



Vegetable and fruit industry in Yunnan

A. Sectoral information

Introduction

Vegetables:

Yunnan is one of the five major commercial production bases for vegetables in China. The production value of vegetables makes up 20% of the total production value of the planting sector. In some major production regions, vegetable crops have become the main resource of income. Traditional vegetable production regions such as the Guandu district of Kunming City, Chengong, Songming, Yuanmou and Tonghai, have become important production bases of the so-called South-North Vegetable Transmission project. This means that regions in southern China that produce all year round due to their suitable climates, export their products to the colder areas in North China. A few new production areas are being developed, such as the counties of Yiliang, Luxi and Qiubei.

In 2006, the planting area of vegetable amounted to 530,000 hectares. The total yield was 11 million tons and the production value was worth more than RMB 11 billion. According to the Yunnan Statistical Year Book, by the end of 2005, the yields of the main vegetable products in Yunnan were:

Foliage vegetables: 4,026,436 tons
Melon vegetables: 660,854 tons
Root and stem vegetables: 2,039,510 tons
Eggplant vegetables: 817,198 tons
Onion and garlic vegetables: 860,175 tons.
Edible Mushrooms: 21,094.7 tons

At present, there are around 79 leading companies specializing in vegetable production, processing and marketing. These companies are established after the following model: "company + production base + private farmer", thus enhancing the industrialization of the sector.

Mushrooms:

Yunnan is one of the regions in the world with the most abundant resources of wild edible mushrooms. In China, there are 938 kinds of edible mushrooms, and over 800 varieties can be found in Yunnan. In 2006, total export of edible mushrooms in Yunnan amounted to 8,003 tons, among which 7,238 tons were wild edible mushrooms. The so-called 'pine mushroom' is the main product in Yunnan and is exported to Japan in large quantities.

Although Yunnan has rich natural resources of wild mushrooms, the processing level is still relatively low, which makes the added value to the mushroom industry also low. Local research organizations are eager to communicate with foreign organizations on improving the overall quality of the Yunnan mushrooms to international standard. Now most mushrooms processing companies are using domestic equipment, which cannot



match the requirements of overseas markets. However, the often high prices of imported equipment make Chinese companies hesitant to invest. Therefore, some Chinese companies are looking for foreign partners who are interested in investing in the necessary processing equipment.

Vegetables planted in Yunnan are not only sold to 146 cities all over the country, but also exported to more than 30 countries in Asia, Europe, America and Oceania. More than 1.8 million tons of vegetables are sold outside Yunnan Province at present.

In order to produce healthy vegetables, the local government strengthened its supervision methods for the (illegal) use of pesticides. There are 110,000 mu of vegetable producing areas received the quality mark and the 'Green Food' certificate. Vegetable growers are also interested in imported seeds, such as peppers, cucumbers, eggplant and sweet melons. In Yunnan they can buy seeds from the US, Japan, and the Netherlands. They usually buy imported seeds from Chinese trading companies or agents located in Guangdong, Beijing, Shanghai or other central cities. Vegetable growers and trading companies are interested in establishing direct business relations with Dutch exporters in this field.

Fruit:

Due to the region's suitable climate and geographical conditions, around 133 varieties of fruit grow in Yunnan province. Major crops are banana, apple, orange, pear, grape, pineapple, mango and peach. Bananas are mainly produced in the Honghe, Dehong, Yuxi and Simao prefectures. Zhaotong is the main apple producing region. Grapes grow in the counties of Mile, Yongren and Binchuan. Yunnan introduced 13 excellent species of brewery grapes from France in 1997, and after years of trial cultivation in Mengzi, Mile, Yongren and Dongchuan, they are now used for the production of several wines.

By the end of 2005, the planting area of fruit in Yunnan was 224,750 hectares, and the yield of main fruit crops in 2005 was as follows:

Banana:	245,224 tons
Apple:	159,396 tons
Citrus:	211,091 tons
Pear:	197,028 tons
Grape:	69,734 tons
Pineapple:	22,102 tons

Although the quality of fruit produced in Yunnan is good, this sector is still underdeveloped, due to the following reasons;

- 1 No branding;
- 2 Low level of industrialization during production. Farmers are not well organized;
- 3 Lack of sales chain. Production is not well linked to markets.

Future development

Yunnan has always eyed Southeast Asian markets for developing its long-term strategy. The Association of Southeast Asian Nations (ASEAN) has in recent years reduced or abolished import tariffs on a range of goods, including livestock, meat products, sugar and vegetables. This has proven to be excellent news for Yunnan, which borders a number of the member countries. Since related tariffs were removed last year between



China, Thailand, Myanmar and Laos, Yunnan's fruit, vegetable, flower and tea export volumes have skyrocketed.

Well aware of the impact that developing specialty products has on its exports, Yunnan has been encouraging local farmers to grow 18 different types of these specialty products, including local fruits, herbs and. Extra support is given to the areas in which they grow, in an effort to broaden the province's range of agricultural products, and maximize the economic benefits that follow. The province has also held expos in Shanghai and Hong Kong to promote its unique products among international traders.

*'Green Food'**

In China the demand for 'healthy food' is growing. Not in the last place because of the numerous food scandals the country has seen the past few years. Yunnan, as an important production area of agricultural products, is also becoming aware of the added value 'green food' products can have.

Until July 2006, the planting area of "Health Vegetables" reached around 230,000 hectares. In the first 7 months of 2006, Certificated products amounted to 112, and 29 products received the "Green Vegetable Certificate". 13 products got the "Organic Vegetable Certificate". Regarding its natural environment and climate, Yunnan has a comparative advantage and a great potential in developing organic farming, but there are also a number of constraints. The challenges and opportunities for organic farming in Yunnan province include:

- Diverse natural resources in Yunnan due to the diverse topography and ecological environment;
- Arable land decreasing through rapid urbanization; hence, the environment is increasingly polluted and agriculture in the basin/lowland area relies on heavy use of pesticide and fertilizer;
- High inputs of pesticides and mineral fertilizer result in a long conversion period from conventional to certified organic farming;
- However, the agricultural environment in the mountainous areas is less polluted, and these upland areas, therefore, have a great potential to transform into organic farmland; Organic farming is a labor-intensive industry; since Yunnan Province has an abundant rural labor force this could be an advantage for developing organic farming

*(Note; in this context 'green food' products are produced with *minimal* pesticide inputs, as opposite to 'organic food' comes from an agricultural system that strictly does *not* use pesticides, mineral fertilizers and genetic-modified organisms, and is thus more labor intensive. Chinese are more familiar with the term 'green food'.)

Relevant organization

Organic Food Development Center, Yunnan branch (OFDC)

Tel: +86 871 4170951

Website: www.ofdc.org.cn

Contact person; Mrs. Xu Ya, Director Yunnan branch office

Email: xuya168@vip.km169.net

The main office of OFDC is located in Nanjing and has several branch offices in different parts of the country. The Centre aims at improving the quality of the environment and human life through participating in organic inspection and certification. OFDC was the first organic certifier in China and is now the largest organization in this field as well.



The Yunnan branch was established in 1996 and is affiliated with the Yunnan Provincial Environmental Protection Bureau in Kunming.

Foreign investment

In October 2004, an American company (Chinese name: Kang Si Lei Ding) signed a contract with Dali Government, planning to establish a Vegetable Quick-Freeze and Fresh Center in Dali. Investment for the first phase is reportedly USD 20 million (over 160 million RMB). At this phase, it is planned to establish a processing center with an annual capacity of 50,000 tons, 2-3 fresh-keeping vegetable processing factories, and a vegetable planting base. This company is planning to invest a total of USD 100 million (over 800 million RMB) in five years, and build this center as the biggest agricultural processing center in Asia. However, we are informed by relevant local authorities that the project has not started yet.

The Australian wine producing region of Mildura reportedly also has plans to invest in Dali. The goal of the investment project is to bottle bulk red and white wines in Dali and sell them around China. For this bottling process, cooperation is intended with the Dali Beer factory.

Projects inviting foreign investment are:

Kunming Nongxin Agri-Development Co., a local vegetable grower, is looking for a partner to expand its production and hence increase its exports. Main products are spinach, pepper and beans.

Kunming Nongxin Agri-Development Co.

Tel/Fax: +86 871 7371166

Mobile: 13608858638

Contact person: Mr. Shen

Yunnan Ruijing Bio-Tech and Trade Co. is looking for a partner to jointly invest in a vegetable and fruit quick-freeze project.

Yunnan Ruijing Bio-Tech and Trade Co.

Tel/Fax: +86 871 5130886

Mobile: +86 (0)13577162825

Email: witsun66@sina.com

Contact person: Ms. Cheng Xiao Li

The Agricultural Department of Yunnan Provincial Government and Kunming Municipal Government, as well as other local Agricultural Departments and Investment Promotions Bureaus publish regularly on investment projects. For up-to-date information it is best to contact these bureaus directly;

Economic Cooperation Office of Yunnan Provincial Government

Address: Zhengtong Mansion, 85 Guanshang Zhong Road, Kunming

Tel: +86 871 7195605/7195601

Fax: +86 871 7195603

Website: www.yn-invest.gov.cn



Kunming Investment Promotion Bureau

Address: 17 Dongfeng Dong Road, Kunming

Tel: +86 871 3154162

Fax: +86 871 3133053

Website: www.km.gov.cn

<http://www.km.gov.cn:8083/kmgov/site/dwkf/>

Foreign investment, introduction of new varieties and technology is welcomed and encouraged by the local government. As mentioned above, the processing of vegetables as well as fruits is often underdeveloped, thus creating chances for Dutch companies in this field. The same goes for the marketing and export of vegetables and fruit. Although a chain of international quality logistic and transport services still needs to be developed, the local government is already heavily investing in roads and railways to improve the region's infrastructure, building it into the 'gateway' to the neighboring ASEAN countries. Yunnan is strategically located with regards these developing markets, but also an important export market as Japan.

B. Relevant organizations

Agricultural Department of Yunnan Provincial Government

Address: 169 Wanhua Road, 650224 Kunming

Tel: +86 871 5749563 5749567

Fax: +86 871 5749562

Website: www.ynagri.gov.cn

Contact person: Mr. Zhou Kai Lian, Director of Foreign Affairs & Utilization of Foreign Funds Office

Yunnan Agricultural Technology Promotion Station

Address: 25 South Xinwen Road, Kunming

Tel: +86 871 4106997

Fax: +86 871 4142095

Website: www.ynnjtq.gov.cn

Email: ynsnjtgz@163.com

Agricultural Department of Kunming Municipal Government

Address: 442 West Ring Road, Kunming

Tel: +86 871 4149475

Fax: +86 871 4145300 4113687

Website: www.kmagri.gov.cn

Vegetable Office of Kunming Municipal Government

Address: 442 West Ring Road, Kunming

Tel: +86 871 4159981

Fax: +86 871 4113687

Contact person: Ms. Li Kun Yao

Email: kyl2005@sohu.com

-Education and Research

Yunnan Agricultural University



Address: Heilongtan, Kunming
Tel: +86 871 5228041, 5228040
Fax: +86 871 5228303
Email: yuyang136@yeah.net
Web site: <http://www.ynau.edu.cn/>
Contact person: Mr. Yu Yang, Director of International Exchange and Cooperation Dept.

Yunnan Academy of Agricultural Science

Address: Longtou Street, Kunming City
Tel/Fax: +86 871 5892704

Yunnan Institute for Edible Mushrooms

Address: 14 Jiaochang Zhong Road, Kunming
Tel: +86 871 5141738
Fax: +86 871 5176289
Email: fungi@vip.km169.net
Contact person: Ms. Zhu Ping

C. Relevant activities

2007 Kunming International Agricultural Exposition

Date: 11 September – 15 September 2007
Venue: Kunming Int. Conference & Exhibition Center
Information/registration: Yunnan Provincial Dep. of Agriculture
Tel: +86 871 4170486
Fax: +86 871 4170089
Email: kmb2005@sina.com
Website: www.kmagri.gov.cn

The event's main aim is to demonstrate the agrotech achievements in Yunnan as well as promoting agriculture exchange and economic trade in China and abroad. Exhibitors are mainly local companies and institutes from Yunnan and neighbouring provinces, but a few South-East Asian companies will also be present, e.g. from Malaysia, Thailand and Myanmar.

For events like this, the participation of foreign exhibitors is always very much encouraged by the local organizers. NBSO Kunming can be contacted for more information on this event.

D. Relevant legislation and subsidies

No information on relevant subsidies and legislation was found.

E. Regional information

Yunnan is an inland province, situated in the south-western part of China. It borders on Myanmar, Laos and Vietnam. Its total land area amounts to 394.000 km². Yunnan consists for 94% of mountains and highlands. Yunnan is one of China's major forest zones, with its forested area accounting for 24% of the country's total. In 2006, Yunnan's total population amounted to 44.83 million.



In 2006, Yunnan's GDP reached RMB 400.187 billion. Its industrial value added amounted to RMB 140.695 billion. The province's industrial areas are mainly located around the cities of Kunming, Yuxi, Qujing and Honghe.

In 2006, the total contract value of foreign direct investments in Yunnan amounted to USD 798 million. The actual foreign direct investments amounted to USD 302 million. Hong Kong is the biggest investor in Yunnan province. Other major investors include the US, Japan, the UK, Taiwan, Myanmar and the Netherlands. Major sectors for foreign investment include horticulture, metallurgy, machinery industry, electronics, textile industry, light industry, printing industry, agriculture, food industry, timber processing industry, animal husbandry and the service sector, specifically tourism, transport, post & telecommunication and real estate. The capital city of Kunming is the major city in Yunnan to attract foreign investment.

To boost the development of the central and western regions in China, the State Council has granted further tax incentives to foreign-invested enterprises (FIE's) in China. The new policy allows FIE's in the central and western regions to enjoy a second three year term of preferential tax rate when the initial preferential term expires. The tax rate can be further reduced to 10% if an enterprise is proved to export more than 70% of its annual output in terms of value.

Contact

Netherlands Business Support Office - Kunming

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