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Global Agricultural Information Network

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Report Highlights:

For MY 2009, China's total citrus production is forecast to rise by 5 percent to 23 MMT, fueled primarily by favorable weather conditions. Orange production is estimated to increase by 6 percent from last year to 6.35 MMT as new plantings have reached full production. Tangerine production is forecast to rise 5 percent to 13.3 MMT (down from 15 percent growth) as farmers invested less into their orchards due to poor sales in MY 2008. Pomelo and lemon production is forecast at 2.9 MMT and 250,000 MT, up 15 percent and 9 percent on increased acreage.

Executive Summary:

For marketing year (MY) 2009, China's total citrus production is forecast to rise 5 percent to 23 million metric tons (MMT), fueled primarily by favorable weather conditions. Citrus acreage is forecast at 2.07 million hectares, up 2 percent from the previous year. Orange production is estimated to increase by 6 percent to 6.35 MMT because new plantings have reached full production. Fruit quality is generally good in terms of taste and appearance, but sizes are smaller due to a drought that affected certain provinces. MY 2009 tangerine production is forecast at 13.3 MMT, up a mere 5 percent because farmers invested less into their orchards due to poor sales last year (this also caused fruit quality to drop). For MY 2009, frozen concentrated orange juice (FCOJ) and Not-From-Concentrate (NFC) production (cumulatively -all data is converted to a FCOJ value-) is estimated at 15,500 MT, up 10 percent largely due to growing demand for NFC juice.

MY 2009 orange imports are estimated at 79,000 MT, up 20 percent on large foreign exportable supplies and strong domestic demand for high quality fruit. For MY 2009, mandarin imports are forecast at 10,000 MT, down 9 percent due to reduced foreign exportable supplies. Driven by a 10 percent decline in U.S. lemon production, MY 2009 Chinese lemon imports are projected at 8,000 MT, down 5 percent from the previous year. Grapefruit imports are stable at 6,000 MT. FCOJ imports are forecast at 44,000 MT, up 3 percent because of steady demand and low stocks.

Overall, citrus exports are expected to be strong. For MY 2009, orange and mandarin exports are forecast at 185,000 and 960,000 MT, up 20 and 30 percent on increased demand from South East Asian countries and Russia. Meanwhile, pomelo exports are forecast at 97,000 MT, down 5 percent from last year due to weak demand from the EU market. Canned citrus exports are forecast at 270,000 MT, down 10 percent because of lower global demand and EU anti-dumping duties.

Production:

For marketing year (MY) 2009, China's total citrus production is forecast to rise 5 percent to 23 million metric tons (MMT), fueled by favorable weather conditions. Total citrus acreage is projected up 2 percent to 2.07 million hectares. The MY 2008 production figure was revised to 22 MMT to reflect industry estimates, which is 1 MMT lower than official government data.

Oranges

For MY 2009 (November-October), orange production is forecast to increase by 6 percent from last year to 6.35 MMT as new plantings have reached full production. Overall, orange quality is generally good in terms of taste and appearance, but sizes are smaller in certain provinces due to drought. From 2002-2004, farmers in Jiangxi (the largest producing province) built a large number of orange groves, and production is expected to rise at an annual rate of over 20 percent until 2012. However, production will more than likely not be as high due to unexpected weather, such as a drought last summer that caused only a 10 percent annual increase.

MY 2009 orange acreage is forecast at 700,000 hectares, up only 3 percent due to limited land availability. Juicing orange acreage continues to grow in Chongqing, Jiangxi, Hunan, and Sichuan, and is increasing at a relatively faster pace than fresh consumption orange acreage because more juicing plants have begun operating in these provinces.

Production costs continue to rise due to higher agricultural input prices. For example, this year industry contacts indicated that production costs (not including labor) in Jiangxi have reached USD \$150 per MT, compared with USD \$120 per MT in MY 2008. Labor cost is up 50 percent from last season, and is estimated to be USD \$10.30 to \$11.80 per day in Jiangxi.

Tangerines/Mandarins

MY 2009 (October-September) tangerine production is forecast at 13.3 MMT, up a mere 5 percent from last year (MY 2007 and MY 2008 annual production increased by 12 and 15 percent) because farmers invested less into their orchards due to poor sales last year (this also caused fruit quality to drop). During MY 2008, after a fruit fly outbreak was found in Sichuan province, consumers feared that all of China's mandarin production was affected. As a result, tangerine prices dropped dramatically primarily due to weak consumer demand.

For MY 2009, tangerine acreage is forecast at 800,000 hectares. While planting area is still increasing in Guangdong and Hunan, acreage in Zhejiang (another traditional tangerine producer) is declining because of the low prices experienced in MY 2008. According to industry contacts, some of these producers have switched to other crops.

Pomelos and lemons

MY 2009 (October-September) pomelo and lemon production is forecast at 2.9 MMT and 250,000 MT, up 15 percent and 9 percent because of increased acreage. Fruit quality is also expected to rise as farmers improve their orchard management in order to attain better market returns (higher quality fruit receive premium prices and potentially more lucrative profit margins). For instance, a major pomelo producing company in Fujian purchases fruit from contracted farmers who are required to apply predetermined amounts of fertilizers and pesticides. While still a small share of total pomelo production, this type of arrangement between middle men and farmers is becoming more common, as it assures that high quality fruits will be produced. Pomelos are grown mainly in Fujian, Guangxi, and Guangdong provinces while lemons are predominantly planted in the Anyuan county of Sichuan.

Processed Citrus

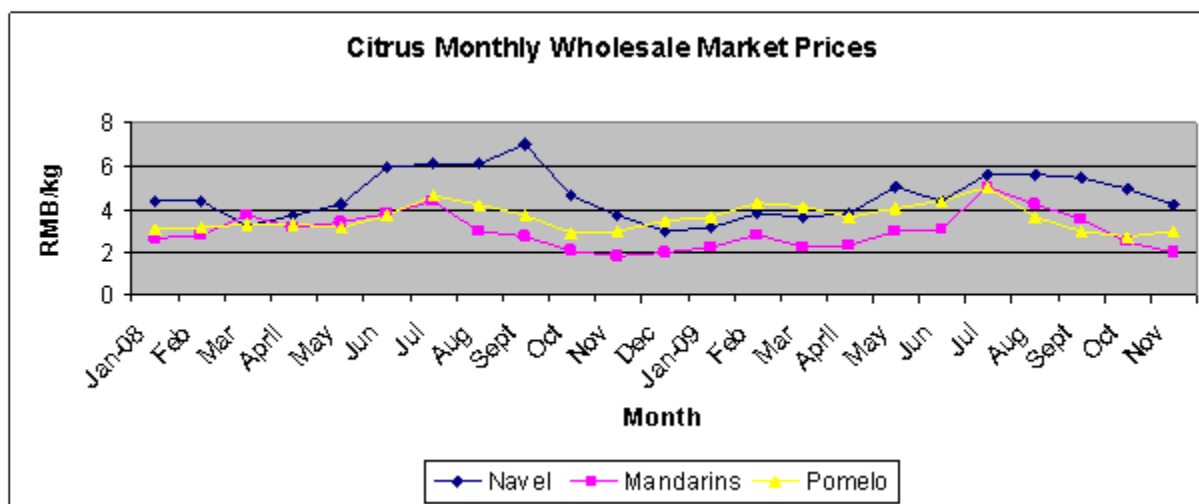
For MY 2009 (November-October), frozen concentrated orange juice (FCOJ) and Not-From-Concentrate (NFC) production is forecast (cumulatively -all data is converted to a FCOJ value-) at 15,500 MT, up 10 percent largely due to growing demand for NFC juice. Although domestic demand for FCOJ is stable, some industry contacts believe that further gains could be made if new products were introduced into the market. Not-From-Concentrate (NFC) juice is becoming more popular with wealthier consumers, and juice production is steadily increasing.

MY 2009 (October-September) China's canned mandarin production is forecast at 320,000 MT, down 12 percent from the previous year as a result of European Union (EU) anti-dumping duties and weak global demand. On December 30, 2008, the EU imposed anti-dumping duties of Euro \$361.40 to \$531.20 per MT on China-origin canned citrus. Industry contacts believe that China's canned citrus exports to Europe will fall by 50 percent (in previous years China annually exported 50,000 to 60,000 MT of canned citrus to the EU). Demand from major buyers like the United States and Japan are expected to remain weak as they recover from the global economic recession.

Increasing production costs and lower production in key provinces will likely make Chinese canned citrus less price-competitive. Input costs such as sugar and tin plates have risen from last year. Moreover, fresh mandarin production is expected to fall by 30 percent in Zhejiang province, the largest producer and exporter of canned citrus, which may cause canned fruit prices to rise. China exports 70 percent of the world's canned citrus.

Prices:

For MY 2009, citrus prices are expected to remain low as production continues to increase. For example, Jiangxi navel orange (without grading) prices are quoted at USD \$0.21 to \$0.24 per kilo, slightly down from last year, and have fallen dramatically from peak levels of USD \$0.85 per kilo in MY 2006. Jiangxi mandarins are priced at USD \$0.15 to \$0.18 per kilo, down nearly 20 percent from last season. Moreover, although pomelo farm gate prices in Fujian may drop slightly from last year because of higher production, robust domestic demand is expected to keep prices strong.



Source: Ministry of Agriculture (Exchange rate: USD 1 = 6.8 RMB)

Consumption:

China has distinctive regional citrus preferences for orange appearance. North China consumers enjoy large, smooth, and shiny oranges, while South China consumers purchase smaller fruit. The most popular citrus tends to have a bright, consistent peel and high brix content. The Chinese also generally purchase fresh fruit over canned, as they believe fresh fruit is more nutritious. Sweeter oranges are generally preferred by all Chinese.

Consumption of orange juice and orange juice drinks (i.e. drinks that are not 100 percent juice and contain other ingredients such as more water or sugar) have increased rapidly in urban areas, but overall demand is stable. Some industry contacts say that there is potential for further demand if new products are introduced. For example, the post-1980s generation (the largest consumer segment) is willing to experiment and try new drinks, such as lemon juice drinks. Grapefruit juice products also have become more widespread. Lemonade or lemon water is very popular in coffee shops and local western and moderately expensive Chinese restaurants. Nonetheless, orange juice drinks are still the most popular in China.

Improved cold storage facilities and ethylene fumigation have increased the availability of citrus in the retail sector (e.g. oranges are now available mid-October rather than in late November). More exposure to the fruit has caused Chinese per capita citrus consumption to increase to approximately 17 kg. Food safety has become more important for Chinese consumers, causing many to buy fruit at local supermarkets (which are believed to be safer) in lieu of wet markets.

Trade:

Import

MY 2009 orange imports are forecast at 79,000 MT, up 20 percent from the previous year on large foreign exportable supplies and strong domestic demand for high quality fruit. United States navel production (the top orange exporter to China) is expected to increase by 10 percent from last year. US oranges may be more competitive in certain Chinese

regional markets (see Consumption section) as some locally produced oranges (such as in Jiangxi) are smaller in size due to drought. The U.S. remains the largest exporter of fresh oranges followed by South Africa. A lot of imported citrus is transshipped from Hong Kong to Guangzhou, but some shipments are exported directly to Shanghai, Dalian, and Tianjin. The Jiangnan Market in Guangzhou remains the primary U.S. citrus distribution hub for the entire China market.

For MY 2009, mandarin imports are forecast at 10,000 MT, down 9 percent from last year due to reduced foreign exportable supplies. New Zealand (was previously the largest exporter to China) mandarins are still quarantined due to pest concerns, and it is not known when the quarantine will be uplifted. The quarantine began in 2007, causing China's imports to drop by 43 percent in MY 2008.

For MY 2009, because U.S. (the largest lemon exporter to China) production is expected to fall by 10 percent, Chinese lemon imports are forecast to decline by 5 percent to 8,000 MT. For MY 2009, grapefruit imports (mainly sourced from the United States, Thailand, and Taiwan) are stable at 6,000 MT.

MY 2009 FCOJ imports are forecast at 44,000 MT, up 3 percent on lower stocks and steady domestic demand. For MY 2008, Chinese FCOJ imports dropped by 15 percent as a result of large quantities of carry over stocks from the previous year.

Export

Citrus exports are generally expected to be strong. For MY 2009, orange and mandarin exports are forecast at 185,000 and 960,000 MT, up 20 and 30 percent on increased demand from the South East Asian countries and Russia. Chinese traders are also exploring new markets like the Middle East. On the contrary, pomelo exports are forecast to fall by 5 percent to 97,000 MT due to weak demand from the EU market (China's primary export market), which is still feeling the effects of the global economic recession. MY 2009 canned citrus exports are forecast at 270,000 MT, down 10 percent due to low global demand and EU anti-dumping duties (see Production section).

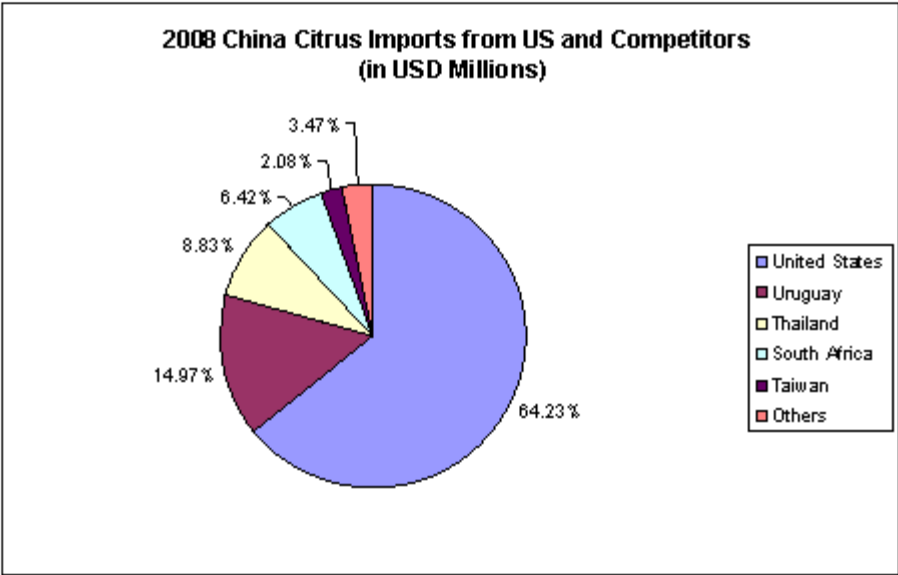
Policy:

Local governments in major citrus producing provinces have started extension programs that focus on improving fruit quality, which includes tree pruning and input usage, as well as providing financing. For example, Jiangxi farmers can receive small loans from state banks based on their orchard sizes.

On July 20, 2009, the China's Ministry of Agriculture (MOA), the Ministry of Trade and Commerce (MOFCOM), and the Ministry of Finance (MOF) issued a joint notice to launch a pilot program that encourages supermarkets to purchase fresh produce directly from Chinese farming cooperatives. According to the program, the central government will allocate USD \$58.8 million to construct cold chain systems, distribution centers, and quick testing systems in 15 provinces, with the goal of reducing distribution costs and improving food quality and safety. Currently, although few supermarkets directly purchase products from farms, since 2007 a major U.S. supermarket chain has been constructing 11 direct purchasing centers in the countryside. This winter, it plans to make its first purchase of 30,000 MT of oranges from one of its contracted farms in Jiangxi province. It is also participating in the aforementioned pilot program, and plans to source one-third of its fresh fruit and vegetables from contracted farms by 2011.

Marketing:

Demand for high quality imported citrus products is expected to remain strong as consumer incomes rise and more Chinese choose healthier lifestyles. However, as quality improves for less expensive domestic produce, imported citrus may become less competitive. Most imported citrus is sold through major retail chains that target middle and upper income consumers. In-store promotions are the most common and effective way to promote fruit through retail channels. The food service sector is also a major market for imported citrus since hotels and restaurants purchase a significant volume for foreign clientele.

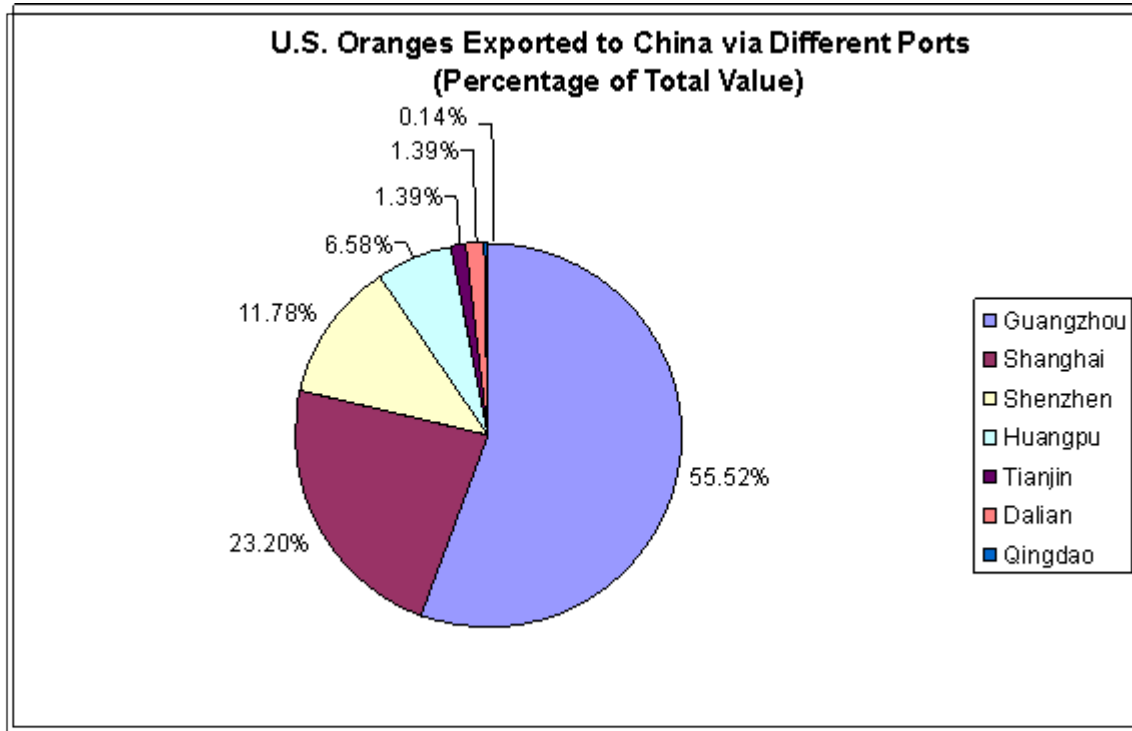


Source: World Trade Atlas

Oranges

Orange imports account for more than 70 percent of all Chinese citrus imports. The most popular imported varieties are Navel and Valencia oranges. Guangzhou is the top citrus import destination for U.S. oranges (90 percent of all U.S. citrus exports to China are oranges), followed by Shanghai and Shenzhen. In recent years, Shenzhen, Tianjin, and Qingdao ports have been increasingly utilized. In general, U.S. navel oranges compete against local varieties, and generally are not very price competitive. Valencia oranges can have higher sales potential when domestic oranges are not in season. Mature U.S. navel oranges that arrive around February are very popular due to their large sizes, appearance, and high brix content.

Major retailers have entered into contracts with local farm cooperatives or packing houses to directly source domestic oranges. According to sources, only one retail chain directly sources imported fruit from the United States. Limitations to cold chain facilities and underdeveloped distribution channels have prevented other retailers from conducting similar activities.



Source: World Trade Atlas

Lemons

The market for imported lemons is mostly limited to first tier cities such as Shanghai, Beijing, and Guangzhou. Imported lemons are primarily used as flavor enhancers and are preferred over domestic produce because of their higher quality (taste and appearance), and are specifically requested by western-style restaurants and high-end hotels. However, domestic lemon quality has improved in recent years.

Grapefruit

Most Chinese consumers have very little knowledge of grapefruit. Because grapefruit is generally quite sour, it is less appealing to the Chinese palate (many prefer the sweeter domestically produced pomelo), and is primarily bought by expatriates and foreign visitors. Although imported grapefruit may not be very popular among Chinese consumers, industry can help increase its sales potential by highlighting its nutritional and health benefits.

Juice

There is a lot of competition in the imported juice market. European and Mexican imports are commonly available and often are cheaper than U.S. juice products. For example, a liter of citrus juice from Mexico is USD \$4.39 (RMB \$30), while the U.S. equivalent sells for USD \$5.86 (RMB \$40). Although the U.S. product quality is superior, many consumers are price-sensitive (although younger generations may be willing to experiment- see Consumption section). Fresh U.S. grapefruit and lemon juices are very popular among upper middle income consumers in Beijing, Qingdao, and Shanghai.

Cold chain still a challenge

Limitations to the cold chain create challenges for citrus imports. Maintaining a constantly refrigerated product is still a problem as fruit is sometimes exposed to normal temperatures while being transferred between refrigerated trucks and cold storage facilities. Truckers have been known to turn off the truck refrigeration when it causes them to get too cold in the front seat of the vehicle. According to local distributors, domestic fruit is generally handled with less care and not placed in cold storage and/or refrigerated transportation unless it will be exported. Most supermarkets display imported fruit in refrigerated areas, and give less attention to domestic fruit.

Brand Awareness

Brand awareness continues to gradually evolve in China, but it is mostly limited to first tier cities such as Beijing, Shanghai, and Guangzhou. One famous U.S. fruit company label, for example, is recognized by many Chinese and is associated with a higher quality, safer, and healthier product. Domestic brand awareness is still very low. Unfortunately, with brand recognition comes the possibility of intellectual property rights (IPR) violations, which is still occurring in China. For example, according to traders, small shops and stall-keepers continue to purposely mislabel imported or domestic fruits with more recognizable foreign brand names in order to increase sales.

Production, Supply and Demand Data Statistics:

Fresh Oranges

Oranges, Fresh	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Nov 2007			Market Year Begin: Nov 2008			Market Year Begin: Nov 2009		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
Official	Old	Data	Official	Old	Data			Data	

		Post			Post			
Area Planted	660,000	660,000	660,000	680,000	680,000	680,000		700,000
Area Harvested	0	0	0	0	0	0		0
Bearing Trees	0	0	0	0	0	0		0
Non-Bearing Trees	0	0	0	0	0	0		0
Total No. Of Trees	0	0	0	0	0	0		0
Production	5,450	5,450	5,450	6,000	6,000	6,000		6,350
Imports	58	62	62	55	55	66		79
Total Supply	5,508	5,512	5,512	6,055	6,055	6,066		6,429
Exports	124	123	124	155	100	155		186
Fresh Dom. Consumption	5,139	5,144	5,143	5,718	5,773	5,729		6,043
For Processing	245	245	245	182	182	182		200
Total Distribution	5,508	5,512	5,512	6,055	6,055	6,066		6,429

(1,000 MT)

Fresh Tangerines/Mandarins

Tangerines, Mandarins, Fresh	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data	Jan	
	Official	Old	Data	Official	Old	Data			Data

		Post			Post			
Area Planted	775,000	775,000	775,000	798,000	798,000	798,000		800,000
Area Harvested	0	0	0	0	0	0		0
Bearing Trees	0	0	0	0	0	0		0
Non-Bearing Trees	0	0	0	0	0	0		0
Total No. Of Trees	0	0	0	0	0	0		0
Production	11,000	11,000	11,000	12,300	12,300	12,650		13,300
Imports	16	16	16	18	18	11		10
Total Supply	11,016	11,016	11,016	12,318	12,318	12,661		13,310
Exports	486	486	486	725	340	740		960
Fresh Dom. Consumption	9,850	9,850	9,850	10,893	11,428	11,371		11,855
For Processing	680	680	680	700	550	550		495
Total Distribution	11,016	11,016	11,016	12,318	12,318	12,661		13,310

(1,000 Ha) (1,000 MT)

Fresh Grapefruit

Grapefruit, Pomelo, Fresh	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
	Official	Old	Data	Official	Old	Data			Data

		Post			Post			
Area Planted	0	0	0	0	0	0		0
Area Harvested	0	0	0	0	0	0		0
Bearing Trees	0	0	0	0	0	0		0
Non-Bearing Trees	0	0	0	0	0	0		0
Total No. Of Trees	0	0	0	0	0	0		0
Production	2,230	2,230	2,230	2,500	2,500	2,520		2,900
Imports	3	3	3	4	3	6		6
Total Supply	2,233	2,233	2,233	2,504	2,503	2,526		2,906
Exports	101	101	101	85	90	102		97
Fresh Dom. Consumption	2,132	2,132	2,132	2,419	2,413	2,424		2,809
For Processing	0	0	0	0	0	0		0
Total Distribution	2,233	2,233	2,233	2,504	2,503	2,526		2,906

(1,000 Ha) (1,000 MT)

Orange Juice (FCOJ)

Orange Juice	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	USDA Official Data		New Post	USDA Official Data		New Post	USDA Official Data		Jan
	Official	Old Post	Data	Official	Old Post	Data			Data

Deliv. To Processors	245,000	245,000	245,000	182,000	182,000	182,000			201,500
Beginning Stocks	10,000	10,000	10,000	8,000	8,000	12,000			4,400
Production	18,000	18,000	18,000	14,000	14,000	14,000			15,500
Imports	50,624	50,624	50,624	43,000	43,000	42,786			44,000
Total Supply	78,624	78,624	78,624	65,000	65,000	68,786			63,900
Exports	3,770	3,770	3,770	3,000	3,000	4,682			4,500
Domestic Consumption	66,854	66,854	62,854	62,000	62,000	59,704			59,400
Ending Stocks	8,000	8,000	12,000	0	0	4,400			0
Total Distribution	78,624	78,624	78,624	65,000	65,000	68,786			63,900

Note: Numbers have been converted to concentrated orange juice using a ratio of 6 to 1 between single strength and concentrate. Production under HS Codes 20091200 and 20091900 are both treated as single strength juice.

Other Tables

Citrus Historical Production Tables by Province

Orchard Area and Production by Province								
	2005		2006		2007		2008	
	1000 Ha	1000 MT	1000 Ha	1000 MT	1000 Ha	1000 MT	1000 Ha	1000 MT
Hunan	296.2	2,120	313.8	2,508	325.9	2,779	335.9	2,976
Guangdong	195.5	1,827	224.5	2,244	243.6	2,568	248.0	2,805
Guangxi	141.3	1,877	151.5	2,055	165.3	2,347	178.4	2,655

Sichuan	206.9	2,137	215.6	2,058	223.3	2,325	231.4	2,576
Fujian	170.3	2,153	170.2	2,267	170.4	2,386	173.5	2,565
Hubei	143.2	1,463	159.0	1,811	189.0	2,116	211.1	2,555
Jiangxi	215.1	1,098	229.3	1,394	262.5	1,957	281.9	2,485
Zhejiang	123.0	1,481	120.2	1,805	122.5	1,987	122.1	2,384
Chongqing	108.9	909	109.9	847	113.9	1,044	120.3	1,137
Yunnan	27.9	211	29.1	244	32.1	281	32.9	327
Shanghai	8.7	180	10.6	197	10.9	240	10.7	265
Shaanxi	19.7	168	21.5	163	23.3	224	25.7	237
Guizhou	38.7	172	37.0	177	37.9	191	38.5	191
Jiangsu	3.9	52	5.4	48	3.7	47	3.7	51
Henan	10.1	36	9.7	37	10.0	38	10.1	40
Hainan	3.7	20	3.6	27	3.7	30	3.8	39
Anhui	4.0	12	3.4	13	3.2	19	2.5	22
Gansu	0.2	3	0.2	3	0.3	3	0.3	3
Total	1,717.3	15,919	1,814.5	17,898	1,941.4	20,582	2,030.8	23,313

Source: Ministry of Agriculture Abstracts