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Agricultural Outlook Forum

Presented: February 17, 2006

CHINESE FROZEN STRAWBERRY EXPORTS

Dave Yvanovich  
Vice President and General Manager  
Frozsun Foods



# **China's Strawberry Industry**

## **Emerging into the World Markets**

Presented by Dave Yvanovich



# Who is Dave Yvanovich?

- **V.P. & G.M. of Frosun Foods, Inc.**
- **Chairman of the PSAB of California**
- **Involved with California Strawberries since 1988**
- **Management roles from Operations to Sales & Marketing**



# Who is Frosun Foods?

- **Market leader in frozen strawberries**
- **150 million pounds of strawberries for processing annually**
- **Selling to Retail, Institutional, Food Service, Industrial, and Export**
- **Category Colonel award**
- **Privately owned**
- **Vertically integrated**

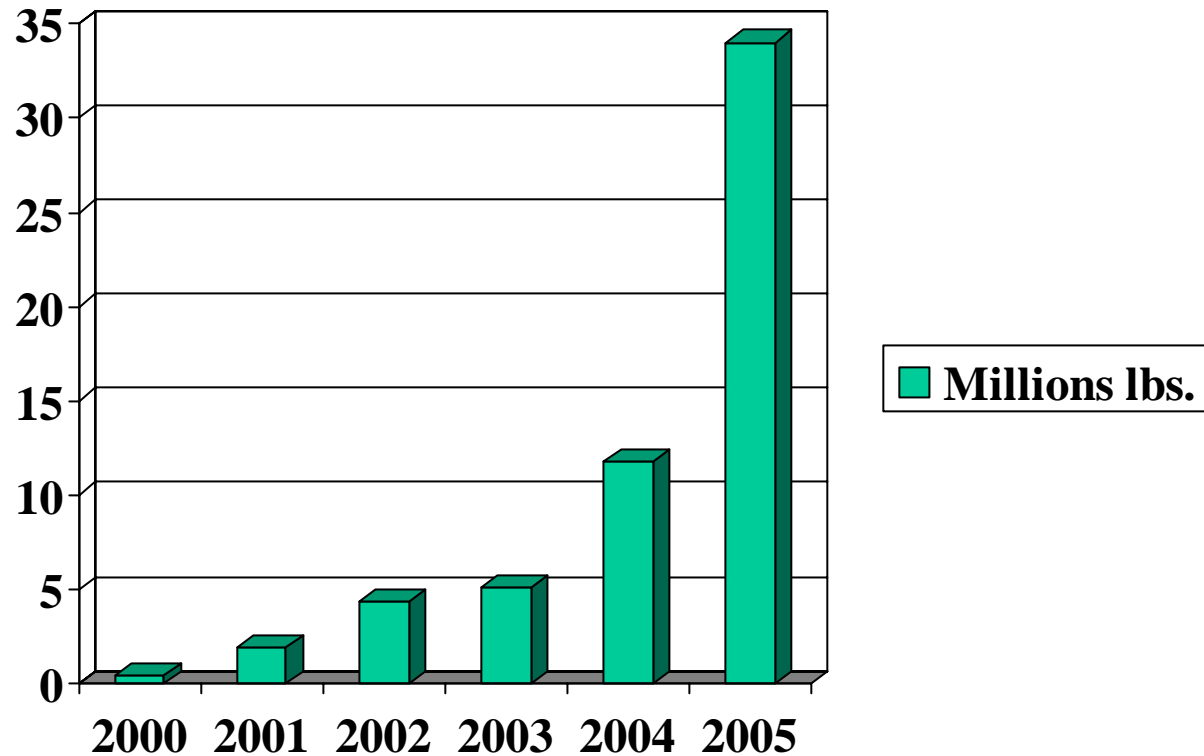
# Frozen Strawberries

<b>Year</b>	<b>California Acreage</b>	<b>Total US Consumption (lbs.)</b>	<b>Per Capita Consumption (lbs.)</b>	<b>Imports From China (lbs.)</b>
2000	26,300	541,500,000	1.77	400,000
2001	25,100	554,200,000	1.79	1,900,000
2002	26,829	581,500,000	1.94	4,300,000
2003	28,230	636,000,000	1.94	5,100,000
2004	31,639	575,600,000	1.95	11,800,000
2005	32,636	701,400,000	2.31	34,000,000
2006	34,155	?	?	?

# Inputs into the U.S Frozen Strawberry Market in 2005

California	= 445 Million pounds
Northwest, Oregon, and Washington	= 30 Million pounds
Imports from Mexico	= 76 Million pounds
Imports from China	= 34 Million pounds
All other Imports	= 37 Million pounds
<b>Total inputs into the U.S. market</b>	<b>= 622 Million pounds</b>

# Frozsun Strawberry Imports from China



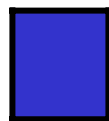
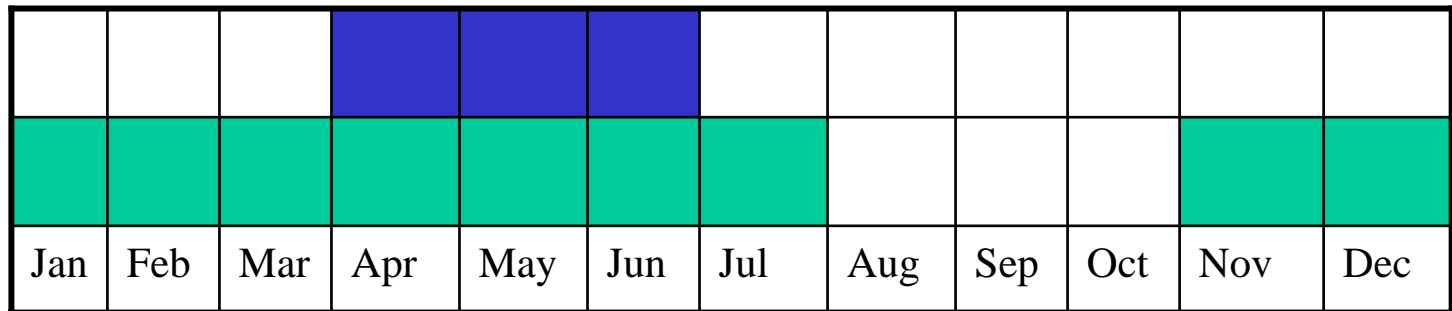


# China's Three Primary Strawberry Growing Provinces



# Strawberry Growing Season in China

Country	Province	Season
China		November to July
	Hebei Province	<i>Outdoor:</i> mid-April through June <i>Indoor:</i> mid – November to July
	Liaoning Province	<i>Outdoor:</i> mid-April through June <i>Indoor:</i> mid – November to July
	Shandong Province	<i>Outdoor:</i> mid-April through June <i>Indoor:</i> mid – November to July



Processing Season



Fresh Season

# 2005 Crop Production

	California	China
Acres	32,636	170,000
Crop Yield (lbs./Acre)	55,000	10,300
Total Crop Production	1,794,980,000	1,751,000,000
% to Processing	21.2%	20% est
Total Pounds to Processing	380,000,000	350,000,000

# Crop Production, Fresh vs. Frozen

## China % Frozen

= 80% Fresh                      20% Frozen

## California % Frozen

1998	1999	2000	2001	2002	2003	2004	2005
34.0%	32.8%	28.0%	25.7%	27.6%	27.1%	26.7%	21.2%



# Current Acreage

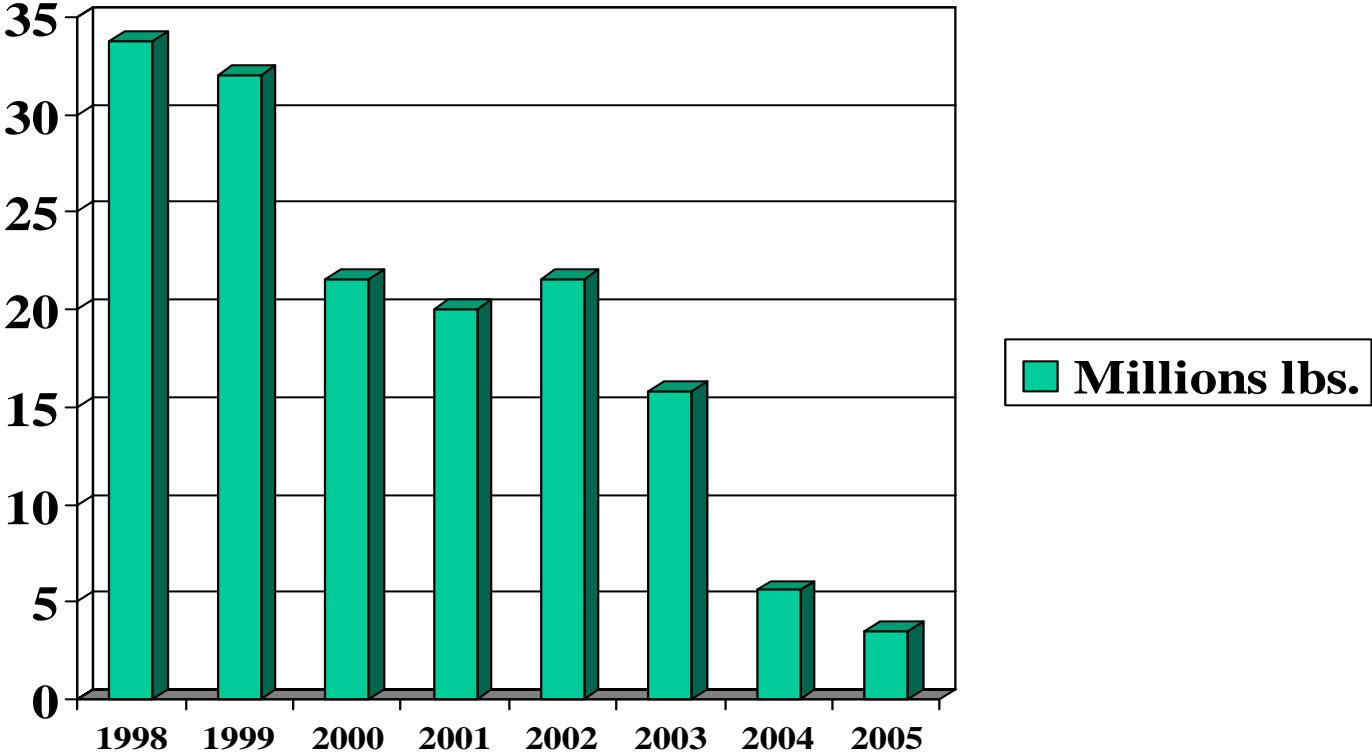
	2005	2006	Chg.
California	32,636	34,115	=4.7%
China	170,000	135,000	-20%



# Japan



# U.S. Exports to Japan



# Europe







# US Imports from China

	<b>U.S Imports from China</b>	<b>Grade #1 Calif. Pack</b>	<b>%</b>
2000	400,000 pounds	391,700,000 pounds	0.1%
2001	1,900,000 pounds	334,400,000 pounds	0.6%
2002	4,300,000 pounds	401,900,000 pounds	1.1%
2003	5,100,000 pounds	387,000,000 pounds	1.3%
2004	11,800,000 pounds	392,600,000 pounds	3.0%
2005	34,000,000 pounds	377,000,000 pounds	9.0%

**Table 1: Recent Price Estimates for IOF Strawberries, California & China**

	<b>China</b>	<b>California</b>
<b>Grower Prices</b>	\$0.05-\$0.10/lb	\$0.28-\$0.30/lb
<b>Buyer Prices</b>	\$0.36-\$0.45/lb.	\$0.55-\$0.75/lb

*Sources: China grower prices and California grower and buyer prices are averages based on interviews with California processors; China export prices are also from Tan Changhua, Dai Hanping, Lei Jiajun, 2003, World Agriculture, Vol. 6 [in Chinese].*

**Table 2: Recent Price Estimates for China Strawberry Exports**

IQF Regular	\$0.27-\$0.45/ lb
IQF Retail	\$0.36-\$0.45
CF (w/sugar)	\$0.45-\$0.54/ lb
Organic	\$0.91

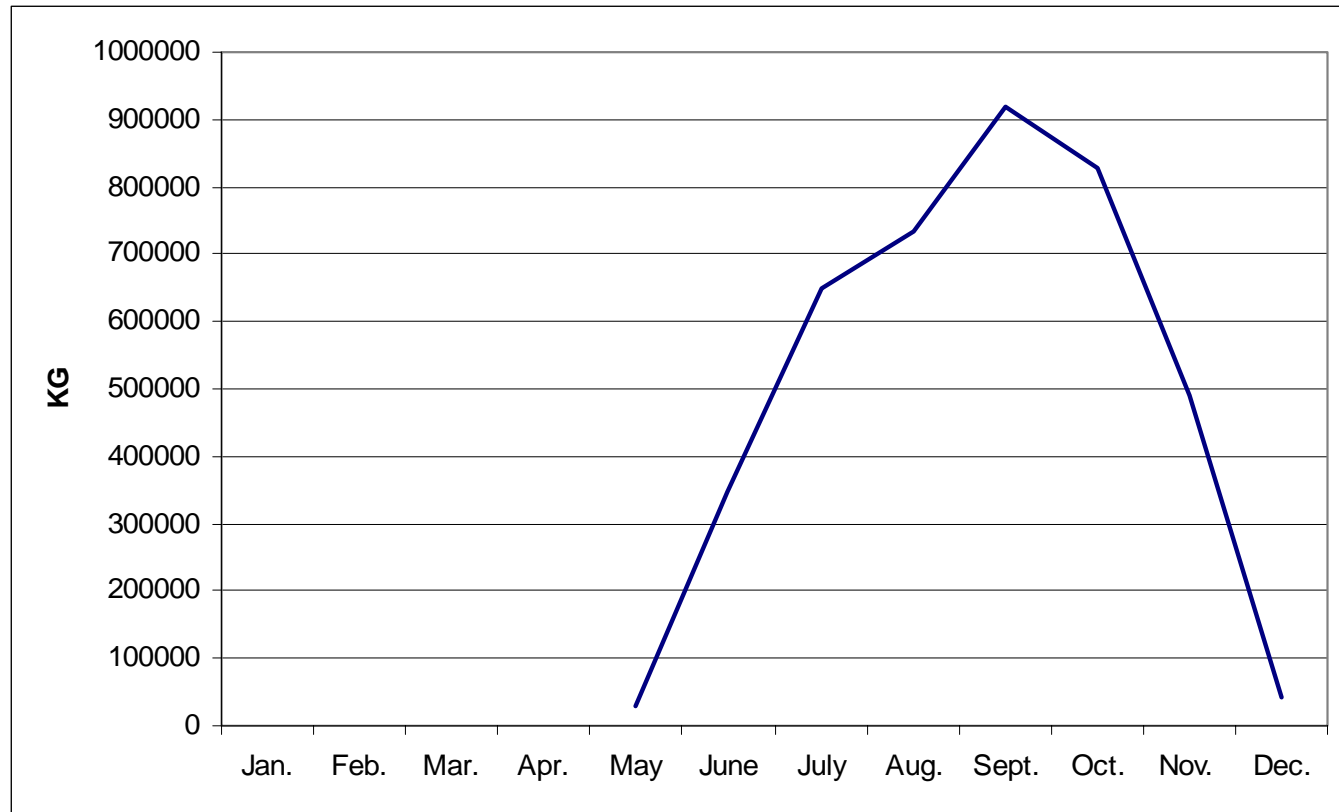
*Source: Tan Changhua, Dai Hanping, Lei Jiajun, 2003, World Agriculture, Vol. 6 [in Chinese].*

# What Impacts Should We Expect from China in 2006?

- China will continue to penetrate new markets
- U.S. still a primary target market.
- China increase the number of pack styles produced and sold.
- How well Chinese imports are received and how well it performs will influence import volumes from China over the next cycle.
- Pricing for Chinese still significantly lower than California prices.
- China's pricing to depress the market pricing for California and other producing nations.
- California will continue to have superior performance compared to China in terms of quality, flavor, sugar levels, consistency of quality, consistency of supply, appearance, and significantly higher prices.

# Opportunities

**Figure 3: Monthly U.S. Fresh Strawberry Exports to Japan, 2004**



*Source: Japanese customs statistics, online at: [www.customs.go.jp/toukei/info/index\\_e.htm](http://www.customs.go.jp/toukei/info/index_e.htm).*



# Key Challenges

## China

*Managing the Growth of the Industry*

- 20% of the World's Population
- 7% of the Worlds Tillable Land
- 6% of the World's Available Water Supply

## California

- Maintaining A Supply of Labor
- Alternatives to Methyl Bromide
- Managing High Cost Production

# Final Thoughts

- China is a force in the world of strawberry markets
- China's influence will continue to depress strawberry crop values worldwide
- China is a potential market for fresh strawberries in the short term



Thank you!