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GAIN Report

Global Agricultural Information Network

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China - Peoples Republic of

Citrus Annual

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Approved By:

Phil Shull

Prepared By:

Chris Frederick, Wang Tong, and Wu Bugang

Report Highlights:

Post forecasts China's orange production to decrease by 10 percent to 6.9 MMT in MY 2014/15, because of continuing impact from citrus greening disease in the main growing region of in Jiangxi. Tangerine/Mandarin production is expected to increase to 18.5 MMT in MY 2014/15. China's citrus imports will continue to grow based on strong demand for counter seasonal fruit from the southern hemisphere. The United States, with a market share of approximately 13 percent, is the third largest supplier of citrus to China behind South Africa and Australia.

Commodities:

Oranges, Fresh

Tangerine/Mandarin Juice

Grapefruit, Fresh

Orange Juice

Production:*Oranges*

China's orange production is forecast at 6.9 million metric tons (MMT) in marketing year (MY) 2014/15 (November-October), down 10 percent from the previous year, due largely to a sharp decline of production in Jiangxi province, the largest orange producing region in China. A devastating citrus greening disease continues to spread in the Ganzhou region of Jiangxi. As a result, orange production in Jiangxi is projected to drop by 20 percent compared with last year.

Guangxi and Hunan provinces are also expecting a smaller production of oranges though not as a result of greening but a normal drop in production following an excellent growing year in 2013/14. In other producing provinces, including Sichuan, Chongqing and Hubei, orange production is likely to gain marginally under normal growing conditions.

Orange acreage is forecast to decrease slightly to 780,000 hectares in marketing year 2014/15. Orange area continues to decline primarily because of removal of diseased trees in the major producing region of Ganzhou. It is reported that 15 percent of the orange trees in Ganzhou have been destroyed. The impact of greening on Ganzhou's local agriculture has been severe as citrus is the dominant crop and main source of income for Ganzhou farmers. However, industry sources note that the outbreak of citrus greening may create an opportunity for restructuring of the citrus industry by consolidating production.

Frozen Concentrated Orange Juice (FCOJ)

Post estimates that FCOJ production will decrease by 9 percent in MY 2014/15 (October-September) to 50,000 MT as a result of reduced raw supplies. Increased prices of domestically-produced oranges will further increase the cost of fruit processing, making local orange juice less competitive against imports. China has limited supply of juicing oranges so local FCOJ producers normally use leftover oranges that were not accepted by the fresh market. However, the production of not from concentrate (NFC) orange juice is increasing to accommodate the need of urban consumers.

Tangerines/Mandarins

China's tangerine/mandarin production is forecast at 18.5 MMT in MY 2014/15 (October-September), up nearly 4 percent from the previous year. Although production continues to decline in greening affected provinces like Jiangxi and Guangdong, improved harvests in other producing provinces including Guangxi, Hubei, Hunan, Fujian, and Zhejiang will likely offset the production losses. Similar to Jiangxi, citrus greening has also endangered the citrus industry in Guangdong, the largest mandarin producing province in China. In Qingyuan of Guangdong, for example, more than 40 percent of the 46,700 hectares of honey mandarin orchards have been affected by greening by the end of 2013. However, tangerine/mandarin acreage is expanding in other provinces such as Guangxi, Fujian, Yunnan and Shaanxi. As a result, tangerine and mandarin acreage is expected to increase by 2 percent to 820,000 hectares in MY 2014/15.

Canned mandarins

China's canned mandarin production is forecast to increase by 5 percent to 420,000 MT in MY 2014/15 (October-September), on stable world demand. It is estimated that nearly 70 percent of the canned mandarins produced in China are exported and the export volume remains stable. Domestic consumption of the product is growing slowly.

Grapefruit/Pomelos

Pomelo production is forecast at 3.9 MMT in MY 2014/15 (October-September), up 5 percent from the previous year. However, in Fujian province, the largest pomelo producing region, is expecting a smaller crop compared with the previous year, due to heavy rains and high temperatures in the spring. Production gains in other producing provinces including Guangdong and Guangxi will likely offset the loss. China has limited grapefruit production.

Lemons

Lemon production is forecast at 430,000 MT in MY 2014/15 (October-September), an increase of 8 percent from the previous season, as a result of recovering production in Anyue of Sichuan, which produces more than 80 percent of the country's fresh lemons. A spring drought caused lemon production in Anyue county to fall sharply during MY 2013/14.

Prices:

Fruit production costs are on the rise. The nation's citrus production costs averaged RMB 44,445 (\$7,227) per hectare in 2013, an increase of more than 4 percent from the previous year, according to official statistics. Based on field observations by Post, production costs will continue to increase in MY 2014/15.

As a result of production declines, oranges are currently sold at RMB 4.4 (\$0.72) per kilogram from orchards in Ganzhou, an increase of 80 percent from last year. The high orange prices are likely to remain throughout the year.

Tangerine/mandarin prices vary by location and variety. The farm gate prices for early mature mandarins were quoted at RMB 1.6-2.0 (\$0.26-0.33) per kilo in Taizhou of Zhejiang, roughly

unchanged from the previous year. In Hubei province which experienced a bumper harvest, local mandarin varieties were sold at around RMB 1.0 (\$0.16) per kilo, down 16 percent from a year ago. Late maturing varieties, such as “honey” mandarins from Gaungdong which are harvested in late December, are normally priced two or three times higher than early maturing varieties. In MY 2014/15, prices are expected to gain further given production losses in Guangdong due to outbreak of greening disease.

In Fujian, the largest pomelo producing province, farm gate prices for pomelos were reported at RMB 3.6-4.0 (\$0.59-0.65) per kilo, an increase of 15 percent from the previous year because of reduced production. In other production regions, pomelo prices remained quite firm.

Currently Lemon prices continue to stay at high levels and farm gate prices are quoted at around RMB 10 (\$1.63) per kilo in Anyue. In MY 2013/14, lemon prices surged up to RMB 15 (\$2.4) per kilo towards the end of harvest season because of strong demand in the cities.

Consumption:

Fruit outlets that are dedicated to fresh fruit sales, continue to expand in urban areas resulting in the increased consumption of fresh fruit. The development of e-commerce has also gained increasing popularity among consumers, although the market share is small. Some large packing houses are planning to build regional storages and/or distribution centers. This will significantly reduce the cost and waste during the fruit distribution process and encourage expansion of sales through e-commerce platforms.

As the prices of locally-produced fruit keep rising, imported fruit has gradually gained market acceptance. Consumer’s preference for freshness has led to the growth counter-seasonal fruit from southern hemisphere countries.

Lemon consumption is growing because of nutritional attributes associated with lemons and its use in beauty treatments, and the growing popularity of drinking lemon water. Lemons are available all year round and have become a daily fruit for a small portion of consumers.

Trade:

Import

For MY 2014/15 (November-October), China’s fresh orange imports are forecast at 100,000 MT, an increase of 13 percent from the previous year, because of strong demand for counter seasonal fruit from southern hemisphere countries. South Africa replaced the United States as the top supplier of fresh oranges to China in MY2013/2014. The lifting of the suspension on Californian citrus may boost orange imports from the United States to pre suspension levels.

FCOJ imports are forecast at 60,000 MT in MY 2014/15 (October-September), up 5 percent from the previous year. Faced with higher prices of fresh oranges, local juicing companies will likely reduce their FCOJ production and shift to purchasing imported orange juice. Brazil remains the largest supplier of FCOJ to China.

Post forecasts that China's mandarin imports will reach 24,000 MT in MY 2014/15 (October-September), up more than 30 percent from the previous year. Compared to other citrus varieties, import volumes remain low but are steadily increasing. Leading suppliers are South Africa and Australia.

China's MY 2014/15 (October-September) grapefruit imports are forecast to increase by 23 percent to 32,000 MT. As more consumers become aware of the nutritional benefits of grapefruit. As a result imports from South Africa have increased to meet this demand.

Export

China's orange exports are forecast at 90,000 MT in MY 2014/15 (November-October), down 17 percent from the previous year due to reduced supplies and increased export prices. Jiangxi, the top supplier of exported oranges is expected to harvest 20-percent less oranges from the previous season and farm gate prices have almost doubled compared to the previous year. Southeast Asia remains the largest market for China-origin oranges.

Post forecasts mandarin exports will likely to gain 3 percent to 770,000 MT in MY 2014/15 (October-September) on stable demand. ASEAN countries and Russia rank as the top buyers of Chinese mandarins.

Pomelo exports are forecast at 150,000 MT in MY 2014/15 (October-September), down 5 percent from the previous year. Fujian province, which exports around 70 percent of the country's pomelos, is expected to harvest fewer pomelos as a result of poor spring weather. This has caused pomelo prices to have increased by 15 percent from last year. Chinese pomelos are mostly shipped to EU countries.

Policy:

Citrus greening continued to spread in Jiangxi and Guangdong provinces. Local governments call for enhanced prevention/control efforts by the farmers through education and information sharing. Jiangxi government provides farmers approximately \$1 for each diseased tree they cut down. However, without effective means to contain the disease, farmers are concerned their future livelihood.

In August 2014, China's General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) announced the re-opening of the market to Californian citrus that was since May 2013, for SPS related issues.

The negotiation of a free trade agreement between China and Australia concluded on November 17, 2014. As of date, details of the tariff schedule are not available but it is expected that Australia-origin fruit tariffs would be eliminated over a period of time after the agreement is officially signed in 2015.

Marketing:

Shanghai is China's second largest fruit import distribution hub after Guangzhou. However, given domestic transportation costs and other cost concerns, importers increasingly opt for Shanghai as the preferred port.

The majority of imported citrus is sold through major retailers, convenience stores, fruit stalls,

e-commerce, high-end hotels, and restaurants. Most five-star hotels in China prefer to use U.S. citrus for fresh consumption and for juice given its flavor and higher brix content. Recent anti-corruption efforts and directives from the Central Government have dampened holiday and gift fruit sales significantly over the past year. However, selling fresh fruit online has continued to expand rapidly over the past 4 years. For example, Fruit Day was the first company to develop an online website to sell fresh fruit products in 2009 followed by Guo Ku Wang (www.guocool.com) and Tou Tou Gong She (www.tootoo.com). Guocool.com also provides fresh-cut products online.

E-commerce players focusing on fresh products developed rapidly in 2014. According to industry data online fresh product sales revenues increased nearly 41% in 2013 reaching more than \$930 million.

It should be noted that there are a number of regional consumer differences within China, in the north, consumers focus more on size and appearance; they are more likely to purchase large fruit with smooth and shiny peels. Consumers in southern China, on the other hand, tend to place much less emphasis on appearance, and significantly more emphasis on taste.

Brand Awareness:

Chinese consumers increasingly pay attention to branding according to industry sources especially with regards to oranges and lemons. In addition, IPR protection for imported citrus has also improved in recent years and it is more difficult, although not impossible, to find falsely labeled fruit.

Production, Supply and Demand Data Statistics:

Oranges

Oranges, Fresh China	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: Nov 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	800,000	800,000	790,000	790,000		780,000

Area Harvested	0	0	0	0		0
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total No. Of Trees	0	0	0	0		0
Production	7,000	7,000	7,600	7,600		6,900
Imports	88	88	60	88		100
Total Supply	7,088	7,088	7,660	7,688		7,000
Exports	83	83	100	108		90
Fresh Dom. Consumption	6,405	6,405	6,780	6,865		6,260
For Processing	600	600	780	715		650
Total Distribution	7,088	7,088	7,660	7,688		7,000

Tangerines/Mandarins

Tangerines/Mandarins, Fresh China	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	814,000	814,000	806,000	806,000		820,000
Area Harvested	0	0	0	0		0
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total No. Of Trees	0	0	0	0		0
Production	17,000	17,000	18,200	17,850		18,500
Imports	12	12	14	18		24
Total Supply	17,012	17,012	18,214	17,868		18,524
Exports	702	702	750	744		770
Fresh Dom. Consumption	15,650	15,650	16,864	16,524		17,124
For Processing	660	660	600	600		630
Total Distribution	17,012	17,012	18,214	17,868		18,524

Grapefruit/Pomelo

Grapefruit, Fresh China	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0		0			0
Area Harvested	0		0			0
Bearing Trees	0		0			0

Non-Bearing Trees	0		0			0
Total No. Of Trees	0	0	0	0		0
Production	3,370	3,370	3,770	3,717		3,900
Imports	17	17	20	26		32
Total Supply	3,387	3,387	3,790	3,743		3,932
Exports	130	130	160	165		150
Fresh Dom. Consumption	3,257	3,257	3,630	3,578		3,782
For Processing	0	0	0	0		0
Total Distribution	3,387	3,387	3,790	3,743		3,932

Frozen Concentrated Orange Juice (FCOJ)

Orange Juice China	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	600,000	60,000	780,000	715,000		650,000
Beginning Stocks	20,000	20,000	5,000	5,000		3,000
Production	45,000	45,000	60,000	55,000		50,000
Imports	58,700	58,700	60,000	57,000		60,000
Total Supply	123,700	123,700	125,000	117,000		113,000
Exports	3,408	3,408	4,000	2,735		2,500
Domestic Consumption	115,292	115,292	121,000	111,265		110,500
Ending Stocks	5,000	5,000	0	3,000		0
Total Distribution	123,700	123,700	125,000	117,000		113,000