distributed through the Lishui Wholesale Market. There are more
than 100 fruit and vegetable traders throughout the country that have their
representative offices in the market. In 2001, the Lishui Wholesale Market achieved a
total import volume of over 13,000 FCL's (40' container basis).

Countries that imported fruits come from

Imported fruit is sourced from many countries world-wide. However the largest
supplier is Thailand, mainly durian fruit. Thailand's tropical fruit accounts for more
than 40% of total imported produce sold through the Lishui Wholesale Market. The
USA accounts for over 20%. Australia is an important country supplying
approximately 20% of fruit in the market. Other countries include South Africa,
Chile, Argentina, New Zealand, Italy and France. While the largest suppliers include
the US and Australia, the current trend is resulting in an increasing market share being
captured by South Africa and Chile.

Major fruits imported

The most popular imported fruits in China are citrus (especially navel oranges), table
grapes, plums, nectarines, cherries, 'canna' apples, durian, longan, mangos and
papaya.

Current import fruit channel

Over 90% of the fruit is brought into China through the following channel:

Foreigner fruit exporters ⇒ Hong Kong importers ⇒ Lishui Wholesale Market ⇒
Regional fruit wholesale markets in Guangdong and other parts of China ⇒ local
retail markets (supermarkets, wet markets, 'mom & pop' shops and street 'hawkers')

Australian Fruit in the Market

Advantages:

• Counter-seasonal availability to major Northern Hemisphere suppliers.
• The Australian peak supply season coincides with some important traditional
Chinese holidays (Mid-Autumn Festival in October, Lunar New Year
Holidays in January/February).
• Australian fruits enjoy an image of good quality, clean produce that meets the increasing health concerns of the Chinese.

Disadvantages:
• No government protocol established except for apples from Tasmania.
• Unable to launch promotional activities for Australian fruit in the market, like other competitors, due to the lack of established access protocols.
• Lack of unified standards for quality specification and product integrity.
• Services and packaging standards by the Australian industry is below that of competitors.

Challenges:
• Strong competition from other countries that have less protocol constraints, such as the US, Chile and New Zealand.
• Tightening of border control regulations since China's accession to WTO in December, 2001.

Trend after China's accession to the World Trade Organisation (WTO)
• Reduction in the import duty from the previous 30-40% to 12-13%. The first reduction took place on 1 January 2002 resulting in the current duty rate falling to average 23% for most fruit and vegetable varieties.
• Increased competition among the import fruit market.
• More simplified import and distribution channels (Beijing, Shanghai).
• More direct retail orders with overseas suppliers and the appointment of category managers.
• Minimisation of Hong Kong traders for bigger profit margins.
• Larger local distributors capturing greater product control (logistics).

Market Access Issues

On the 17th and 18th of September 2001, the World Trade Organisation (WTO) successfully concluded negotiations on China's and Chinese Taipei's terms of entry and membership to the WTO paving the way for the textual agreement to be formally adopted at the WTO Ministerial Conference in Doha, Qatar. The Ministerial Conference, planned for Doha, proceeded in November under a cloud of world turbulence and unrest following from the September 11 terrorist attacks in the US.

On the 10th and 11th of November during the Ministerial Conference in Doha, China's and Chinese Taipei's entry to the WTO was approved. As a result, China and Chinese Taipei became a legal member 30 days after the WTO received notification of the ratification of the agreement by China's parliament.

In terms of agriculture, China agreed to limit its subsidies for agricultural production to 8.5% of the value of farm output while Chinese Taipei agreed to reduce its Simple Average Tariff Rate of 20.02% among 1,021 tariff lines to 14.01%.
China's History of Accession to the World Trade Organisation

China was one of the 23 original signatories of the General Agreement on Tariffs and Trade (GATT) in 1948. After China's revolution in 1949, the government in Taiwan announced that China would leave the GATT system. Although the government in Beijing never recognized this withdrawal decision, nearly 40 years later, in 1986, China notified the GATT of its wish to resume its status as a GATT contracting party.

In order to progress WTO membership, China had to implement economic reforms and transform its economy into one which is more market-based from the traditional Marxist model. China's accession process to the WTO was guided by a Working Party whose membership consisted of all interested WTO member governments. Initially, the Working Party on China's status was established under GATT in 1987 and concerned only China's trade regime for goods. In 1995, it was converted to a WTO Working Party and its scope was broadened to include trade in services, new rules on non-tariff measures and rules relating to intellectual property rights.

A substantial part of China's accession process involved bilateral negotiations between China and WTO members such as Australia. These were usually conducted privately, either at the WTO in Geneva or in one of the negotiating parties' capitals. Other meetings concerned either informal or formal sessions of the Working Party.

While several areas of China's trade policies were the focus of bilateral and multilateral negotiations, it was the responsibility of the Working Party to maintain an overview of how the negotiations were progressing and to ensure that all aspects of China's trade policies were addressed.

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WTO successfully concludes negotiations on China's entry
WTO News, Press/243
17 September 2001

The World Trade Organization today (17 September) successfully concluded negotiations on China's terms of membership of the WTO, paving the way for the text of the agreement to be adopted formally at the WTO Ministerial Conference in Doha, Qatar, in November.

"International economic cooperation has brought about this defining moment in the history of the multilateral trading system," said Mike Moore, WTO Director-General, at the conclusion of the meeting of the Working Party on China's Accession. "With China's membership, the WTO will take a major step towards becoming a truly world organization. The near-universal acceptance of its rules-based system will serve a pivotal role in underpinning global economic cooperation."

Under the chairmanship of Ambassador Pierre-Louis Girard of Switzerland, the Working Party concluded almost 15 years of negotiations with China and agreed to forward some 900 pages of legal text for formal acceptance by the 142 Member Governments of the WTO. Thirty days after China notifies its acceptance of the agreement, China legally becomes a member of the WTO.

As a result of the negotiations, China has agreed to undertake a series of important commitments to open and liberalize its regime in order to better integrate in the world economy and offer a more predictable environment for trade and foreign investment in accordance with WTO rules.

Among some of the commitments undertaken by China are the following:

- China will provide non-discriminatory treatment to all WTO Members. All foreign individuals and enterprises, including those not invested or registered in China, will be accorded treatment no less favourable than that accorded to enterprises in China with respect to the right to trade.
- China will eliminate dual pricing practices as well as differences in treatment accorded to goods produced for sale in China in comparison to those produced for export.
price controls will not be used for purposes of affording protection to domestic industries or services providers.

- the WTO Agreement will be implemented by China in an effective and uniform manner by revising its existing domestic laws and enacting new legislation fully in compliance with the WTO Agreement.

- Within three years of accession all enterprises will have the right to import and export all goods and trade them throughout the customs territory with limited exceptions.

- China will not maintain or introduce any export subsidies on agricultural products.

While China will reserve the right of exclusive state trading for products such as cereals, tobacco, fuels and minerals and maintain some restrictions on transportation and distribution of goods inside the country, many of the restrictions that foreign companies have at present in China will be eliminated or considerably eased after a 3-year phase-out period. In other areas, like the protection of intellectual property rights, China will implement the TRIPS (Trade-related Aspects of Intellectual Property Rights) Agreement in full from the date of accession.

During a 12-year period starting from the date of accession there will be a special Transitional Safeguard Mechanism in cases where imports of products of Chinese origin cause or threaten to cause market disruption to the domestic producers of other WTO members.

On the other hand, prohibitions, quantitative restrictions or other measures maintained against imports from China in a manner inconsistent with the WTO Agreement would be phased out or otherwise dealt with in accordance with mutually agreed terms and timetables specified in an annex to the Protocol of Accession.

WTO Ministerial Conference approves China’s accession

WTO News, Press/252
10 November 2001

The WTO’s Ministerial Conference approved today (10 November) by consensus the text of the agreement for China’s entry into the WTO. China will become legally a member 30 days after the WTO receives notification of the ratification of the agreement by China’s Parliament.

The documents adopted today by the Conference are the report of the Working Party for the Accession of China, the protocol of accession, which includes the terms of membership, and the schedule of China’s commitments on market access for goods and services.

“This is an historic moment for the WTO, for China and for international economic cooperation”, said WTO’s Director-General, Mike Moore, commenting on the approval of China’s accession.

“China, one of the fastest growing economies in the world, has made tremendous progress in the last decade in reducing poverty thanks to an economic system increasingly open to trade and foreign investment. Now this economy will be subjected to the rules-based system of the WTO, something which is bound to enhance global economic cooperation”, said Mr. Moore.

After the approval of China’s accession, the head of the Chinese delegation, Shi Guangsheng, Minister of Foreign Trade and Economic Cooperation, said “We need to invite all members to formulate the international trade rules of the new century through equal participation and consultation, so as to enable more developing countries to share the opportunities and interests brought about by the economic globalization and to avoid the further widening of the gap between rich and poor and protect some countries against being marginalized.”

Under the chairmanship of Ambassador Pierre-Louis Girard of Switzerland, the Working Party concluded on 17 September almost 15 years of negotiations with China and agreed to forward some 900 pages of legal text for formal acceptance by the 142 Member governments of the WTO.

As a result of this negotiation, China has agreed to undertake a series of important commitments to open and liberalize its regime in order to better integrate in the world economy and offer a more predictable environment for trade and foreign investment in accordance with WTO rules.
Benefits to Australian Horticulture

In summary, there are several benefits to the accession of China to the WTO for the Australian horticultural industry. Firstly, all volume restrictive trade measures will be removed. Secondly, import tariff rates have been substantially reduced ensuring more cost effective business opportunities in China. Finally, a known trading and legal framework that will provide a platform for the Australian horticultural industry to negotiate quarantine access to products that currently do not have access to the market.

In China, there are a number of market access requests that the Chinese central government has received from Australia including access for citrus and mango products. Other industries such as table grapes, stone fruits and a number of exotic or tropical fruits are also interested in investigating the commercial opportunities that may exist in the Chinese market for these products. Accession to the WTO allows this to be done under a known trading and legal framework.

Gaining Official Market Access

The accession of China to the World Trade Organisation means that in terms of negotiating market access, China is now subject to the rules and regulations of the Sanitary and Phyto-Sanitary (SPS) agreement outlined by the WTO. This means that there is now a known legal framework for these technical negotiations and obligation to follow this framework if China wishes to maintain its status and be WTO compliant.

Understanding the WTO Agreement on Sanitary and Phytosanitary Measures

www.wto.org

27 August 2002

The Agreement on the Application of Sanitary and Phytosanitary Measures sets out the basic rules for food safety and animal and plant health standards. It allows countries to set their own standards. But it also says regulations must be based on science. They should be applied only to the extent necessary to protect human, animal or plant life or health. And they should not arbitrarily or unjustifiably discriminate between countries where identical or similar conditions prevail.

Member countries are encouraged to use international standards, guidelines and recommendations where they exist. However, members may use measures which result in higher standards if there is scientific justification. They can also set higher standards based on appropriate assessment of risks so long as the approach is consistent, not arbitrary.

The agreement still allows countries to use different standards and different methods of inspecting products.

The rules of the SPS agreement dictate that for a country wishing to gain access to another country then they must compile a Pest and Disease List (PDL). For Australia a major constraint here is the incidence of fruit fly, codling moth and other quarantine pests and diseases, especially prevalent in a number of regions on the mainland.

From this PDL, the Chinese quarantine officials will then assess the market access submission with the PDL attached and undertake the necessary research to compile an
Import Risk Assessment (IRA) in order to determine the appropriate level of protection (ALOP) for the entry of fruit and vegetables into the market. This ALOP will allow the quarantine officials to decide upon the necessary disinfeestation procedures required in order for the supplying country to gain market access.

The IRA and ALOP must be based on scientific evidence. The compilation and proof of this evidence is the very costly part in gaining formal market access. It is often this cost and the resources required to develop the IRA that slows market access negotiations and the development of an import protocol.

The only successful Australian horticultural product to gain access to China to date has been apples from Tasmania. This has been done through the effective use of quarantine zoning. Under the SPS agreement zoning can be used to partition sections of a country that are recognised to be free of a certain pest or disease. This freedom can then allow formal access to a market that would otherwise not be permitted.

In terms of zoning, China fails to recognise the mainland area freedoms, that occur in the fruit fly exclusion zones of many of Australia’s mainland fruit producing regions. This means that fruit from these regions are not able to gain formal market access until China sets an appropriate level of protection and relevant disinfeestation procedures.

Whilst apples from Tasmania are the only Australian fruit and vegetable product that has formal access to the Chinese market, there are however a number of other Australian produce lines that are entering China through the ‘grey’ channel. These include apples, citrus fruits (mainly oranges), mangos, table grapes, nectarines, plums, peaches and cherries.

Many of Australia’s competitors in this market also experience market access challenges. Some competitors have been able to negotiate market access for certain products but otherwise have also been using the ‘grey’ channel to gain access to distribution in China.

Tariff Rates

Accession to the WTO requires China to lower their trade restrictive measures such as tariffs and quotas. The table below highlights the reductions that have occurred in the tariff rates for the major horticultural products entering China.

The ‘rate 2001’ column represents the rate prior to accession to the WTO. The ‘rate 2002’ column represents the rate post-accession to the WTO and the ‘final rate’ column is that which China is required to reach by the ‘date to achieve final rate’ in the right-hand column.

Those products that do not have a ‘final rate’ listed or a ‘date to achieve final rate’ means that these products have already achieved the final negotiated rate in the first year of accession and the rate will not go any lower until further negotiations take place with China’s key trading partners.
<table>
<thead>
<tr>
<th>Product</th>
<th>Rate 2001</th>
<th>Rate 2002</th>
<th>Final Rate</th>
<th>Date to achieve final rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mangoes</td>
<td>21%</td>
<td>19%</td>
<td>15%</td>
<td>2004</td>
</tr>
<tr>
<td>Oranges</td>
<td>28%</td>
<td>23%</td>
<td>11%</td>
<td>2004</td>
</tr>
<tr>
<td>Mandarins</td>
<td>29%</td>
<td>23%</td>
<td>12%</td>
<td>2004</td>
</tr>
<tr>
<td>Lemons</td>
<td>28%</td>
<td>23%</td>
<td>11%</td>
<td>2004</td>
</tr>
<tr>
<td>Grapes</td>
<td>29%</td>
<td>24%</td>
<td>13%</td>
<td>2004</td>
</tr>
<tr>
<td>Apples</td>
<td>22%</td>
<td>18%</td>
<td>10%</td>
<td>2004</td>
</tr>
<tr>
<td>Pears (European)</td>
<td>22%</td>
<td>18%</td>
<td>10%</td>
<td>2004</td>
</tr>
<tr>
<td>Cherries</td>
<td>22%</td>
<td>18%</td>
<td>10%</td>
<td>2004</td>
</tr>
<tr>
<td>Peaches</td>
<td>22%</td>
<td>18%</td>
<td>10%</td>
<td>2004</td>
</tr>
<tr>
<td>Plums</td>
<td>28%</td>
<td>22%</td>
<td>10%</td>
<td>2004</td>
</tr>
<tr>
<td>Strawberries</td>
<td>27%</td>
<td>27%</td>
<td>14%</td>
<td>2004</td>
</tr>
<tr>
<td>Potatoes</td>
<td>13%</td>
<td>13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onions</td>
<td>13%</td>
<td>13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broccoli</td>
<td>11.8%</td>
<td>11.2%</td>
<td>10%</td>
<td>2004</td>
</tr>
<tr>
<td>Cauliflowers</td>
<td>11.8%</td>
<td>11.2%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Carrots</td>
<td>13%</td>
<td>13%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Foreign Affairs and Trade, 2002

Import Environment

The majority of produce that is brought into China is distributed through the ‘grey’ channel from Hong Kong.

Hong Kong plays an important role in the environment of imported fruits and vegetables for China. The commercial sector is able to speak English, provide ‘western’ style banking and legal systems and efficient transportation thereby minimising the commercial risk for export suppliers. The most important advantage of Hong Kong in the supply chain is the ability to guarantee lines of credit, thereby assisting to protect export suppliers.

For this reason, many of the major importing companies in China have subsidiary companies in Hong Kong to assist in the importing of fruit and vegetables that are yet to have quarantine protocols established for direct access.

From Hong Kong, imported produce is re-exported to China using trucks or barges to the Lishui Wholesale Market. Re-exporting takes around 4-8 hours by truck and 12 hours by barge to reach the market. It is very unusual for this process to be refrigerated. However, the temperature in China during the time of the Australian summer is relatively cool and thereby helps to maintain a level of temperature integrity.
Hong Kong re-exports

The following tables and associated charts outline the total re-exports that have taken place over the recent past into China from Hong Kong for major fruit lines.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Hong Kong Imports (mt)</td>
<td>54,691</td>
<td>75,868</td>
<td>106,276</td>
<td>99,388</td>
<td>102,600</td>
<td>98,072</td>
<td>86,682</td>
</tr>
<tr>
<td>Hong Kong re-exports to China (mt)</td>
<td>13,876</td>
<td>29,578</td>
<td>36,343</td>
<td>47,981</td>
<td>47,981</td>
<td>46,978</td>
<td>48,259</td>
</tr>
</tbody>
</table>

Source: Hong Kong Customs, 2002

Table Grapes

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong Imports (mt)</td>
<td>179,293</td>
<td>188,508</td>
<td>224,950</td>
<td>259,651</td>
<td>164,820</td>
<td>210,189</td>
<td>201,230</td>
</tr>
<tr>
<td>Hong Kong re-exports to China (mt)</td>
<td>4,906</td>
<td>11,716</td>
<td>17,541</td>
<td>62,738</td>
<td>31,684</td>
<td>32,532</td>
<td>53,639</td>
</tr>
</tbody>
</table>

Source: Hong Kong Customs, 2002

Oranges
Fruit & Vegetable Study Tour to China – May, 2002

### Pears

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong Imports (mt)</td>
<td>54,360</td>
<td>40,878</td>
<td>45,022</td>
<td>40,738</td>
<td>45,876</td>
<td>43,913</td>
<td>37,711</td>
</tr>
<tr>
<td>Hong Kong re-exports to China (mt)</td>
<td>506</td>
<td>1,206</td>
<td>688</td>
<td>495</td>
<td>316</td>
<td>1</td>
<td>992</td>
</tr>
</tbody>
</table>

Source: Hong Kong Customs, 2002

#### Pears (European)

![Graph showing pear imports and re-exports from 1995 to 2001.](image)

### Plums

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong Imports (mt)</td>
<td>13,058</td>
<td>19,031</td>
<td>22,037</td>
<td>20,305</td>
<td>24,982</td>
<td>20,944</td>
<td>29,024</td>
</tr>
<tr>
<td>Hong Kong re-exports to China (mt)</td>
<td>413</td>
<td>1,971</td>
<td>1,345</td>
<td>2,096</td>
<td>4,638</td>
<td>818</td>
<td>8,790</td>
</tr>
</tbody>
</table>

Source: Hong Kong Customs, 2002

#### Plums

![Graph showing plum imports and re-exports from 1995 to 2001.](image)
<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong Imports (mt)</td>
<td>2,466</td>
<td>4,342</td>
<td>6,564</td>
<td>5,553</td>
<td>8,489</td>
<td>9,183</td>
<td>8,633</td>
</tr>
<tr>
<td>Hong Kong re-exports to China (mt)</td>
<td>37</td>
<td>168</td>
<td>116</td>
<td>1,780</td>
<td>825</td>
<td>3,495</td>
<td>64</td>
</tr>
</tbody>
</table>

Source: Hong Kong Customs, 2002

**Wholesale Environment**

The Lishui Wholesale Market is the major wholesale market for imported fruit and vegetables in China. Approximately 95% of all imported fruit destined for China is transferred through the Lishui Wholesale Market. The market currently covers 13 hectares and involves more than 100 wholesalers and 150 importers. The market management are now developing a new market stand to cater for an increasing number of wholesalers and produce. The Market’s extension is expected to be completed by the end of 2002 as part of the expansion program.

The Lishui Wholesale Market has captured all handling of imported fruits from the Le An Fruit Market, located in Nanhai, and the Huadu Fruit Market, located in Huadu. The present Lishui Wholesale Market replaced the Le An Market in 1998 and the Huadu Market closed in 2000. This is due to the Lishui Wholesale Market being strongly supported by the Guangdong provincial government as the primary market for fruit and vegetable sale and distribution.

The very nature of the wholesale environment is different to that of Australian wholesale markets. Reefer containers are unloaded off the back of the truck and then placed on the market floor. From here the wholesaler merely opens the doors and sells produce straight out of the container. Local ‘hawkers’ and street stall owners will then scout the market purchasing fruit and vegetables for daily merchandising and further distribution.
The containers are thereby acting as the wholesaler’s stand and cool room. This is very important in the Lishui Wholesale Market, as there is very little cool room space for each of the wholesalers within the market. The single allocation of floor space to each wholesaler is very small.

The containers are ‘plugged in’ whilst in the wholesale market to assist maintain the cool chain. The Lishui Wholesale Market has the capacity to carry and supply electricity to some 500 forty-foot reefer containers. This number will expand with the completion of the new market stand by the end of 2002.

From the Lishui Wholesale Market, produce is transported throughout the country to other regional wholesale markets for sale to retail outlets such as supermarkets, hypermarkets, wet markets, specialty stores and street ‘hawkers’.

**Distribution Environment**

The distribution environment for many of the fruits and vegetables is still through the ‘grey’ channel of Hong Kong, accept for those fruits and vegetables that have established a quarantine protocol for direct market entry.

Produce is imported into the free port of Hong Kong then re-exported into China. Produce passing into China is then subject to a tariff of around 23% for most fruit and vegetable items.

Although variation does occur between the individual companies, the standard aircraft flight time to Hong Kong is 9 hours. Shipping to Hong Kong depends on what port the produce is discharged from. Sailing time from Sydney to Hong Kong is approximately 18 days and 12 days from Melbourne.

Imported fruits and vegetables are then shipped to the Lishui Wholesale Market in Guangzhou. This can be done using road transport or trans-shipped by barge from the port of Hong Kong. The road trip takes approximately 8 hours from the Hong Kong port to the Lishui Wholesale Market. It is unusual for produce to be under refrigeration while being transported by road into the market. Even when reefer containers are transported by road, there are no generators used to maintain the cool chain.

At the Lishui Wholesale Market, containers are unloaded and ‘plugged in’ to power. The fruits and vegetables are then sold from here to secondary wholesale markets, supermarkets, retailers, street ‘hawkers’ etc.

Produce is often transferred from the Lishui Wholesale Market to the secondary wholesale markets throughout China. Some produce will make the 4-day journey to the secondary wholesale markets of Shanghai and Beijing. This journey is rarely refrigerated and there is very little if any refrigeration in the secondary markets.
A lot of imported fruit and vegetables are transported directly from the Lishui Wholesale Market into the major supermarket chains. This therefore bypasses the secondary wholesale markets. This can be done as the supermarkets are becoming significant purchasers of imported fruits and vegetables.

The level of cool chain maintenance is difficult to determine. The distribution to the supermarket chains is often not refrigerated. However, the cool chain is being enhanced by a number of ‘western’ style retailers now purchasing produce directly from import suppliers.

Peoples Republic of China, Retail Food Sector, 2002
GAIN Report, ICH2608
Foreign Agricultural Service, USDA

Local supermarkets and hypermarkets in recent times have begun to more closely resemble their Western counterparts. Approximately a decade ago, most only carried dry goods. Having frozen food and produce sections is starting to become the norm in these stores and an ever increasing number now have prepared food sections for customers to buy cooked food to take home. Food and beverage sales in supermarkets, on average, account for 60% to 75% of sales volume, but the percentages in hypermarkets and department stores is usually lower at around 30% to 40% of sales.

The sales of imported food and beverage items is often less than 5% of these stores’ total sales, but Sino-overseas joint venture products often capture a much higher percentage of the total in stores. In some stores, the percentage exceeds 50% of total sales, but the average is usually less than 40%.

Supermarkets and hypermarkets require credit when purchasing most products from distributors and manufacturers. The re-payment period varies from chain to chain and from product to product, but 90 days is the average. Although many stores put specific re-payment periods in their purchasing agreements with distributors and manufacturers, not all stores abide by the terms and delay re-payment.

These delays, unfortunately, have become common place in recent years and in turn has caused some distributors to cease distribution to supermarkets and hypermarkets. Local supermarket and hypermarket customers on average tend to be younger, wanting greater convenience and have higher incomes. These customers also are female more often than male.

Supermarket customers average spending per visit usually ranges between 20 and 30 RMB (A$4.48- A$6.73) and the range is higher for hypermarket customers. Although price remains the important factor when customers are considering whether to buy a product, brand and quality are assuming greater importance in customer purchasing decisions. In choosing a store, location relative to work or home is often important to customers.

Competition in the market has increased in recent years. In response, many chains are either making their stores larger to take advantage of economies of scales or converting to the smaller convenience store format. Those chains opting for making stores larger are closing many of their smaller stores (i.e. Park’n Shop). In addition, as a response to the more competitive retail environment, supermarkets and hypermarkets have been expanding customer services. For example, telephone/internet ordering and home delivery has been introduced by some retailers. Hypermarket and supermarket retailers are also inviting specialty retailers (i.e. bakeries, photo developers, coffee shops, etc.) to set up shop in the stores in order to attract more customers.

Western-style convenience stores and gas station mini-marts started appearing in China during the late 1990s. As of 2002, 7-11 is the only Western-style convenience store chain with stores in south China. The AM/PM convenience store chain closed its Guangzhou stores in March 2002 and transferred the locations to 7-11. Both Esso and British Petroleum operate mini-marts at many of their gas stations in south China. Convenience stores’ and mini-marts’ main competition is the thousands of kiosks that dot the cities, not the supermarkets and hypermarkets.

These types of stores and markets still are the most popular among the local consumers, but their numbers are diminishing. Wet markets, for example, remain the main source of their meat and produce. Some imported products find their way into these places, but by the time they reach this level all knowledge of their origin is usually lost.
Despite wet markets' popularity, their numbers in the larger south China cities are decreasing. Local governments, in an effort to improve overall urban sanitation, are closing down and consolidating these markets, copying efforts already made by some Chinese cities in the north such as Shanghai.

Although some retailers and 'hawkers' will purchase directly from the Lishui Wholesale Market, much of the product sold by these retailers is purchased from the secondary wholesale markets.

Again in terms of cool chain management it is hard to say exactly the true extent of it. However it is highly questionable that there is any cool chain management beyond the Lishui Wholesale Market with the exception of 'western' style retailing in-store.

**Retail Environment**

The retail environment in China is changing rapidly. Traditionally, Chinese consumers would purchase fruit and vegetables from the many wet markets or the street ‘hawkers’ nearby on a very regular basis. Today, the supermarket trade is increasing its market share in China at a strong rate albeit from a low base.

<table>
<thead>
<tr>
<th>Store Type</th>
<th>Size (m²)</th>
<th>Number of outlets (Chain stores)</th>
<th>Operated by Chain</th>
<th>Fresh Produce</th>
<th>Frozen Foods</th>
<th>Ready To Eat</th>
<th>Non-Food</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypermarkets</td>
<td>3,000-30,000</td>
<td>50/5</td>
<td>15/2</td>
<td>90%</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>600-3,000</td>
<td>1,200/3</td>
<td>300/2</td>
<td>75%</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Department stores</td>
<td>500-1,000</td>
<td>40/5</td>
<td>15/2</td>
<td>50%</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Foodstuff stores</td>
<td>200-1,000</td>
<td>20/0</td>
<td>10/0</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenience stores</td>
<td>30-100</td>
<td>1,600/5</td>
<td>800/2</td>
<td>65%</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>'mom &amp; pop' stores</td>
<td>5-20</td>
<td>30,000/0</td>
<td>20,000/0</td>
<td>0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale markets</td>
<td>10,000-50,000</td>
<td>10/0</td>
<td>2/0</td>
<td>0%</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Wet markets</td>
<td>2,000-20,000</td>
<td>50/0</td>
<td>20/0</td>
<td>0%</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: USDA, 2001

The following graph has been included to show the importance of food purchases to the average Chinese consumer. Food takes up a large proportion of the household budget share. Whilst some of this can be attributed to the low wage structure that occurs in China, it is also an indication of the willingness to spend large amounts on food items, especially during the holiday periods.
Supermarkets tend to attract the younger consumers who seek greater convenience and have higher disposable incomes. The major supermarkets in China include Wal-Mart, Park’N’Shop, Carrefour, Wangjia, Minrun and Jusco.

**Wal-Mart Superstores**

Wal-Mart is a rapidly growing hypermarket in China. Wal-Mart opened their first store in 1996. This has now grown to 19 stores across 8 cities. A total of 16 stores are classified as Super Stores with the remaining 3 being Sams Club banner stores.

A Sams Club outlet is a wholesale member store where variety is low but bulk purchases are the norm. Sams Club is run on membership that provide discounts to customers. Wal-Mart insists that fruit and vegetables merchandised in Sams Club stores is of high quality. The membership concept allows for high quality produce to be made available at competitive prices.

Wal-Mart views fresh produce as very important to their product range. Imported fruit accounts for up to 60% of the fruit merchandised. This share of shelf space can increase to 80% during local festivities.

The 5-year projection is for Wal-Mart to have 100 stores nation-wide and purchase fruit and vegetables directly from Australian suppliers.

**Park’N’Shop Supermarkets**

Park’N’Shop is a large supermarket chain that has high market penetration throughout Hong Kong. Park’N’Shop now has 18 stores strategically placed throughout the wealthier districts of Guangzhou.
Park ‘N’ Shop has attempted to take the traditional wet market style shopping environment into the supermarket. Produce merchandised gives a feel of freshness, seafood displays are live, beef, pork and lamb carcases hang on display in-store. Shop staff stand by displays spruiking about individual products and pricing to provide a lively but friendly shopping environment.

This environment provides a wet market feel through familiar sights, sounds and smells for Chinese consumers. This is attracting the Chinese consumer into supermarkets as it has the traditional market feel and the convenience and hygiene of ‘western’ style supermarket shopping.

Minrun Supermarkets

Minrun is a supermarket chain that is partly owned by the Shenzhen Fruit & Vegetable Company. There are over 80 stores throughout Guangdong. The major focus is on fresh produce retailing largely due to the ownership of the Buji Agricultural Produce Wholesale Market by the Shenzhen Fruit & Vegetable Company.

Minrun supermarkets are largely concentrated in Shenzhen. Shenzhen is a city of major growth. As the border city to Hong Kong, Shenzhen has the highest per capita income in China. The Minrun supermarkets are conveniently located in areas of high growth and are targeting the new wealth in this region.

Peoples Republic of China, Retail Food Sector - Park 'N Shop Pulls Out Of Shanghai, 2000
GAIN Report #CH0808
Foreign Agricultural Service, USDA

Following hot on the heels of Dutch retailer Ahold-Tops' pulling out of China last summer, Park 'N Shop has decided to depart from the highly competitive Shanghai retail sector, further evidence that cut-throat competition, oversupply and pressure from the more successful hypermarket format (Carrefour, Metro, Auchan) is taking its toll. Park 'N Shop will retain a management contract with one existing Shanghai store, but will sell the equity in its other local stores to an unnamed company. It remains unclear how Park 'N Shop's ongoing reorganization in China will impact its continued presence in Guangzhou and Beijing.

According to industry insiders, there is likely not a single operator in Shanghai's food retail sector which is operating in the black, although some report that Carrefour is the only operator to be making a profit. The competitive pressure puts the foreign firms (which have investment caps placed on their operations by the government) at a competitive disadvantage to their state-run competitors. Although the domestic firms lack technology, sophisticated training and management know-how, they do have very deep pockets in the form of soft loans from state banks and vested interests in their respective local governments which view creating jobs as a way of maintaining stability in China's cities.

The stronger Chinese firms are also buying up their smaller and less successful domestic competitors, rapidly consolidating an industry which is less than ten years old, but already achieving a penetration of over 1,200 supermarkets in a single city, Shanghai. Hualian and Lianhua, both state-owned goliaths, have come out the winners in this contest to devour the competition as rapidly as possible. These two chains control more than half of the city's supermarkets and they have also diversified into convenience stores and hypermarkets. Another hard reality is that China doesn't really encourage foreign competitors operating in its retail sector. Pending-WTO accession aside, local governments view foreign retailers as both a showcase of technology intended to provide a model for local emulation and as a threat to domestic retailers. Many foreign ventures have been starved out of existence with red tape, investment caps, weak local partners that are often foisted on the foreign investors and general interference from the local and central government.

A common local perception is that foreign firms are here to repatriate profits and plunder China's resources. However in reality, most foreign firms take long-term stakes in China, reinvesting their profits.
in order to build the business, while their Chinese partners demand short-term profit taking to pay off
debts incurred by their parent company or to pay for social welfare programs unrelated to the workers
assigned to the joint venture. Not surprisingly, the overlooked aspect of retailers like Carrefour is that its
hugely successful format sells more Chinese goods and pays higher wages to its Chinese workers than
do its domestic competitors. We foresee continued consolidation in the glutted food retail sector and
also many local competitors entering into the hypermarket format in the coming 2-3 years.

Peoples Republic of China, Retail Food Sector – Recent supermarket developments, 2002
GAIN Report #CH2617
Foreign Agricultural Service, USDA

One of the impediments regarding direct importation by some supermarket chains in China is the small
number of stores within the respective chains. Although centralized purchasing for chains is becoming
the norm, small total store numbers prevent many chains from lessening the additional per unit
importation costs. Certain recent developments in southern China could indicate the future removal of
this problem for a couple of supermarket chains in the near future.

These developments include Beatrice’s future plans to unite their separate supermarket chains in
several Chinese cities and centralize purchasing for all and China Resources’ continuing interest in
buying into local supermarket chains throughout Guangdong province’s Pearl River delta. Beatrice
currently has joint ventures with various different local retailers in several cities in China. Chinese cities
where Beatrice operates supermarket joint ventures include: Guangzhou, Xiamen, Chengdu, Suzhou,
and Beijing. Altogether Beatrice is part of 116 stores across China. Each joint venture chain uses
centralized purchasing for all stores within the chain, but this arrangement does not apply to the chains
as a group. However, one Beatrice executive based in Guangzhou recently revealed to Post that the
company’s overall future plan is to unify the chains in the various cities and implement centralized
purchasing for the whole united chain. The executive though was uncertain about the timing for
implementing this plan.

In the other development, China Resources Enterprise Limited, an investment arm of China’s Ministry of
Foreign Trade and Economic Cooperation, announced in early June its intention to buy 65% of China
Vanguard Super Development Company. China Resources also announced that it had an option to buy
the remaining stake and exercising this option was pending approval from the government. The
Vanguard chain in Shenzhen as of early 2002 operated 9 hypermarkets in the former special economic
zone. China Resources Enterprises which operates the CRC supermarket chain already has 321
supermarkets in China. Earlier, CRC had bought into the Daonijia Supermarket chain of Guangzhou
and the New Seven Stars supermarket chain of Zuhai. According to market rumors, China Resources
hopes at some stage to unify the centralized purchasing among all of the stores in which it has an
ownership interest. However, the timing of such an action is never mentioned. At the present time, only
the wholly-owned and joint venture hypermarkets in China are the only retail chains with great
geographic reach and could implement nationwide centralized purchasing. These hypermarket chains
include: Wal-Mart, Carrefore, Metro/Makro, and Trust-Mart.

Competitor Environment

Chile

Chile is a direct competitor to the Australian horticultural industry as the harvest
timings of the two Southern Hemisphere suppliers overlap.

To date Chile has been able to establish quarantine protocols with the Chinese
government for apples, grapes and kiwifruit. This allows them to gain formal access
to the market for these products directly into the Northern ports. However, these and
other fruits from Chile are still in the Southern markets with these products entering
China through the ‘grey’ channel.
The greatest disadvantage to the Chilean horticultural industry is the geographic distance between source and market with shipping from Chile to China taking up to 40 days. The industry is however largely co-ordinated and export focussed hence competitive shipping rates can be negotiated. Cheaper shipping rates, low labour costs and a weak currency sees Chile as a major competitor to Australia in this market now and into the foreseeable future.

South Africa

Similar to Chile, South Africa is also a direct competitor to the Australian horticultural industry as the harvest timings of the two Southern Hemisphere suppliers overlap.

To date, South Africa has not been able to establish any formal quarantine arrangements for fruit and vegetable imports with China. However, fruit from South Africa is still present in the marketplace. These fruits enter China through the ‘grey’ channel and includes products such as citrus and pears.

South African suppliers have an excellent image in the markets of Hong Kong and China. An ability to continually supply large volumes of high-grade fruit has made them a preferred supplier and the benchmark of other Southern Hemisphere suppliers.

Like Chile, Australia has an advantage over South Africa in terms of proximity to the Chinese market. However co-ordinated marketing and shipping by the South African producers coupled with low wage structures and a weak currency means that the South African producers can overcome this disadvantage of proximity through competitive pricing policies.

New Zealand

To date New Zealand has been able to establish quarantine protocol for the entry of apples and kiwifruit into China. At this stage, this provides very little direct competition for Australian producers as these are not the products that Australia has a comparative advantage with in this market.

Similar to Chile and South Africa, a major benefit of New Zealand isthe ability to build brand awareness for New Zealand branded apples and Zespri kiwifruit.

Thailand

Although a producer from the Northern Hemisphere, Thailand is a competitor of tropical fruit production and supply to China.

Proximity to the Chinese market and a bilateral trade agreement with China including the trade of fruits sees Thailand placed with a strong market advantage over Australia. Thailand’s presence in the marketplace is obvious as the largest supplier of imported fruits into China. This is especially the case with durian and mango fruits.
United States of America

The US has become the world benchmark for exports to the Chinese market. The US has been able to act swiftly to establish quarantine protocols for grapes, apples, citrus and cherries. Whilst Northern Hemisphere production means that these products are not in direct competition with Australian produce, it does however set the industry benchmark for the standard of exports.

Similarly, as the US begins investing in technologies to extend the shelf life of some of the seasonal products, combined with strategic alliances with Southern Hemisphere suppliers in South America, then the US could become more of a direct threat to Australian exports in the market place over the medium to longer term.

Australia’s Competitive Advantage

The very nature of being counter seasonal in the supply of excellent quality fruit and vegetables gives Australian producers a desirable advantage in the Chinese market. The strong, clean and green image of Australian products assist the market perception of high quality fruit and vegetables.

A close proximity to the Chinese market provides for favourable shipping times to help ensure excellent fruit quality. This proximity reduces the amount of fruit that degenerates in-transit and hence allows Australia to deliver products that have a lower discard or rejection rate.

Products that Chinese buyers show interest in are citrus fruits, table grapes, mangos, mandarins, plums, nectarines, cherries and celery. These products are seasonal and hence have a ‘window of opportunity’ in the Chinese market to complement production in the Northern Hemisphere. Australian products are preferred to our import competitors due to their image of superior quality.

Many of these products are also highly sought after for gift giving in the major public holidays and local festivity periods. The Moon Festival in October and Chinese New Year in January/February, provide the perfect timing for Australian fruit to enter the market place. These fruits are highly regarded at this time and command a premium price.

What does this advantage mean for Australia

For Australia, high demand for the above-mentioned products shows excellent market potential for these industries in the mainland Chinese market post the accession of China to the WTO.

However, the current lack of quarantine protocols for most fruit and vegetables means that there is no direct access for these products into China at this stage. Whilst these products are entering the Chinese market place, it is through the ‘grey’ channel from Hong Kong. However this is an expensive process and is slowing the benefits of the
market potential for the Australian industry creating delays resulting in product spoilage and untimely delivery.

Many of the Chinese importers have a large desire to deal directly with Australian growers and exporters. This will allow Chinese customers to largely reduce the costs associated with the current ‘grey’ channel. There is a large need for Chinese importers to reduce this cost structure as Australian fruit and vegetables are relatively expensive compared to our competitors.

This coupled with the reduced capacity to pay for Australian produce relative to other markets highlights a need to reduce the cost structure associated with delivering in order for both Australia and China to be able to capitalise on the market demand. Importers and producers dealing directly with each other will help reduce the current cost structure.

However when quarantine protocols are established between Australia and China, it is important that this cannot lead to an expensive disinfestation process. Such a procedure may again reduce the capacity to pay for these products by the Chinese consumers and hence effectively reduce the relative profitability of this market for Australian producers in the short term.

The rapid economic growth of the Chinese economy since the accession of China to the WTO has led to increasing incomes of many Chinese. This means that the disparity between the price of Australian fruit and the capacity to pay by Chinese consumers will most likely erode in the long term ensuring the success of this market for the Australian horticultural industry.
Companies Visited

Xinzhou Trade Co. Ltd

Office Address: No 1-3/38 Xinhua Street, Tianpingjia, Shahe, Guangzhou, China
Tel: (86 20) 8722 9299, 8722 9203
Fax: (86 20) 8722 9210
Contact: Mr Guo Yuhui, Executive Director
+86 1382 2111118
Mr Mark Chow, Director
+86 13902828284
Mr Bob Chow (who speaks English)
+86 1350 0004 849
E-mail: gzxinzhou@163.com

Profile:
- A company engaged in imported fruit business since the mid 80's;
- With representative offices set up in both Lishui Market and Tianpingjia Fruit Market (the biggest fresh fruit wholesale market in Guangzhou city), with the cold storage of 1,200 square meters and a land transportation team for distribution;
- Apart from wholesale distribution business, the company also involves with fruit retailing business with a good customer bank developed which consists of supermarkets, hotels, restaurants, and second-hand wholesalers/distributors;
- Has established and operated 31 fruit shops within the major supermarkets in the 7 cities of the Pearl River Delta area, which is recognized as the wealthiest region in China;
- Appointed supplier of imported fruit by HK Park'N Shop and Japanese JUSCO Department Store in Guangzhou;
- Of its more than 60 fruit varieties sold in the retailing shops, 40–50% are imported fruits, and the percentage of Australian fruits amounts to 12%;
- Purchased through its representative office in Lishui Market the imported fruits worthy of A$ 24 million in 2001.

Comments:
- Relying on supply of imported fruit by Hong Kong based importers is recognized as the major constraint to the further expansion of its retail networks as being lack of consistent supply and well controlled price. Therefore efforts are now being diverted into exploring direct overseas supply channel;
- A currently key targeted fruit trader to deal with.
Joyful Fruit (Food) Ltd

Address: Yan Jiang Jie, Tanbu Zhen, Huadu District, Guangzhou, Guangdong
Tel: (86 20) 8674 6888, 8674 1301, 8674 1302
Fax: (86 20) 8674 1300
Contact: Mr Leo Chiu, Managing Director (speaks English)
Mobile: (86) 1360 223 4098

Profile:
- A company invested by Goldland Economic & Trading Limited registered in Hong Kong;
- The HK office is responsible for payment from HK and other administrative issues;
- Involved in the fruit import business for over 10 years;
- Have been importing fruits from Australia, N.Z., U.S.A., South Africa, Italy, and Israel;
- Key Imported fruits: citrus, grapes, strawberry, kiwifruit, nectarine, mango, cherry and plum;
- Key markets: mainland China;
- Apart from wholesale business, having involved with retailing business since 2000 and is accredited to be the suppliers of import fruit to Wal-Mart and Park’N Shop;
- Import volume in 2001 was over 800 FCL, of which about 300 FCL were from Australia;
- Key fruit from Australia: citrus, grapes, nectarine, mango, cherry and plum.
- Being supplied by over 10 Australian suppliers;
- Agent for Vitor oranges and Gayndah Packers mandarins, Best Fresh grapes, Westcorp stonefruits, Sungold mangos, etc.
- Have been dealing direct with Australian fruit suppliers. Mr Leo Chiu is an English speaker with New Zealand citizenship.

Comments:
- An important importer as well as a large local distributor.
- Able to pay overseas fruit suppliers via the HK head office from HK banks;
- A current key targeted buyer for Australian fruit exporters.
Jet All Trading Co.

Address: Shop 40-42, LiShui Fruit Wholesale Market, Nanhai, Guangdong, China
Tel: (86 757) 568 0988, 568 0938
Fax: (86 757) 568 0938
Contact: Mr Shin Tung Hing, Managing Director (based in HK)
          Mr Shin Qu Tong, Manager
Mobile: +86 1370 299 8736
HK Tel: (852) 2366 3296,
HK Fax: (852) 2366 3900
E-mail: jetalltc@netvigator.com
HK Contact: Mr Sin Tung Hing

Profile:
- A company headquartered in Hong Kong but also with a representative office based in Lishui Fruit Wholesale Market;
- Involved in fruit import business for over 17 years;
- The Managing Director Mr SHIN Tung Hing is one of the 4 shareholders of the Lishui Fruit Market;
- The HK head office is responsible for purchasing fruit from all over the world.
- Have been importing fruit from U.S.A., Chile, Argentina, Peru, South Africa, Australia, Thailand, Japan, etc
- Key Imported fruit: citrus, grapes, mango, plums, nectarine, cherry, pears, durian, etc;
- Key markets: Hong Kong and mainland China
- Total volume of imported fruit in 2001 is over 1000 FCL, of which about 330 FCL from Australia;
- Distribution in China: two-fifth of the imported fruit are sold to second-hand wholesalers in Guangdong, three-fifth of the produce are sold to second-hand regional distributors in other cities and provinces, eg. Beijing, Shanghai, Chengdu, Fujian, Zhejiang, etc.

Comments:
- An important importer as well as a large local distributor.
- Able to pay overseas fruit suppliers via the HK head office from HK banks;
- A current key targeted buyer for Australian fruit exporters.
Sun Rising Development (HK) Ltd

Address: Shop 43-45, Lishui Fruit Wholesale Market, Nanhai, Guangdong
Tel: (86 757) 568 0933
Fax: (86 757) 568 0909
Contact: Mr D.L. Ruan
Mobile: (86) 1390 299 6839
HK Contact: Mr Chen Hao De
Mobile: (852) 9731 3692

Profile:
- A company headquartered in Hong Kong but also with a representative office based in Lishui Fruit Wholesale Market;
- Involved in fruit import business for over 30 years;
- The Managing Director Mr CHEN YaoXiang is one of the 4 shareholders of the Lishui Fruit Market;
- The HK head office is responsible for purchasing fruits from overseas, the Rep. Office in Lishui looks after distribution into the China market;
- Have been importing fruits from U.S.A., Chile, South Africa, Australia, and Thailand;
- Key Imported fruits: grapes, mango, plums, nectarines, longan, etc.;
- Key markets: Hong Kong and mainland China
- In 2001, the total import volume is more than 1000 FCL, most are from South Africa.
- Fruits imported from Australia are mainly table grapes, citrus, cherry and some stone fruits. Import from Australia in 2001 dropped significantly compared to the previous years, but is picking up this year;
- Used to import lots of Australian mango, but stopped buying since 1999 due to big loss of money.
- Distribution in China: Over 70% of the imported fruits are sold to second-hand wholesalers in Guangdong, the balance is sold to second-hand regional distributors in other cities and provinces, eg. Beijing, Shanghai, etc.

Comments:
- An important importer as well as a large local distributor.
- Able to pay overseas fruit suppliers via the HK head office from HK banks;
- A current key targeted buyer for Australian fruit exporters.
Dingli Fresh Fruit Co. Ltd

Address: Shop 2, Lishui Fruit Wholesale Market, Nanhai, Guangdong
Tel: (0757) 5680913
Fax: (0757) 5680913
Contact: Mr Li Ke Ding, Manager
Mobile: (86) 13902836864

Profile:
- A company involved in import fruit business over 10 years;
- Both direct importer and a distributor on commission arrangement;
- The biggest distributor for Jade Trading (HK) Ltd;
- Started direct import business from Australia last year with a representative based in Australia to source the supply;
- Key fruit imported from Australia: cherry, plum, and table grapes;

Comments:
- An important importer as well as a large local distributor.
- No problem with international settlement and handling import procedures.
- Interested in establishing business contacts with Australian exporters particularly for cherry and plum.
- A current key targeted buyer for Australian fruit exporters.
**Hop Hing Trading Co. Ltd**

**Address:** Shop 86-87, LiShui Fruit Wholesale Market, Nanhai, Guangdong, China  
**Tel:** (86 757) 568 0658,  
**Fax:** (86 757) 560 1403  
**Contact:** Ms Liu Jian Ying, Manager  
**Mobile:** +86 1390 241 6772  
**E-mail:** lishuixehing87@21cn.com

**Profile:**  
- A company involved in import fruit business over 7 years as a distributor of import fruit in Lishui Market  
- Currently has no direct business with overseas fruit suppliers;  
- One of the key distributors for import fruit in terms of distributing volume  
- Wholesale distribution of import fruit to the fruit traders all over the country and has established a good wholesale network;  
- The biggest distributor of COSTAS citrus in Lishui market, which is imported through a fruit importer based in Hong Kong – Woo Lee Fruit & Vegetable Co., Ltd;  
- Total sale of imported fruit in 2001 is over A$24 million, of which more than one-third of the sale is from distributing Australian fruits.

**Comments:**  
- Though the customer has not been involved in direct import business with overseas fruit traders due to the protocol and international settlement issues, with years’ development, it is now looking for expansion of its business and is very keen to explore the opportunity for future direct co-operation with overseas suppliers.  
- A good contact for Australian fruit exporters to understand the market demand and other situations.  
- A potential fruit trader to work with.
JingFa Fresh Fruit Co. Ltd

Address: Shop 22, LiShui Fruit Wholesale Market, Nanhai, Guangdong, China
Tel: (86 757) 568 3486; 568 6694
Fax: (86 757) 568 3469
Contact: Mr Peng Jie Hua, General Manager
Mobile: +86 1380 252 5766

Profile:
- A company involved in import fruit business over 17 years;
- Has got an office set up in Shanghai and hence has the business penetrated into the South East China region;
- Either handling import fruit directly or distributing on commission arrangement for some fruit importers based in Hong Kong;
- Key import fruit: citrus, canna apple, grape. Main Australian fruits dealing with are citrus, table grape and nectarine;
- Importing fruits from the U.S.A., Chile, Australia and South Africa;
- Currently importing 400 FCL/yr of canna apple and 10 FCL/week of citrus from the States; 160 FCL/yr of red grapes from Chile; 8 FCL/week of citrus from South Africa; and 80 FCL/yr of citrus from Australia;
- It's also the largest trader in Lishui Market for marketing and distributing famous domestic pear "Xiang Pear" produced in Xingjiang Province.

Comments:
- Key fruit importer as well as regional distributor
- No problem with international settlement and import handling procedures
- A currently key targeted fruit trader for Australian fruit exporters
Zhongxing Trade Co. Ltd

Address: Shop 13, LiShui Fruit Wholesale Market, Nanhai, Guangdong, China
Tel: (86 757) 568 1918; 568 1938
Fax: (86 757) 568 1978
Contact: Mr Yang Han Zhong, Manager
+86 1390 228 8689
Mr Yi Hui Xiang, Manager in charge of import (with some English skills)
+86 1350 929 3946

Profile:
- A company involved in import fruit business for nearly 10 years;
- Key import fruit: citrus, grape, apple, lychee, stone fruits, mango, durian;
- Importing fruit from the U.S.A., Canada, Chile, Argentina, Peru, Australia, New Zealand, France, Italy, South Africa, Cyprus, and Israel.
- Direct handling of import fruit as well as distributing on commission arrangement for some fruit importers based in Hong Kong;
- Total import volume in 2001 was about 1200 FCL, of which import of Australian fruit only amounts up to 100 FCL.

Comments:
- Key fruit importer as well as regional distributor
- No problem with international settlement and import handling procedures
- A currently key targeted fruit trader for Australian fruit exporters
Shenzhen YuanXing Fruit Co. Ltd

Address: 102, Cold Storage Company Courtyard, No. 1 Taoyuan Road, Shenzhen, China
Tel: (86 755) 241 6912, 244 2328
Fax: (86 755) 240 7118
HK Office: Room 1703, 17/F HIP Kwan Commercial Bldg, 38 Pitt Street, Yaumatei, Kowloon
Tel: (852) 2771 4204
Fax: (852) 2782 1516
Shop Address: Shop 1, Lishui Fruit Wholesale Market, Nahai, Guangdong.
Tel: (86 757) 568 0941
Fax: (86 757) 568 1941
Contact: Mr Benny Lu, Marketing Executive (speaks good English)
Mobile: +86 13505815934

Profile:
- A local company headquartered in Shenzhen – second largest city of Guangdong, with a sub-company located in Lishui market;
- Involved in the fruit distribution business for over 10 years;
- Registered a company in Hong Kong – Yuangxing Fruit (HK) Co., Ltd. to handle the import procedures and settlement of payment to overseas suppliers;
- Specialising in distributing the imported fruit to the customers in China.
- Key imported fruit for distribution: citrus, grapes, lemon, longan, etc.;
- Origins of imported fruit: South Africa, Australia, Chile, Argentina, Thailand, etc.;
- Handling direct fruit import from South Africa and Thailand;
- With Australian fruit, commission arrangement has been done with a Malaysian company, Tongyuan Trading Co., Ltd;
- Distributing over 500 containers of imported fruit in the Lishui Fruit Market (about one FCL a day);
- Annual Distributed Volume for Australian fruits: About 100-150 FCL in average;
- Also distributed numerous domestic fruit into the South China market.

Comments:
- A big local fruit distributor with well-established network in Guangdong and the other regional consumption centres in China;
- With the company established in Hong Kong recently and recruitment of a number of experienced staff engaged in import fruit business, the company is going to expand its direct fruit import business. And one of the countries they are most interested in is Australia;
- A currently key targeted fruit trader for Australian fruit exporters.
**Austech (China) Co. Ltd**

Address: Room 602, Shizhen Building, No. 348 Huangshi Donglu, Gangzhou, China  
Tel: (86 20) 8385 4812, 8385 4827  
Fax: (86 20) 8385 4845  
Contact: Mr James Guan, Director  
Mobile: +86 1390 229 0511  
E-mail: austech@163.net

**Profile:**  
- A company established in 1999 and engaged in international trading business;  
- Registered a company in Hong Kong – Austech (Hong Kong) Co., Ltd which can handle payment settlement;  
- Engaged in import fruit business since 2001 and only handled 5-6 FCL of citrus from Australia since then;  
- Has started a co-operative program with a Canadian company to be supplier of imported fruit for a fresh fruit shop chains going to be operated this year. Therefore would be interested in range of Australian fruit;  
- Interested in further expansion of import fruit business.

**Comments:**  
- Able to pay overseas fruit suppliers via its Hong Kong office;  
- A current key targeted buyer for Australian fruit exporters to work with.
Guangzhou Hongli Industry Development Co. Ltd

Address: Room 3007, CITIC Plaza, No. 233 Tianhe Bei Lu, Gangzhou, China
Tel: (86 20) 3877 1198
Fax: (86 20) 3877 1703
Contact: Ms Tan Weiqing, Marketing Manager
Mobile: +86 1380 276 6864
E-mail: hlg168@21cn.com

Profile:
- A company engaged in real estate development since 1994. So far has completed 3 residential property projects in Guangzhou with the total area of 60,000 square meters, and annual sales of over RMB200 million in 2001;
- Has got a subsidiary company involved in retail business – Guangzhou Daily New Department Store Co., Ltd, which operates and manages Daily New Supermarkets set up within the residential quarters developed by its parent company;
- Apart from the core business in real estate development, also engages in trading business, such as importing logs and fruits.
- Has an office set up in Melbourne, Australia.
- Started fruit importing business early this year with an aim to partially supply superstores owned and operates by its subsidiary company, and distribute through the Lishui Market in cooperation with its partners in Lishui Market;
- Has imported 6 FCL of fruits from Australia since it started with the fruit importing business early this year;
- Interested in range of fruits from Australia;

Comments:
- Able to pay overseas fruit suppliers via its Melbourne office;
- A current key targeted buyer for Australian fruit exporters to work with.
**Shenzhen Vegetable & Fruit Trading Co. Ltd**

Address: Room 901, West Tower, Merchandise Plaza Bldg, No.123 Shenhua Dong Road, Shenzhen, Guangdong, China  
Tel: (86 755) 238 0628  
Fax: (86 755) 238 0968  
Contact: Mr Yu Xin Dong, Manager of Imp. & Exp. Department  
Mobile: +86 1390 302 4260  
yxdeport@21cn.com

**Profile:**  
- A subsidiary company wholly-owned by Shenzhen Agro Products Holding Co., Ltd, a public listed company in Shenzhen Stock Exchange;  
- A company engaged in production and marketing of vegetables and fruits, food processing, wholesale and retailing business, and imp. & exp. business, etc;  
- “Tianti” Brand vegetables produced by the company enjoys very good reputation among the local consumers as being good quality and organic produce;  
- Involves in retailing business by holding 50% of shares in CRC Super Store in Shenzhen (49% is held by CRC Super Store (HK) Co., Ltd; and 1% by CRC Super Store (Beijing) Co., Ltd) with nearly 150 branch stores operated in Shenzhen and other cities in Guangdong.  
- It’s currently in process of applying permit for handling importing fruit from the state government.

**Comments:**  
- Due to the nature of state-owned business, the company is currently not able to handle the direct fruit import from Australia under the present protocol arrangement. However once the protocol issue resolves, the company can be a key player in import fruit business.  
- A good potential fruit trader to deal with.
EH Export & Import Co. Ltd

Address: 26/F International Financial Building, No. 2022 Jianshe Road, Shenzhen, Guangdong, China
Tel: (86 755) 222 7356
Fax: (86 755) 222 1442
Contact: Mr Simon He, CMO
E-mail: simonhe@eh.net.cn
Mr Thomas Zhang, Assistant to GM (speaks English)
+86 13910051753
keric@eh.net.cn

Profile:
- The company is wholly-owned by EH Supply Chain Technology Holding Ltd engaged in logistics management and providing services;
- Experienced in the international trading business;
- Involved in fruit import business since 2001 with an aim to establish and develop an import fruit wholesale market like the Lishui Market in Shenzhen with its parent company’s sound background in logistic business.
- Currently has direct fruit import business with the United States, Thailand, Japan and South Africa;
- By the end of March 2002, it has achieved an import volume of 625 FCL.

Comments:
- No problem with international settlement and import handling procedures;
- Keen to establish direct business relationship with Australian fruit exporters
The value-added line at Joyful Fruits Co. in Guangzhou. Here, local labour is re-packing lychee fruits into convenient packaging prior to labelling and distribution to the retail stores. This process demonstrates the level of hygiene employed and the mechanisation of the process.

Re-packing local lychees at the Joyful Fruits Co. Here, local labour is cleaning the lychee fruit by removing stem and leaf material from each individual fruit piece. The lychees arrive into the processing plant in bamboo baskets from the orchards.
Re-packing imported citrus into net bags at the Joyful Fruit Co. in Guangzhou. These packs are destined for 'western' style supermarket chains like Park'nShop in Southern China. Again, the utilisation of cheap labour is exercised during the process.

The major import suppliers and local brands prominently advertise at the local LiShui market in Southern China. Here, Del Monte, Cape and a melon supplier from Malaysia promote their brands and associated products. While we can see local distributor trucks in the foreground, a reefer container in the background is delivering produce from the port for distribution.
The entrance to one of the 2 wholesaling sheds at LiShui in Guangzhou. This shed is dedicated to imported fruits while the other shed is dedicated to local fruits and vegetables. As shown here, the reefer containers face each side of the shed and are unloaded accordingly with the wholesalers ‘hawking’ the product to buyers.

A quiet moment in the LiShui wholesale market. Here, we can see the reefers backed up to the shed with the wholesalers unloading and offering the fruit for sale to ‘wet’ market operators and street retailers. In the foreground is a tricycle which is commonly used to transport boxes of fruit around the market.
The LiShui wholesale market in Guangzhou clears approximately 50 40ft reefer containers of imported fruit each day. During 2001, over 13,000 containers of fruit moved through the market with 130 active wholesalers representing the fruit. Local wholesalers are seen here waiting for buyer interest for the remaining fruit being offered for the day.

Here, we can see several 40ft reefer containers backed up to the side of the shed being unloaded and sold accordingly. They are all plugged in and on power to assist the cool chain. During 2001, the market moved 6,000 reefer containers of produce from Thailand, 4,000 containers from the US and approximately 3,000 containers from Australia.
While the wholesale market largely merchandises and offers imported and local fruit and vegetables for sale, there are some 'hawkers' of packaging and gift boxes as seen here. The packaging is of a high quality and colourful creating eye-appeal to any potential purchaser. These gift packs are used to merchandise fruit in a number of retail outlets during the many local festivities.

Similar to those 'hawkers' selling gift boxes, a merchant was seen here selling fruit stickers that represented many popular trademarks from around the world. Included were apple stickers reflecting Washington brands, and brands of citrus fruits from Israel and Spain.
Alongside the 2 wholesale sheds at the LiShui market is a third shed that is being built to extend the market to accommodate more wholesalers and the increased volume of produce which has been forecasted to move through the market. This shed is now completed with new wholesaler offices located around the perimeter of the shed being built. The only improvements to the 2 original sheds is lighting. The shed remains fully open on all sides.

The 2nd mission meeting with the Chinese Inspection Quarantine (CIQ) authorities. During this meeting, mission members were able to gain a better understanding of quarantine procedures post-WTO accession and gain feedback to the progression of import requests from the Australian industry.
One of the 20 Park'nShop supermarket stores in China. This store is one of 3 located in Guangzhou. The shop floor was extremely clean and modern reflecting the 'new' food shopping environment for the upper and upper-middle classes in China. The 1st floor was dedicated to individual retail shops, the 2nd floor was dedicated to the 'freshmarket' the 3rd floor "homeworld" the 4th floor 'foodcourt'.

Portion-control packs of fruit pieces are retailed here at the Bonjour Scitech shopping centre in Guangzhou. Each pack contains a small fork and is placed on a polystyrofoam tray with a plastic overwrap. The price is 5.80 RMB (A$1.30) per tray. The fruit includes pineapple, watermelon, orange, rockmelon, kiwifruit, dragonfruit, apple and pear.
Convenient portion-control packs are popular among the upper to middle-upper class retail stores in China. This chiller cabinet located in the Bonjour Scitech shopping centre displays whole fruit and fruit pieces from local and imported sources ready-to-eat. The cool chain is prominent in these and other similar retail outlets.

Local apples were being merchandised in the Tianpingjia wholesale fruit market. As depicted, the apples were well presented, consistent in colour, size and appearance and well padded creating interest in the product from buyers. This level of packaging and product appearance is becoming common among local fruit supplies.
Oranges delivered to a wholesaler's warehouse in the centre of Guangzhou and sourced from the LiShui wholesale market. The truck contained a number of fruit items and while it was a solid truck with an effective seal, similar sides to a shipping container, there was no refrigeration unit. This type of truck is typical of most trucks that distribute fruit from the LiShui wholesale market.

This point-of-sale (POS) depicts the type of POS used in and around the wholesale markets in Southern China. This wholesaler prominently displays the POS in support of his fruit sales. While imported fruit was present at this market, the Tianpingjia wholesale market is mainly used to sell local fruit and vegetables.
Located at the Tianpingjia wholesale market, this fruit was being merchandised by a local wholesaler for retail buyers. Most sales at this market are by the piece or small weight measures. Products offered for sale include oranges, apples, starfruit, kiwifruit, plums, nectarines, lychees, cherries and melons.

This fruit shop was located in the Bonjour Scitech shopping centre on the ground floor. The Xingzhou Trade Co. Ltd, an importer and wholesaler of local and imported fruits, lease floor space in the middle of the supermarket to manage and sell their imported and local fruit items. Xingzhou Trade Co. Ltd hire their own sales staff to assist shoppers select and purchase produce. They are a vertically integrated operation.
Product packaging at the Joyful Fruit Co. Here we can see product stickers and net being used to package citrus fruits destined for retail shops in the Guangzhou area. This company is relatively highly mechanised in the packaging and distribution of fresh produce from local and imported sources including Australia. Leo Chiu, company owner/director is seen in the centre of the picture.

The degree of packaging used is quite high for these peaches. Not only is each piece individually wrapped but each layer is partitioned for each piece of fruit. This helps ensure that the product arrives safely and in the same conditions that it was packed. It is interesting to note that the packaging used in China is of a high quality standard with most cartons being pre-print and of heavy construction.
Product re-packaging at the Joyful Fruit Co. Here, South African Star Ruby grapefruit is shrunk wrapped and encased in plastic before being stickered with the Jaffa brand applied. The product presentation is excellent. You can also see the padding provided for the fruit as it falls off the conveyor belt into the red plastic crate prior to being stickered and packaged ready for transport into the cardboard box at the bottom of the picture.

At the Lishui market, the above Australian citrus brand is clearly identified in the top left-hand corner while the importer's name is depicted in the bottom right-hand corner. This bill-board is prominently located for maximum impact in the market.
Product merchandising in the Minrun supermarket in Shenzhen. This supermarket is owned by the Shenzhen Fruit and Vegetable Co. Ltd, a state-based company that has since been privatised. Here, we can see several vegetable products, mainly local, being merchandised and presented for sale. The pricing is prominently displayed and the use of point-of-sale material helps the selling function.

Imported citrus on display in the Buji Agri-produce wholesale market in Shenzhen. Similar to wholesale markets elsewhere, there were several ‘hawkers’ displaying and merchandising fruits and vegetables throughout the market. Here, oranges from the US are individually wrapped.
This Sam's Club superstore (club store) located in Shenzhen is part of the Wal-Mart chain in China. The fresh produce department was clean and all produce was well presented and merchandised for sale. These Californian Valencia oranges were priced at 5.80 RMB per 500 grams (A$1.30 per 500 grams) and were sourced from Sunkist. The display represented and end-cap in-store and were selling relatively quickly due to their prominent position.

Also merchandised in the Sam's Club superstore were these Hickson mandarins from Australia being retailed at 9.80 RMB 500 grams (A$2.18 500 grams). They showed good colour, presented well and were of a high quality appearance. The internal quality was not assessed. Again, a relatively effective display.
The Sam's Club superstore retailed fruit and vegetable products from the Pacific region including oranges and lemons from the US, mandarins from Australia, tropical fruits from S.E. Asia and sub-continent and apples from South America. The South American apples in the foreground were retailing for 6.90 RMB per 500grams (A$1.54 per 500grams) and were uniform in size, colour and skin quality. The employee in the background is wearing a face mask reflecting the hygiene and food safety standards employed in these stores.

Food and Agricultural Import Regulations and Standards Fruit Entry Quarantine Regulations, 2001
GAIN Report #CH1058
Foreign Agricultural Service, USDA

Summary
This Regulation applies to imported fresh fruits and tomatoes, eggplants and the genus Capsicum and relevant packaging. The Regulation details the quarantine application, quarantine inspection and quarantine supervision procedures for importers of the above mentioned items. The State Administration for Entry-Exit Inspection and Quarantine in China (CIQ) has now merged with the State Administration for Quality Supervision, Inspection and Quarantine (AQSIQ). Provincial level offices or port CIQ's have not completed this merger. AQSIQ and the port CIQ have statutory responsibility for this regulation.

Fruit Entry Quarantine Regulations
The "Quarantine Regulations for Fruit Entry" is effective from January 1, 2000. Signed by Li Changjiang, Chief Administrator, State Administration for Entry-Exit Inspection and Quarantine.

Chapter One: General Provisions

Article 1:
These rules are formulated in accordance with "The Law of the People's Republic of China on the Entry and Exit of Animal and Plant Quarantine" for the purpose of preventing harmful organisms dangerous to plants from entering and spreading into China and protecting the safety of fruit production as well as human health.

Article 2:
These rules apply to the entry quarantine of fresh fruits, tomatoes, eggplants, and the genus Capsicum.
Article 3:
The State Administration for Entry-Exit Inspection and Quarantine of the People's Republic of China shall conduct overall administration of the entry and exit quarantine for the entire country. The port entry and exit inspection quarantine administration (the port CIQ), established by CIQ, shall be in charge of quarantine inspection and supervision in their respective administrative district.

Article 4:
The import of fruits from Mediterranean fruit-fly infected countries or regions shall be prohibited. First time entry of fruits from non-epidemic areas shall not be allowed to enter the country until a Pest Risk Analysis (PRA) has been conducted and a quarantine protocol has been signed with the exporting country.

Article 5:
The import of fruits by carriers or mail is prohibited unless otherwise stated by law.

Chapter Two: Quarantine Examination & Approval

Article 6:
The importer (or his or her agent) shall apply for quarantine inspection before the fruits may enter China and shall perform the prerequisite formalities for examination and approval prior to finalizing the trade contract agreement.

Article 7:
Only when the following requirements are met can an application for quarantine inspection and approval be processed:
1. There is no severe epidemic occurring in the exporting country or region;
2. The application conforms with the relevant provisions and laws of the People's Republic of China for the Entry and Exit Animal and Plant Quarantine; and
3. The application conforms with the relevant bilateral quarantine agreements, including the quarantine protocol, memorandum, etc. between China and the exporting country.

Article 8:
The formalities of quarantine inspection for fruits entry are:
1. The importer (or his or her agent) shall complete "The Application for the License of CIQ on Entry Animal and Plant Quarantine" prior to applying to CIQ. With the consent of the port CIQ, entry fruits for the purposes of trade exhibitions must be located in an exhibition area. Entry fruits for use and sale on direct or transit trains and ships, pre-customs duty free shops or foreign-invested hotels, must be approved by the port CIQ.
2. CIQ will issue a "CIQ License for Entry Animal and Plant Quarantine" for entry fruits that pass quarantine inspection. CIQ will not issue the license but will notify the applicant of the reason(s) for entry fruits that fail quarantine inspection.

Article 9:
When entry fruits pass quarantine inspection and are involved in any of the following circumstances, the importer (or his or her agent) shall re-apply for quarantine inspection:
1. The species of the entry fruit is changed or the quantity is increased;
2. The importing country or region is changed;
3. The entry port is changed; and
4. The stipulated validity period of quarantine is expired.

Chapter Three: Entry Quarantine

Article 10:
The importer (or his or her agent) shall submit an application for quarantine inspection to the port CIQ prior to or upon entry of the fruit and apply for the "CIQ Certificate for Entry Animal and Plant Quarantine." The importer (or his or her agent) shall present documents: such as a phyto-sanitary certificate issued by the animal and plant quarantine office of the exporting country or region, the certificate of origin, the contract and the invoice.

Article 11:
The CIQ entry port can either return or destroy entry fruit that is not accompanied by a phyto-sanitary certificate issued by the animal and plant quarantine office of the exporting country or region and that has not gone through quarantine inspection procedures in compliance with the law.

The importer of fruits purchased in the Special Administrative Region (SAR) areas of Hong Kong and Macau shall apply for quarantine inspection and present the above-mentioned relevant documents.
no phyto-sanitary certificate issued by the exporting country or region can be presented, then a certificate issued by the Hong Kong or Macau agriculture quarantine authorities, validated by CIQ, shall be issued.

Due to the limitations of small-volume border trade, if no plant quarantine certificate can be presented, advance approval by the directly affiliated entry quarantine office shall be required for small-volume cross-border entry.

Article 12:
The entry fruits quarantine shall be determined by the following:
1. The Chinese laws and regulations on plant quarantine;
2. The bilateral agreements signed by the Chinese government and the exporting country or region;
3. The agreements signed by CIQ and the plant quarantine departments of the exporting country or region, including protocols and memorandums;
4. The quarantine requirements for the quarantine license; and
5. The quarantine requirements stipulated in the trade contract.

Article 13:
Upon entry, fruits shall conform to the following quarantine requirements:
1. Comply with the relevant bilateral quarantine agreements signed by China and the exporting country or region;
2. Be free of harmful organisms that are dangerous to plants and prohibited from entry into China as well as any branches, leaves, and soil;
3. Be imported in the original packaging with clear identification of the production area; and
4. Comply with other requirements or bilateral agreements.

Article 14:
When performing quarantine inspection, CIQ shall verify that goods correspond to the respective documents from loading; CIQ shall take random samples in compliance with relevant procedures and standards and after verification, release the fruits by species, quantity and quality.

Article 15:
Indoor quarantine inspection shall be conducted in compliance with the relevant procedures and standards for fruit production area, species, possibility of carrying diseases or insects/pests. After quarantine inspection, a “Laboratory Report of the Quarantine Inspection” shall be completed.

Article 16:
The possible results after entry fruits have gone through quarantine inspection are:
1. Fruits that pass quarantine inspection shall be issued “The CIQ Customs Pass” and shall be permitted to enter China.
2. Fruits that are found with harmful organisms dangerous to plants or with insects and pests that exceed standard limits after quarantine inspection shall receive dis-infection and dis-infestation treatments. After treatment, qualified fruits shall be allowed to enter China. Fruits that fail to pass quarantine or have not gone through dis-infection or dis-infestation shall be returned or destroyed.
3. Necessary preventive measures shall be taken when a severe epidemic is discovered. The epidemic shall be reported to CIQ immediately.

Chapter Four: Quarantine Supervision

Article 17:
CIQ shall adopt a registration system for foreign orchards, packing houses and storage warehouses that export fruits to China.

CIQ, when necessary and with the approval of the exporting country and region, shall dispatch quarantine personnel to fruits production areas to carry out pre-quarantine inspection, supervise packing or conduct a survey of the epidemic situation in the fruits production area.

Article 18:
Fruits from an epidemic area used for trade exhibitions shall submit an application to CIQ for special quarantine approval. During the trade exhibition(s), fruits must undergo supervision by the port CIQ and cannot be used for other purposes, given as gifts, sold and/or be transited without authorization. Abandoned fruits shall be handled under the supervision of the port CIQ.

Article 19:
Entry fruits for sale on Hong Kong and Macau direct transit trains or boats shall be packaged in sealed
bags that are made under the supervision of the port CIQ. When carried by passengers entering China, these bags shall be examined and quarantine personnel may take testing samples as needed.

Article 20:
Entry fruits for sale at pre-customs duty-free shops shall be packaged in sealed bags that are made under the supervision of the port CIQ and shall be subject to supervision by the port CIQ.

Article 21:
During their stay in China's boundary, personnel on international aircraft, trains and vessels shall not carry fruits intended for meals out of their transportation carrier. Abandoned peels and pits, as well as waste, shall be dis-infected under the supervision of the port CIQ. Fruits from an animal and plant epidemic area found on board vessels, aircraft and/or trains, shall be sealed or destroyed. When sealed, fruits shall not be opened for use during their stay in China or in transit without permission of the port CIQ.

Article 22:
In specific situations, CIQ shall designate the relevant port CIQ to conduct quarantine supervision of transit fruits.

Article 23:
The CIQ shall carry out epidemic monitoring at airports, ports, railway stations, warehouses, processing factories, etc. or anywhere transit of goods is possible. No one can remove or damage the epidemic monitoring devices without permission of the port CIQ.

Chapter Five: Supplementary Provision

Article 24:
Rule violations shall be penalized in accordance with The Law of the People's Republic of China for the Entry and Exit of Animal and Plant Quarantine and its implementing regulations.

Article 25:
CIQ shall be in charge of interpreting the Rules.

Article 26:
Rules shall be effective from January 1, 2000. The Quarantine Rules of Entry Fruit (for Trial Implementation) promulgated by Chinese Animal and Plant Quarantine on September 12, 1998 shall be annulled as of the same date.