

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Required Report - public distribution

Date: 12/15/2017

GAIN Report Number: CH176039

China - Peoples Republic of

Citrus Annual

Citrus Production Rising, Especially in Western China

Approved By:

Bill Verzani

Prepared By:

ATO Guangzhou

Report Highlights:

Post forecasts MY 2017/18 orange production at 7.3 million MT, up four percent from the previous year's revised estimate as a result of favorable weather and diminished impact from citrus greening. Increased yields in younger orchards in western China also support the rise in production. Chinese tangerine/mandarin producers have also benefited from the same circumstances this year with MY 2017/18 production forecast at 21.2 million MT, up three percent from the previous year's revised estimate. Despite increased production, Chinese orange imports are expected to grow due to robust consumer demand for high-quality and counter-seasonal fruit.

Executive Summary:

Overall MY 2017/18 citrus production is expected to increase as Chinese producers have benefitted from favorable weather, diminished impact from citrus greening and increased yields in younger orchards in western China. All major citrus fruit prices have been rising due to increased input costs and market price acceptance. Despite increased production, Chinese orange imports are expected to grow due to robust consumer demand for high-quality and counter-seasonal fruit.

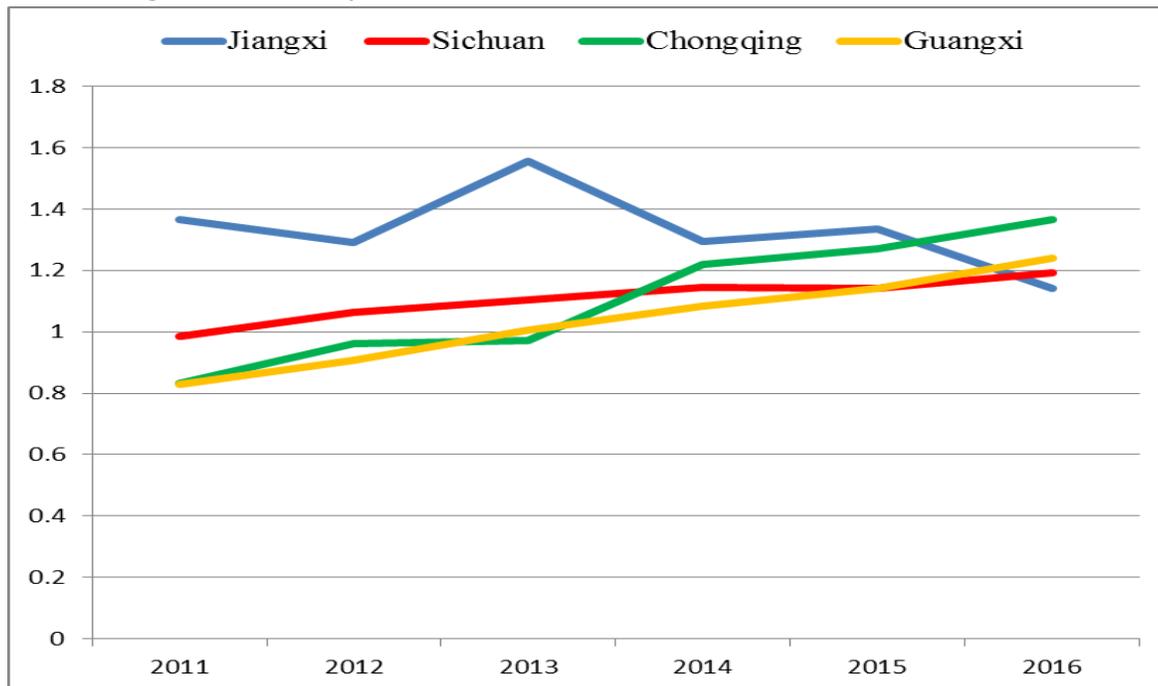
Oranges

Production

In recent years, the heart of the Chinese orange production region has slowly shifted towards western China. Jiangxi, traditionally the top orange producing province in the country, has experienced stagnant production over the past five years, while over the same time, Sichuan, Chongqing and Guangxi provinces have all experienced steady increases in production. In fact, last year each of these 3 provinces surpassed Jiangxi in terms of orange production volume (see chart below). Industry contacts indicate this is due to expanding yields and acreage in these western regions while traditionally important growing areas in the southeast (such as Jiangxi) have been negatively impacted by citrus greening disease.

Orange Production in China Shifts West

Total Orange Production by Province (million metric tons)



Source: 2016 China Ministry of Agriculture data

Orange production is forecast at 7.3 million metric tons (MT) in marketing year (MY) 2017/18 (November-October), up four percent from the previous year's revised production of 7 million MT. Orange producers in Sichuan, Chongqing and Guangxi provinces, where acreage has expanded over the past decade, expect moderate upticks in production as younger orchards (planted 5-10 years ago)

continue to experience a steady increase in annual harvests. Orange producers in Jiangxi expect a moderate recovery in production after a down year in MY 2016/17 during which extreme temperatures, citrus greening issues and a naturally occurring smaller crop year negatively impacted the harvest. Industry contacts report that while citrus greening is still an issue for orange growers in Jiangxi and other warmer orange producing regions (i.e. Guangxi and Hunan provinces), the disease has largely been held in check this year as infected acreage has been felled and replanted. Jiangxi producers also indicate that lighter rain and milder temperatures (compared to the previous year) helped this year's orange yield, although many of the fruits are of a smaller size.

Although millions of greening disease-infected orange trees have been removed in Jiangxi province over the past multiple years, farmer contacts confirm that the region's planted acreage has remained relatively steady as replanting efforts (a significant amount of which has taken place in the cooler, northern section of the province) have kept pace with the necessary tree removals. Industry contacts also report that planted acreage in other regions, such as Sichuan, Chongqing and Guangxi, continues to expand. As a result, Post forecasts a modest increase in overall planted area in MY2017/18.

MY 2016/17 orange production has been revised up to 7 million MT, based on recently released Chinese government data. The data indicates that while production did decrease in Jiangxi province, national level production remained relatively steady for the year due to increased orange yields in other key regions (Sichuan, Chongqing and Guangxi provinces in particular).



Navel orange packing plant/Sichuan province

Navel orange producing region/Chongqing province

Orange Production Regions



Source: ATO Guangzhou using 2016 China Ministry of Agriculture data

Legend:

- Province accounts for 10- 20% of orange production (Jiangxi, Guangxi, Chongqing, Sichuan & Hunan)
- Province accounts for 5-10% of orange production (Hubei)
- Province accounts for 3-5% of orange production (Guangdong & Fujian)

Input costs are a growing 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 over RMB 120 (\$18.10)/day. Industry contacts also continue to report that investment in processing, storage and distribution infrastructure is badly needed to increase efficiencies and reduce costs. With steadily increasing consumer demand for high-quality fresh oranges, public and private sector investment in the citrus industry is now rapidly expanding and responding to these challenges. For example, during a recent citrus industry field trip in Sichuan and Chongqing provinces, Post noted multiple brand new, large-scale citrus processing and cold storage facilities. Additionally, many large trading companies and packing houses report they are increasingly opting to work more closely with farmer cooperatives (as opposed to individual farmers) to develop brand names and ensure consistent fruit sourcing and quality.

Prices

Producer contacts report the December 2017 price for navel oranges in the Southern Jiangxi orchards is at RMB 6 (\$0.90) per kilogram. This orchard price is down slightly from the RMB 6.8 (\$1) per kilogram reported in November 2016. However, distributors report that December 2017 Jiangxi wholesale market prices for good quality, large oranges are up significantly from last year. Key industry contacts have indicated that the rise in these wholesale market prices is partially due to a higher share of

the orange crop being small-sized fruit, and fewer large oranges. Other factors for the higher wholesale prices include growing labor, storage and other input costs as well as market acceptance of the higher prices.

Consumption

Orange consumption in MY 2017/18 is expected to rise as a result of the larger crop and continued robust Chinese consumer demand for high-quality fresh fruit. Furthermore, as improving logistics, cold storage and distribution infrastructure throughout the country help connect orange suppliers with more and more of the vast Chinese population, it is expected that steady growth in consumer demand will continue for several years to come. MY 2016/17 consumption has been revised up significantly to reflect recently released Chinese government production data.

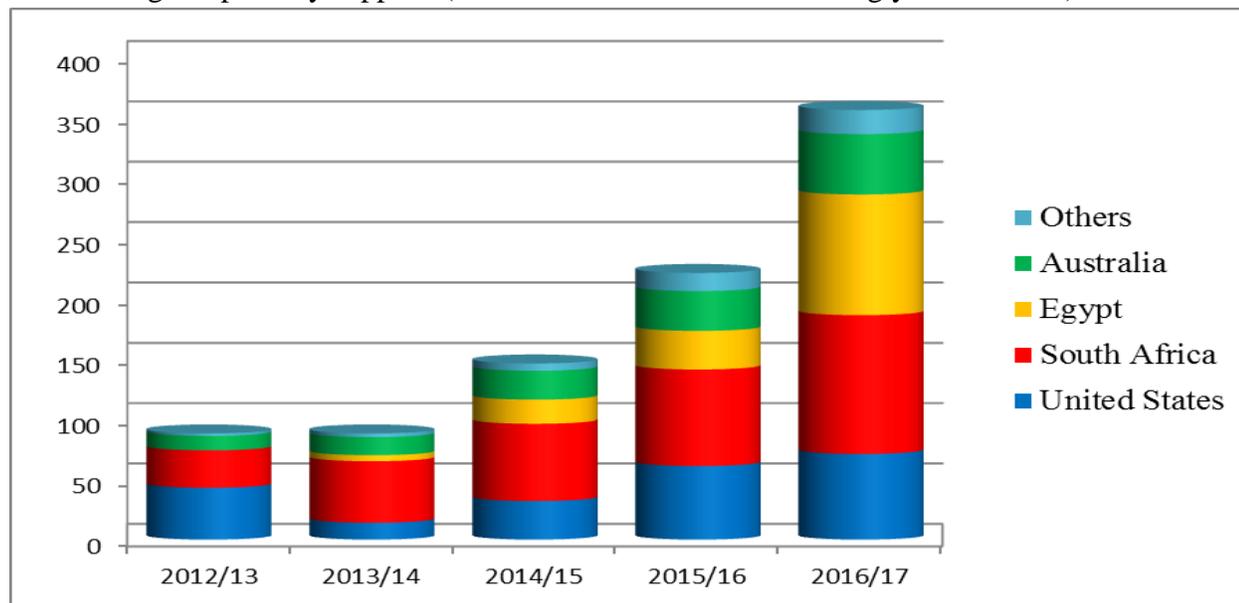
Trade

Imports

Post forecasts China’s MY 2017/18 orange imports at 400,000 MT, up 12 percent compared to the previous year’s revised estimates, due to continued robust demand for high-quality oranges, including counter-seasonal oranges produced in Southern Hemisphere countries. MY 2016/17 imports were revised to 357,000 MT, up nearly 20 percent compared to the original estimate for the year, based on updated Chinese Customs data. In MY 2016/17, South Africa continued to be the top supplier to China with a 32 percent market share while Egypt was in second with a 28 percent market share and the United States in third with a 20 percent market share. U.S. orange exports to China in MY 2017/18 recorded their highest level in six years, reaching nearly 71,000 MT.

China Orange Imports Climb

Total Orange Imports by supplier (thousand metric tons – Marketing year Nov-Oct)



Source: Chinese Customs data

Exports

China's orange exports are forecast at 60,000 MT in MY 2017/18, unchanged from last year's revised estimate. MY 2016/17 exports are revised to 60,000 MT based on updated Chinese Customs data. Southeast Asia remains the largest export market for Chinese oranges.

Oranges, Fresh Market Begin Year	2015/2016		2016/2017		2017/2018	
	Nov 2015		Nov 2016		Nov 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Area Planted	780000	780000	790000	790000	0	800000
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	6900	6200	7000	0	7300
Imports	220	220	300	357	0	400
Total Supply	7120	7120	6500	7357	0	7700
Exports	74	74	62	60	0	60
Fresh Dom. Consumption	6446	6446	5888	6717	0	7070
For Processing	600	600	550	580	0	570
Total Distribution	7120	7120	6500	7357	0	7700
(HECTARES) ,(1000 TREES) ,(1000 MT)						

Orange Juice

Production

Post anticipates orange juice production in MY 2017/18 (October-September) at 43,800 MT, down slightly from our updated MY 2016/17 estimate of 44,500 MT. Industry reports that consumer demand for “not from concentrate” (NFC) juice is growing and Chinese processors can now sell high-quality NFC juice at over twice the price of “from concentrate” (FC) juice. Industry contacts also report that production of FC juice continues to slowly decline as consumer demand weakens. Major Chinese orange juice processors are located in Chongqing and Sichuan provinces. MY 2016/17 estimates were revised upward due to the stronger than expected orange production for the year and strong demand for NFC juice.

Consumption

Post forecasts MY 2017/18 orange juice domestic consumption at 96,200 MT, nearly unchanged from the revised MY 2016/17 estimates. MY 2016/17 consumption estimates have been revised up by over 30 percent from our original forecast as retailers are reporting that while demand for FC juice remains weak, consumption of NFC juice was unexpectedly strong, especially in top-tier cities as cold-chain infrastructure, marketing efforts and disposable incomes expand.

Trade

Imports

Post forecasts orange juice imports in MY 2017/18 at roughly 55,000 MT, unchanged from our updated MY 2016/17 estimates. Based on Chinese Customs data, MY 2016/17 imports have been revised significantly to 55,000 MT, up from our original forecast of 33,000 MT. Industry experts indicate that this unexpectedly strong import demand is the result of Chinese processors opting to import ingredients for juicing as opposed to utilizing domestic oranges which have increased in price.

Exports

Post forecasts MY 2017/18 orange juice exports at 2,600 MT, up slightly from our updated MY 2016/17 estimates. Based on Chinese Customs data, MY 2016/17 exports have been revised to 2,525 MT, up 10 percent from that year's original forecast.

Orange Juice Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015		Oct 2016		Oct 2017	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Deliv. To Processors	600000	600000	550000	580000	0	570000
Beginning Stocks	0	0	0	0	0	0
Production	46000	46000	42000	44500	0	43800
Imports	40156	40156	33000	54957	0	55000
Total Supply	86156	86156	75000	99457	0	98800
Exports	2801	2801	2300	2525	0	2600
Domestic Consumption	83355	83355	72700	96932	0	96200
Ending Stocks	0	0	0	0	0	0
Total Distribution	86156	86156	75000	99457	0	98800
(MT)						

Mandarins/Tangerines

Production

China's mandarins/tangerines production is forecast at 21.2 million MT in MY 2017/18 (October – September), up three percent from the previous year's revised estimate. Producers in Jiangxi province expect a somewhat larger and higher quality crop this year (compared to the previous year) due to lighter rain, milder temperatures and some containment of the citrus greening disease. Producers in Sichuan province also expect a larger crop this year as younger orchards continue to experience a steady increase in annual harvests.

MY 2016/17 mandarin/tangerine production has been revised up to 20.65 million MT, based on recently released Chinese government data. The data reflects that while overall mandarin production did decline, especially in Jiangxi and Guangdong, this was more than offset by increasing yields and acreage for mandarin and especially tangerines in other key producing regions (Sichuan, Hubei and Hunan in particular).

Multiple industry contacts report planted acreage for tangerines in Sichuan province has increased. As a result, Post estimates MY 2017/18 planted area at 850,000 hectares, slightly higher than the previous year's updated estimate. MY 2016/17 planted area was revised slightly up to 830,000 hectares based on the same feedback from Sichuan contacts.

Mandarin Production Regions



Source: ATO Guangzhou using 2016 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)



Hybrid tangerine production in Sichuan province

Tangerine Production Regions



Source: ATO Guangzhou using 2016 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 are currently at between RMB 5-7 (\$0.76-\$1.06) per kilogram, while later harvest variety prices are at RMB 6-8 (\$0.91-\$1.21) per kilogram. These prices are somewhat higher and in a tighter range than the same time last year when early season varieties ranged from 4-12 RMB/kg and late season varieties were as low as RMB 2.2/kg. In Sichuan province, late variety hybrid tangerine orchard prices are currently at RMB 10 (\$1.51) per kilogram.

Consumption

Post forecasts MY 2017/18 domestic consumption at just over 20 million MT, up three percent from the previous year's revised estimate, due to the increased production and robust Chinese consumer demand for high-quality mandarins/tangerines. MY 2016/17 consumption estimates have been revised upward to reflect the recently released Chinese government production data.

Consumption for processing (i.e. canned mandarin production) in MY 2017/18 is forecast to remain at a similar level to last year's revised estimate. MY 2016/17 estimates have been raised to 650,000 MT to reflect the increased fresh mandarin crop for that year. A large portion of canned mandarin production is for export, with the United States the largest market.

Trade

Imports

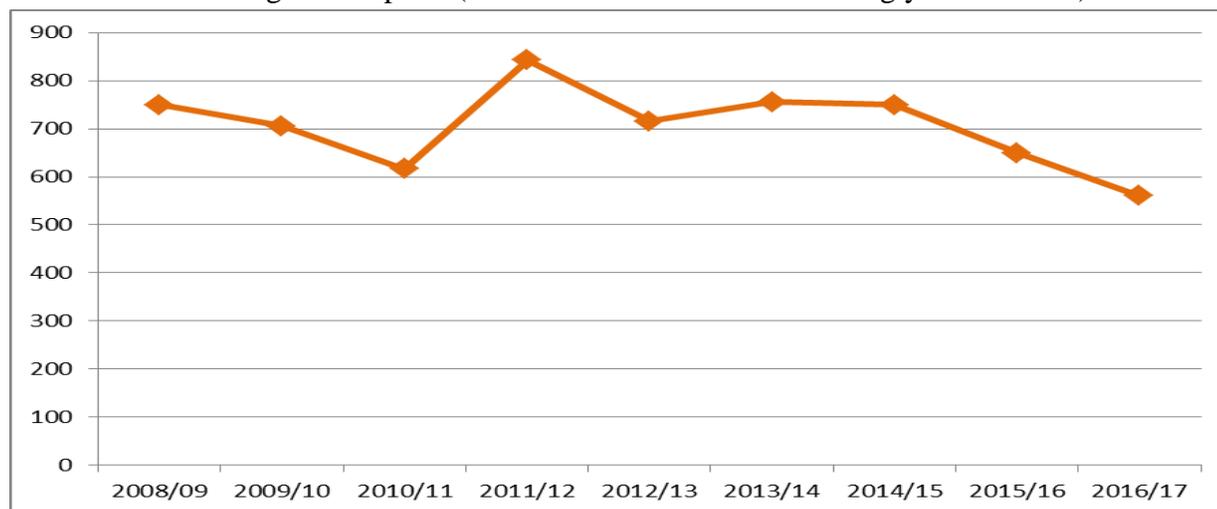
Post forecasts MY 2017/18 imports at 50,000 MT, unchanged from last year's revised import level. Wholesale distributors expect demand for imported high-quality mandarins to remain steady for the year. Australia and South Africa continue to be leading suppliers. MY 2016/17 imports have been revised up to 50,000 MT based on Chinese Customs data.

Exports

China's MY 2017/18 mandarin exports are forecast at 550,000 MT, down roughly 6 percent from the previous year's revised exports. Citrus industry experts report that many producers are slowly opting to shift from producing export-suitable mandarin varieties to mandarin/tangerine hybrid varieties that are more targeted towards domestic consumers and have a higher domestic market price. Key export destinations for fresh Chinese mandarins include Southeast Asian countries and Russia.

China Mandarin Exports Fall

Total Mandarin/Tangerine exports (thousand metric tons – Marketing year Nov-Oct)



Source: Chinese Customs data

Tangerines/Mandarins, Fresh Market Begin Year	2015/2016		2016/2017		2017/2018	
	Oct 2015	Oct 2016	Oct 2016	Oct 2017	Oct 2017	Oct 2017
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	820000	820000	820000	830000	0	850000
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	20200	20200	19300	20600	0	21200
Imports	28	28	30	50	0	50
Total Supply	20228	20228	19330	20650	0	21250
Exports	658	658	590	587	0	550
Fresh Dom. Consumption	18910	18910	18130	19413	0	20060
For Processing	660	660	610	650	0	640
Total Distribution	20228	20228	19330	20650	0	21250

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

Grapefruit/Pomelos

Production

Pomelo production in MY 2017/18 (October-September) is forecast up four percent from the previous year's revised estimate to 4.8 million MT. According to producers in Fujian and Guangdong provinces, this year's harvest should be better than the previous year as lighter rain and milder weather helped the crop. Producers in Sichuan and Chongqing also expect a larger crop this year compared to the previous year. The MY 2016/17 production estimate has been revised up to 4.6 million MT based on recently released government data.



Mountains of pomelo and cold storage at a new packing plant in Sichuan province

Prices

The current orchard price for high-quality white pomelo in Fujian province is RMB 3.5 (\$0.53) per kilogram. This price is slightly higher than last year's December price of RMB 3 (\$0.44) per kilogram.

Consumption

Post forecasts MY 2017/18 domestic consumption up four percent from the previous year's revised estimate to just over 4.6 million MT due to increased production and continued robust Chinese consumer demand for citrus fruits. MY 2016/17 estimates have been revised to nearly 4.5 million MT to reflect the recently released Chinese government production data.

Pomelo Production Regions



Source: ATO Guangzhou using 2016 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 (Zhejiang, Sichuan)

Trade

Imports

Despite the expected increase in production, imports in 2017/18 are forecast to remain at the same level as the previous year at 40,000 MT as consumer demand for high-quality grapefruit remains strong. In MY 2016/17, South Africa was by far the largest supplier of grapefruit to China with a 67 percent market share. MY 2016/17 imports have been revised down slightly based on recently released Chinese Customs data.

Exports

MY 2017/18 exports are forecast up over 10 percent (compared to the previous year) at 200,000 MT due to the increased production estimates. Major export destinations for Chinese pomelos include Europe, Russia and Hong Kong. MY 2016/17 exports have been revised up moderately based on recently released Chinese Customs data.

Grapefruit, Fresh	2015/2016	2016/2017	2017/2018
-------------------	-----------	-----------	-----------

Market Begin Year China	Oct 2015		Oct 2016		Oct 2017	
	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	4350	4350	4000	4600	0	4800
Imports	33	33	42	40	0	40
Total Supply	4383	4383	4042	4640	0	4840
Exports	159	159	170	180	0	200
Fresh Dom. Consumption	4224	4224	3872	4460	0	4640
For Processing	0	0	0	0	0	0
Total Distribution	4383	4383	4042	4640	0	4840

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

Lemons

Post forecasts lemon production up 15 percent (from the previous year) to 480,000 MT in MY2017/18 (October –September). Industry contacts in the Anyue region of Sichuan province (the main lemon producing area in China) expect a significant increase in production this year as weather has been favorable and orchards planted three years ago (reportedly up to 4,000 hectares of new trees) have started to produce fruit. Contacts also confirm that lemon planting acreage is expected to further expand over the next two years as consumer demand for fresh lemons is growing rapidly.



Fresh lemons in Sichuan province

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 and 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.

Several local government units (LGUs) throughout Southern China have also developed work plans to upgrade the local citrus industry. Multiple LGUs indicate they 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 plan to 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 is now making 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 represent a growing portion of the market due to improvements in logistics and infrastructure and 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 imported 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 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. Responding to this trend, many domestic citrus suppliers are now striving to build their own brands where none existed before.

In MY 2016/2017, over half of Chinese imports of U.S. citrus entered through South China ports, including Shenzhen, Huangpu, Gongbei, and Guangzhou. Other ports involved in the trade of U.S. citrus over the past two years include Dalian, Tianjin and Beijing. 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.