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Citrus Annual

China's Citrus Production Expected to Fall

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Report Highlights:

Post forecasts MY 2016/17 orange production at 6.2 million MT, down 10 percent from the previous year, due to continued citrus greening disease issues and unfavorable weather in Southern China. Chinese tangerine/mandarin crops have also been negatively impacted by citrus greening issues and severe weather with total MY 2016/17 production expected to decrease by five percent to 19.3 million MT. Citrus imports are expected to continue to grow driven by consumer demand (especially in 1st tier cities) for high-quality and counter-seasonal fruit.

Executive Summary:

Overall MY 2016/17 citrus production is expected to fall as citrus greening disease issues and unfavorable growing weather have negatively impacted crops. All major citrus fruit prices have been rising due to the decreased production. Citrus imports are expected to grow due to the smaller crop and strong demand for high-quality and counter-seasonal fruit.

Commodities:

Oranges, Fresh

Orange Juice

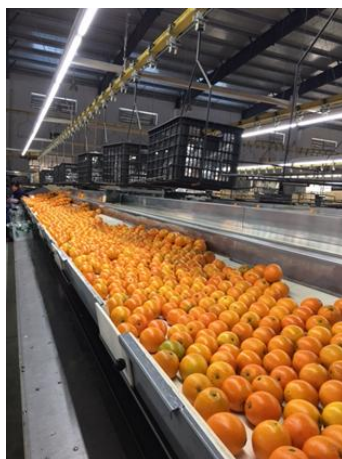
Tangerines/Mandarins, Fresh

Grapefruit, Fresh

Lemons, Fresh

Oranges**Production**

Orange production is forecast at 6.2 million metric tons (MT) in marketing year (MY) 2016/17 (November-October), down 10 percent from the previous year. Orange production in Jiangxi, the top orange producing province in China, continues to be negatively impacted by citrus greening. Several industry contacts report that the relatively warmer Southern Jiangxi region has been hit particularly hard by the disease and is also experiencing a naturally-occurring smaller crop year following last year's large crop. In general, due to how the citrus greening disease is spread, warmer regions are impacted much more severely than cooler regions. Citrus greening issues in other warmer-climate orange-producing areas (i.e. Guangxi and Hunan provinces) and excessive rain during the April blooming season in Southern China as a whole have also contributed to the lower MY2016/17 national-level production estimate. MY 2015/16 orange production has been slightly revised down to 6.9 million MT, based on recently released government data.



Orange orchard and packing plant in Jiangxi province

While millions of greening disease-infected orange trees have been removed in Jiangxi province, farmer contacts confirm that the region's planted acreage has remained relatively steady as replanting efforts have kept pace with the necessary tree removal. Industry contacts also report that planted acreage in Sichuan, Chongqing and other cooler provinces continues to slowly expand due to some moving of operations to get away from greening problems in warmer regions. As a result, Post forecasts a slight increase in overall planted area in MY2016/17.

Orange Production Regions



Source: ATO Guangzhou using 2015 China Ministry of Agriculture data, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Province accounts for 10- 20% of orange production (Jiangxi, Guangxi, Chongqing, Sichuan)
- Province accounts for 5-10% percent of orange production (Hubei, Hunan)

Input costs are becoming a more significant challenge for the Chinese orange industry. According to packing house contacts in Jiangxi, 2003 labor costs were at 20 Chinese yuan (RMB)/day and are now at RMB 120 (\$17.40)/day. Industry contacts also report that investment in in-the-field, processing, storage and distribution infrastructure is badly needed to increase efficiencies. However, with steadily increasing consumer demand for high quality fresh oranges, private sector investment in the citrus industry is now rapidly expanding and responding to these challenges. Additionally, large trading companies and packing houses are increasingly opting to work more closely with farmer cooperatives (as opposed to individual farmers) to ensure consistent fruit sourcing and quality.

Prices

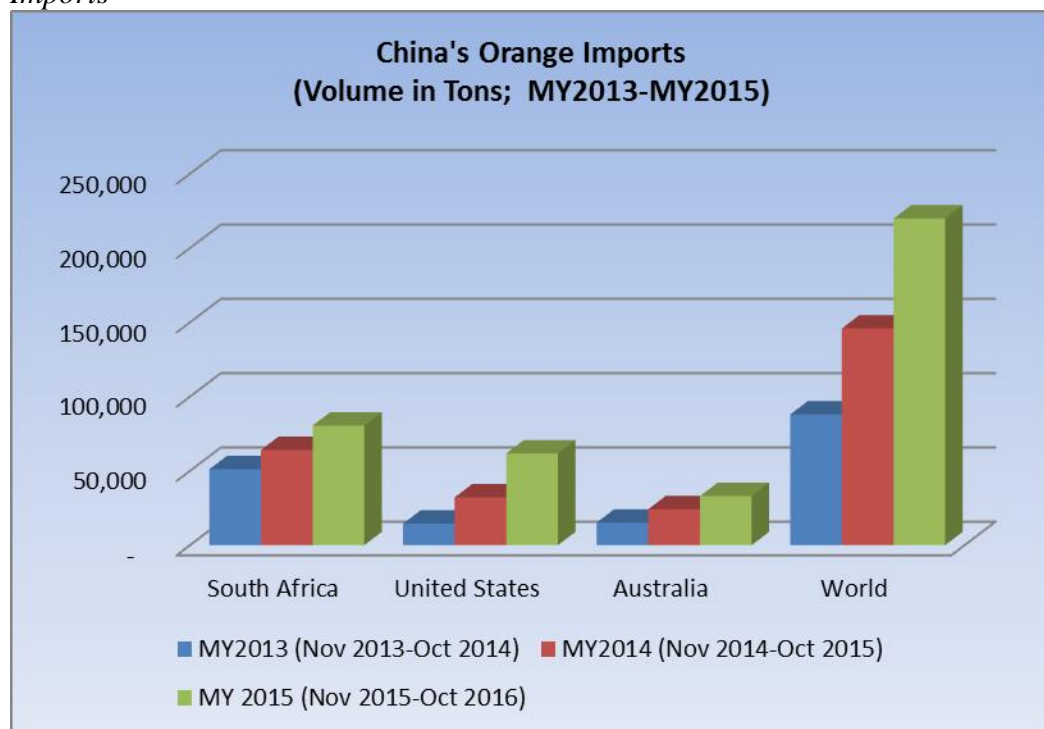
Local distributors report navel orange prices in the Southern Jiangxi orchards are currently at RMB 6.8 (\$1) per kilogram and even hit a record RMB 7.2 in November 2016. These prices are up over 20 percent from the same time the previous year, and according to industry sources this is primarily due to the reduced production in the province and increasing input costs.

Consumption

Orange consumption in MY 2016/17 is expected to fall as a result of the smaller crop and higher prices. However, long-term consumer demand in China for high-quality oranges is robust throughout the year and continues to steadily expand. Furthermore, according to a key industry contact, one-third of Chinese consumers have yet to even taste a famous “Gannan” orange from Southern Jiangxi Province. Accordingly, as improved logistics and distribution infrastructure connect orange suppliers with more and more people, it is expected that steady growth in consumer demand will continue for several years to come.

Trade

Imports



Source: Chinese Customs data

Post forecasts China's MY 2016/17 orange imports at 300,000 MT, up over 35 percent compared to the previous year, due to the anticipated decrease in domestic production and growing strong demand for

high-quality imported oranges, including counter-seasonal oranges produced in Southern Hemisphere countries. Final MY 2015/16 imports reached 220,000 MT, up over 50 percent compared to the previous year. In MY 2015/16, South Africa continued to be the top supplier to China with a 37 percent market share while the United States was in second with a 28 percent market share.

Exports

China's orange exports are forecast at 50,000 MT in MY 2016/17, down over 30 percent from the previous year, as a result of the forecasted decrease in supply. Southeast Asia remains the largest export market for Chinese oranges.

Oranges, Fresh Market Begin Year	2014/2015		2015/2016		2016/2017	
	Nov 2014		Nov 2015		Nov 2016	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	780000	780000	790000	780000	0	790000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	6900	6600	7000	6900	0	6200
Imports	146	146	220	220	0	300
Total Supply	7046	6746	7220	7120	0	6500
Exports	53	53	75	74	0	50
Fresh Dom. Consumption	6343	6043	6545	6446	0	5900
For Processing	650	650	600	600	0	550
Total Distribution	7046	6746	7220	7120	0	6500

(HECTARES) ,(1000 TREES) ,(1000 MT)

Orange Juice

Production

Post anticipates orange juice production in MY 2016/17 (October-September) at 42,000 MT, down over eight percent from the previous year, due to the anticipated lower orange production and industry reports of continued weak consumer demand for juice beverages.

Consumption

Post forecasts MY 2016/17 orange juice domestic consumption down 12 percent (compared to the previous year) at 73,000 MT as industry reports consumption of juice from concentrate has diminished significantly and overall consumer demand for juice beverages has lost momentum since 2014. However, several key industry contacts agree that although demand for juice from concentrate is falling, the market for 100 percent fresh orange juice is actually growing and has good potential in top-tier cities as cold-chain infrastructure, marketing efforts and disposable incomes expand.

Trade

Imports

As a result of the expected drop in overall consumption, Post forecasts orange juice imports in MY 2016/17 at roughly 33,000 MT, a drop of 18 percent compared to the previous year.

Exports

Post forecasts MY 2016/17 orange juice exports down 18 percent (compared to the previous year) at 2,300 MT due to the anticipated lower production.

Orange Juice Market Begin Year China	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	650000	650000	600000	600000	0	550000
Beginning Stocks	3000	3000	0	0	0	0
Production	50000	50000	46000	46000	0	42000
Imports	50000	49299	48000	40156	0	33000
Total Supply	103000	102299	94000	86156	0	75000
Exports	3100	3163	3300	2801	0	2300
Domestic Consumption	99900	99136	90700	83355	0	72700
Ending Stocks	0	0	0	0	0	0
Total Distribution	103000	102299	94000	86156	0	75000
(MT)						

Mandarins/Tangerines

Production

China's mandarins/tangerines production is forecast at 19.3 million MT in MY 2016/17 (October – September), down roughly five percent from the previous year due to the persistent citrus greening disease issues and unfavorable weather. Several industry contacts suggest greening disease issues were particularly severe for mandarins in Guangdong (especially for late-harvest varieties) and for tangerines in Guangxi. Trade contacts also report that the Nanfeng mandarin crop in Northern Jiangxi has dropped this year due to a naturally occurring smaller crop year (following last year's bumper harvest) and excessive rain during the blooming season in March/April and during the harvest in November. However, multiple growing regions in Hubei, Hunan, and Sichuan have reportedly had slight increases in production which will offset part of the production drops in Guangdong, Guangxi and Jiangxi. MY 2015/16 production has been slightly revised up to 20.2 million MT, based on recently released government data.

Industry contacts report planted acreages for mandarins and tangerines have remained relatively unchanged over the past 2-3 years, and Post estimates MY 2016/17 planted area at 820,000 hectares, the same as the previous year.

Mandarin Production Regions



Source: ATO Guangzhou using 2015 China Ministry of Agriculture data

Legend:

- Province accounts for 20% or more of total production (Guangdong)
- Province accounts for 10-20% of total production (Jiangxi, Hubei, Hunan)
- Province accounts for 5-10% of total production (Zhejiang, Fujian)



Mandarin packing house in Nanfeng, Jiangxi province

Tangerine Production Regions



Source: ATO Guangzhou using 2015 China Ministry of Agriculture data

Legend:

- Province accounts for 20% or more of total production (Guangxi)
- Province accounts for 10-20% of total production (Hubei, Hunan, Sichuan)
- Province accounts for 5-10% of total production (Zhejiang, Fujian, Guangdong)

Prices

Industry contacts report that early-variety mandarin prices in Jiangxi orchards were relatively high at between 4-12 RMB (\$0.58-\$1.7) per kilogram, while later harvest variety prices are currently as low as RMB 2.2 per kilogram (\$0.32). Contacts believe regional prices may go even lower in the near future as too much rain during the harvest season has impacted crop quality and much of the fruit cannot be stored for an extended period of time.

Consumption

Post forecasts MY 2016/17 domestic consumption at just over 18 million MT, down four percent from the previous year, due to the reduced production. Despite the anticipated slight decrease in consumption, demand for high-quality imported mandarins continues to grow (especially in top-tier city markets).

Consumption for processing (i.e. canned mandarin production) in MY 2016/17 is forecast at 610,000 MT, down eight percent from the previous year, due to the reduced fresh mandarin crop.

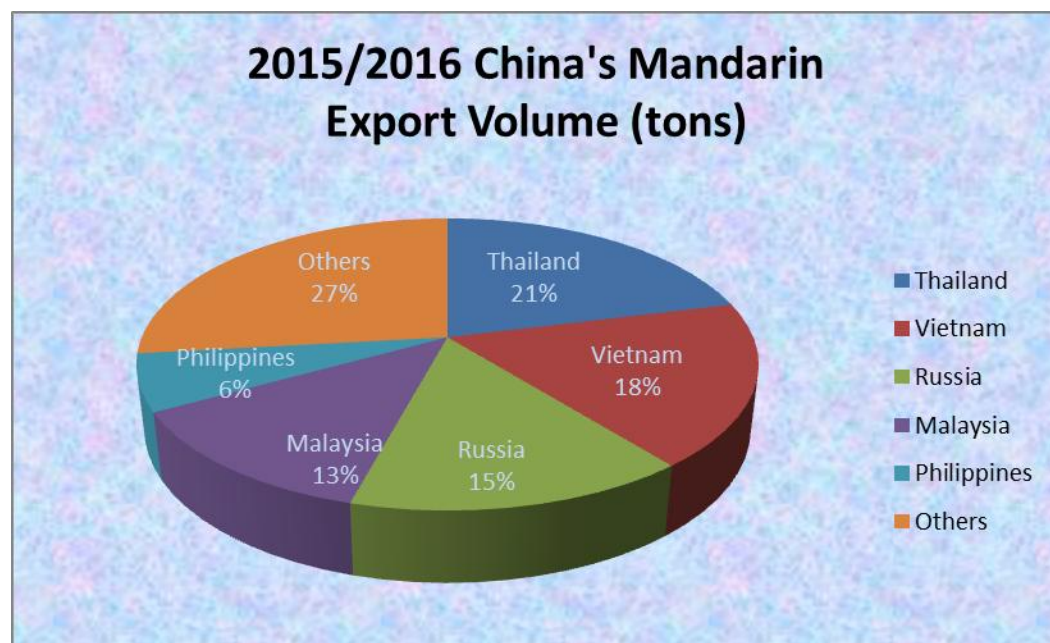
Trade

Imports

Post forecasts MY 2016/17 imports at 30,000 MT, up seven percent from the previous year, driven by increasing demand for high-quality mandarins. Australia and South Africa continue to be leading suppliers.

Exports

China's MY 2016/17 mandarin exports are forecast at 600,000 MT, down roughly 10 percent from the previous year, due to the lower production. Major export destinations for Chinese mandarins include Thailand, Vietnam and Russia.



Source: Chinese Customs data

Tangerines/Mandarins, Fresh Market Begin Year China	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	820000	820000	850000	820000	0	820000
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	19400	19400	20000	20200	0	19300
Imports	19	19	22	28	0	30
Total Supply	19419	19419	20022	20228	0	19330
Exports	736	736	660	658	0	600
Fresh Dom. Consumption	18053	18053	18702	18910	0	18120
For Processing	630	630	660	660	0	610
Total Distribution	19419	19419	20022	20228	0	19330

(HECTARES) ,(1000 TREES) ,(1000 MT)

Grapefruit/Pomelos

Production

Pomelo production in MY 2016/17 (October-September) is forecast down roughly eight percent to 4 million MT as cold weather and heavy rains earlier this year have resulted in a smaller crop. According to industry contacts, the unfavorable weather has also negatively impacted the quality of this year's crop, especially in the key producing regions of Fujian and Guangxi. The MY 2015/16 production estimate has been revised to 4.35 million MT based on recently released government data.

Pomelo Production Regions



Source: ATO Guangzhou using 2015 China Ministry of Agriculture data

Legend:

- Province accounts for 20% or more of total pomelo production (Fujian, Guangdong)
- Province accounts for 10-20% of pomelo production (Guangxi)
- Province accounts for 5-10% of pomelo production (Zhejiāng, Sichuan)

Prices

With the smaller crop and increased operational costs, pomelo prices have been going up since early November. In Fujian, the current purchasing price for a white pomelo is RMB 3 (\$0.44) while a red pomelo is priced at RMB 6.4.

Consumption

Post forecasts MY 2016/17 domestic consumption down eight percent to 3.9 million MT due to reduced production. Although overall consumption is down, key distributors confirm that consumer demand for high-quality grapefruit, especially in the first-tier city markets, continues to rise.

Trade

Imports

Imports are forecast to increase by roughly 11 percent (compared to the previous year) to 40,000 MT in MY 2016/17 as consumer demand for high-quality grapefruit continues to expand. In MY 2015/16, South Africa was by far the largest supplier of grapefruit to China with a 64 percent market share.

Exports

MY 2016/17 exports are forecast down slightly (compared to the previous year) at 150,000 MT due to the reduced production estimates. Major export destinations for Chinese pomelos include Europe, Russia and Hong Kong.

Grapefruit, Fresh Market Begin Year	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total No. Of Trees	0	0	0	0	0	0
Production	3900	4050	4300	4350	0	4000
Imports	31	31	36	33	0	40
Total Supply	3931	4081	4336	4383	0	4040
Exports	124	124	155	159	0	150
Fresh Dom. Consumption	3807	3957	4181	4224	0	3890
For Processing	0	0	0	0	0	0
Total Distribution	3931	4081	4336	4383	0	4040

(HECTARES) ,(1000 TREES) ,(1000 MT)

Lemons

Post forecasts lemon production down four percent (from the previous year) to 420,000 MT in MY2016/17 (October –September). Industry contacts report cold weather earlier in the year in Anyue, the dominant lemon-producing area in Sichuan, negatively impacted the crop. Per key industry leader contacts, lemon planting acreage is expected to expand significantly over the next three years as consumer demand for fresh lemons is growing rapidly.

Citrus Policy

The Ministry of Agriculture published an action plan in August 2014 to improve production and marketing of horticultural products. According to the plan, the ministry will mobilize resources to 1) upgrade nurseries to improve fruit varieties; 2) promote technologies and standards to enhance fruit quality; 3) nurture specialized farm cooperatives on production and marketing; and 4) set up platforms to promote horticulture brands. The action plan also noted that China's fruit varieties are limited and that China has no major horticultural brands.

Several local government units (LGUs) throughout Southern China have also mapped out work plans to upgrade the local citrus industry. It is reported many LGUs will provide financial and technical support to help build demonstration farms to showcase standardized farming technologies. The local agriculture departments will also assist farmers to upgrade their orchards and expand use of different varieties. Additionally, many LGUs will focus on the development of agribusinesses and farmer cooperatives.

Citrus Marketing

Hypermarket and supermarket chains, as well as specialized fruit stores, are the primary retail outlets for purchasing imported citrus products, especially in the 1st tier cities of Beijing, Shanghai, Shenzhen and Guangzhou. However, as China has made significant progress in cold storage management and infrastructure, more and more 2nd and 3rd tier city supermarkets are offering imported citrus products on their shelves. Sales of imported citrus via online shopping platforms still only represent a small fraction of the market due to logistical challenges, but many analysts are optimistic that Chinese e-commerce and imported citrus products have a bright future.

Chinese retailers are seeking ways to differentiate themselves and provide better service to their customers. Many have established their own online websites and provide home delivery service within their respective neighborhoods. Many retailers are also keen to source new, well-branded items for their shelves and several major supermarket chains have signed service contracts with key fruit suppliers to guarantee fruit quality and superior service. In addition, chain stores specializing in fresh fruit are expanding quickly and offer privately designed gift packages for their customers.

Freshness, taste, appearance, confidence in quality and prices are the major factors that will influence Chinese consumers' purchasing decision. The growing middle class is highly concerned about food safety issues and is willing to spend more on products they know offer the highest quality. As such, there is increasing demand for well-branded citrus products throughout the country.

Southern China continues to be the largest import origin in China for imported fruit, including citrus. In MY2015/2016, about 56 percent of Chinese imports of U.S. citrus entered through southern ports, including Shenzhen, Huangpu, Gongbei, and Guangzhou. Per Chinese Custom's data, the Port of Shenzhen has imported the largest volume of U.S. citrus over the past two years, accounting for 49 percent in MY2014/15 and 51 percent in MY2015/16. The Port of Shanghai accounted for 37 percent in MY2014/15 and 41 percent in MY2015/16. Other ports involved in the trade of U.S. citrus over the past two years include Dalian, Tianjin and Beijing, but they only represent a small fraction of the volume. After the completion of customs clearance, citrus shipments are generally sent to major wholesale markets such as Jiangnan in Guangzhou, Huizhan in Shanghai and Xinfadi in Beijing. From these wholesale markets, U.S. citrus is then transshipped to regions all over the country for further distribution.