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GAIN Report

Global Agricultural Information Network

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Report Highlights:

Post forecasts China's orange production to increase slightly to 7 million tons in MY 2015/16, as good harvests in major producing areas will likely offset the continued production loss in Jiangxi province from citrus greening disease. Tangerine/mandarin production is expected to increase to 20 million tons in MY 2015/16. Citrus imports will continue to grow driven by strong demand for counter seasonal fruit. The U.S. orange imports are also expected to rebound after China lifted the suspension on citrus imports from Tulare, California.

Commodities:

Oranges, Fresh

Tangerines/Mandarins, Fresh

Grapefruit, Fresh

Orange Juice

Author Defined:**Production***Oranges*

Orange production is forecast at 7 million metric tons (MMT) in marketing year (MY) 2015/16 (November-October), slightly up from the previous year. Orange production in Jiangxi province, the top orange producer in China, continues to decline as a result of citrus greening. This has led to the removal of millions of orange trees within the province. However, in other major producing provinces including Guangxi, Hunan, Hubei, and Chongqing, orange production is expected to increase under favorable growing conditions.

Although planted acreage in Jiangxi continues to decline, overall orange acreage is forecast to remain stable around 780,000 hectares in MY 2015/16. The decline of planting acreage in Jiangxi is offset by increases in other growing areas such as in Hunan and Hubei provinces.

An aging labor force and labor shortages are a major challenge to fruit production in China. Private investment and consolidation of fruit production is occurring albeit at a slow pace. However, government efforts to streamline the land transfer process should encourage more private investment and consolidation.

Also strengthening the orange production industry is that many large trading companies and packing houses are working closely with farmer cooperatives to ensure fruit sourcing as well as fruit quality.

Although the majority of these farmer cooperatives are still quite small in scale, they seem to represent the future of China's fruit production.

Frozen Concentrated Orange Juice (FCOJ)

Post estimates that FCOJ production will decrease by 8 percent to 46,000 MT in MY 2015/16 (October-September), due largely to stagnant consumption of juice and juice beverages. According to industry sources, the 100 percent juice from FCOJ juice accounts for only 3 percent of the total juice consumption and is growing slowly, while the rate of growth for juice beverages has slowed to 5 percent this year compared with growth rates of 20 percent or more seen in recent years.

Although the market share of juice *not from concentrate* (NFC) is small, the production is increasing quickly along with enhanced marketing and improved cold chain facilities in large cities.

Tangerines/Mandarins

China's tangerine/mandarin production is forecast at 20 MMT in MY 2015/16 (October-September), up 3 percent from revised production of 19.4 MMT in MY 2014/15. Although Hunan and Hubei, two major mandarin producing regions are expected to lose 30 to 40 percent of their mandarin crop due to a low year in the production cycle, other growing regions in Guangxi, Jiangxi, and Zhejiang will pick up the slack in production. However, persistent rains since early November have delayed mandarin harvests in parts of Jiangxi and Guangxi provinces. This puts mandarin quality at risk since mandarins harvested under such weather may not be stored for an extended period of time.

Mandarin acreage is forecast to increase by more than 3 percent to 850,000 hectares in MY 2015/16, driven primarily by area expansion in Guangxi, Hunan and Hubei provinces, according to industry sources.

Canned mandarins

China's canned mandarin production is forecast to increase by nearly five percent to 440,000 MT in MY 2015/16 (October-September), primarily driven by slow but steady increases in domestic consumption. The majority of canned mandarins produced in China are exported and the export volume remains stable.

Grapefruit/Pomelos

Pomelo production is forecast to increase by 10 percent to 4.3 MMT in MY 2015/16 (October-September) under favorable growing conditions in major producing provinces, including Fujian, Guangdong and Guangxi. Some Jiangxi farmers began to plant pomelos or their hybrid varieties after their orange trees were culled due to citrus greening.

Lemons

Lemon production is forecast at 440,000 MT in MY 2015/16 (October-September), up nearly 5 percent from the previous year on good growing conditions. Anyue county in Sichuan province is the dominant lemon-producing area and produces more than 80 percent of the country's total volume.

Prices

In 2014, the nation's citrus production cost was averaged RMB 47,495 (\$7,480) per hectare, an increase of nearly 7 percent from the previous year, according to official statistics. Production costs are expected to continue increasing in 2015.

Navel orange prices are currently quoted at around RMB 5.6 (\$0.88) per kilo in the Ganzhou orchards in Jiangxi, up nearly 30 percent from the previous year as a result of reduced production in the province.

Tangerine/mandarin farm gate prices in Hunan province were quoted at around RMB 1.8 (\$0.28) per kilo, an increase of nearly 30 percent from the previous year, according to field observations by Post. In other main producing areas where good harvests are expected, mandarins were sold at prices lower from the previous year's levels.

Pomelo prices have dropped significantly from the previous year as result of a bumper harvest. In Fujian province, the largest pomelo producing region in China, farm gate prices averaged around RMB

2.8 (\$0.44) per kilo in early October. Prices declined further in December to RMB 1.0 (\$0.16) per kilo. In MY 2014/15, the farm gate prices averaged around RMB 3.6 (\$0.57) per kilo.

Consumption

Fruit consumption continues to grow along with dietary changes, particularly in urban areas. For many consumers in the cities, fruit has become part of their daily diet and more consumers, especially those with higher incomes have begun to focus on fruit quality and safety due to health concerns. Demand for high quality fruit, including imported fruit, remains strong. Imported fruit consumption is growing also because of lower prices and increased fruit demand during the local offseason.

Trade

Import

For MY 2015/16 (November-October), China's orange imports are forecast to increase by nearly 40 percent to 200,000 MT, primarily because of strong demand for counter seasonal oranges produced in southern hemisphere countries. South Africa remains the top supplier of oranges to China. With the lifting of the suspension on citrus imports from Tulare California, imports of U.S. oranges are also expected to rebound (see Policy). Industry sources indicate that Egyptian oranges are competitive in terms of price and quality and imports are expected to increase quickly in the coming season.

FCOJ imports are forecast at 48,000 MT in MY 2015/16 (October-September), down 4 percent from the revised number of 50,000 MT in the previous year. Consumption of 100 percent juice from concentrate is stagnant and the consumption of juice beverages has lost momentum since 2014.

Post forecasts China's mandarin imports will reach 21,000 MT in MY 2015/16 (October-September), up 10 percent from the previous year, driven by increased demand for high quality mandarins during the local offseason. Australia and South Africa are the leading suppliers of mandarins.

China's grapefruit imports are forecast to increase by 20 percent to 36,000 MT in MY 2015/16 (October-September). Grapefruit imports are steadily increasing as more consumers become more familiar with this fruit. Grapefruit is imported for juicing at high-end hotels as well. South Africa is the single largest supplier of grapefruit to China.

Export

China's orange exports are forecast at 45,000 MT in MY 2015/16 (November-October), down 15 percent from the revised number in the previous year. Jiangxi province, the top supplier of export oranges is expected to harvest even less oranges this season due to citrus greening. As a result of the disease, China's orange exports were down by 50 percent to 53,000 MT during MY 2014/15. Southeast Asia remains the largest export market for Chinese oranges.

Post forecasts that China's mandarin exports will increase 9 percent to reach 800,000 MT in MY 2015/16 (October-September), because of improved demand from ASEAN countries and Russia.

Pomelo exports are forecast at 140,000 MT in MY 2015/16 (October-September), an increase of 13 percent from the revised number in the previous year as a result of increased supplies. Fujian province, the largest pomelo producer and exporter, is expected to harvest 20 percent more pomelos this year. Bad weather conditions had significantly cut the Fujian pomelo production in MY 2014/15. As a result, China's pomelo exports fell by 25 percent to its main buyers in Europe.

Policy

The Ministry of Agriculture published an action plan in August 2014 to accelerate variety, quality, and brand for 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. Specific measures and funding projects are not available. The document noted that China's fruit varieties are limited and harvests occur at similar times. Additionally, the document highlighted the fact that China has no major horticultural brands.

Local governments, such as Shimen county of Hunan province and Fuling District of Chongqing municipality have also mapped out work plans to upgrade the local citrus industry. It is reported that local governments will provide financial and technical support to help build demonstration farms to showcase standardized farming technologies. The local agriculture departments will assist farmers upgrade their orchards and improve the varieties. The governments will also focus their effort on the development of leading agribusinesses and farmer cooperatives.

In November 2015, China's AQISQ lifted a suspension on citrus imports from Tulare, California. The suspension was issued in February 2015 due to detection of quarantine pests in citrus shipment from Tulare, the largest citrus producing county in California.

Marketing

The Port of Shanghai currently accounts for the largest volume of direct shipments of U.S. citrus products in China. In 2015, Shanghai took more than 30% of total import values, due in large part to the very timely and efficient customs clearance process, best shipping routes by sea, and other geographical advantages. For the most part, importers in northern China prefer Shanghai compared with Guangzhou given lower (shorter) domestic transportation costs and times. For example, a 40-foot container shipped from Guangzhou to Beijing costs in excess of US\$2,000 when compared to Shanghai to Beijing at a cost of US\$1,400 or less for the same container.

Supermarkets are the primary venue for consumers to source citrus products, followed by fruit shops, and e-commerce. In addition, as noted in a recent Nielsen report, consumers living in first tier cities are more likely to purchase fresh online compared to second tier cities in China. Also in the report, Shanghai topped all other first tier cities given its well-established infrastructure and transportation systems. Some five-star hotels in China based in first tier cities – Beijing, Shanghai, Guangzhou, and

Shenzhen - use smaller sized U.S. Valencia's for freshly squeezed orange juice given its better flavor and higher brix content than other citrus products in the market.

Anti-corruption drives and a slowing macro-economy have combined to hit holiday gift and group purchasing fruit sales significantly over the last two years. However, fresh fruit sales online have become the new 'hotspot' in the e-commerce business since 2012 with double-digit growth rates over the past 3 years. According to research by China Merchant Securities online fresh food sales could exceed more than \$15 billion at the end of 2018 and account for 15 percent of all fresh food sales in China.

It should be noted there are a number of 'regional' consumer preferences within China such as in the northern part of the country where consumers tend to focus more on size and appearance. In addition, they are more likely to purchase large fruit sizes 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 when it comes to citrus.

Chinese consumers are increasingly not only aware of brands but are also paying a lot more attention to branding, according to multiple industry sources, especially with regards to oranges and lemons. In addition, IPR protection for imported citrus has also improved significantly in recent years. However, some wholesalers and retailers continue to pack non-Sunkist products in Sunkist labeled gift boxes and/or packages, especially during holiday sales periods and promotions.

Tables

Production, Supply, and Demand (PS&D) Tables

Oranges

Oranges, Fresh	2013/2014		2014/2015		2015/2016	
Market Begin Year	Nov 2013		Nov 2014		Nov 2015	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	790000	790000	780000	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	7600	7600	6900	6900	0	7000
Imports	88	88	110	146	0	200
Total Supply	7688	7688	7010	7046	0	7200
Exports	108	108	60	53	0	45
Fresh Dom. Consumption	6865	6865	6300	6343	0	6555
For Processing	715	715	650	650	0	600
Total Distribution	7688	7688	7010	7046	0	0

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

Tangerines/Mandarins

Tangerines/Mandarins, Fresh	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	806000	806000	820000	820000	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	17850	17850	18500	19400	0	20000
Imports	18	18	24	19	0	21
Total Supply	17868	17868	18524	19419	0	20021
Exports	744	744	770	736	0	800
Fresh Dom. Consumption	16524	16524	17124	18053	0	18561
For Processing	600	600	630	630	0	660
Total Distribution	17868	17868	18524	19419	0	200021

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

Grapefruit/Pomelo

Grapefruit, Fresh	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
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	3717	3717	3900	3900	0	4300
Imports	26	26	30	30	0	36
Total Supply	3743	3743	3930	3930	0	4336
Exports	165	165	135	124	0	140
Fresh Dom. Consumption	3578	3578	3795	3806	0	4196
For Processing	0	0	0	0	0	0
Total Distribution	3743	3743	3930	3930	0	4336

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

Frozen Concentrated Orange Juice (FCOJ)

Orange Juice	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	715000	715000	650000	650000	0	600000
Beginning Stocks	5000	5000	3000	3000	0	0
Production	55000	55000	50000	50000	0	46000
Imports	57000	57000	60000	50000	0	48000
Total Supply	117000	5000	113000	103000	0	94000
Exports	2735	2735	2500	3100	0	3300
Domestic Consumption	111265	111265	110500	99900	0	90700
Ending Stocks	3000	3000	0	0	0	0
Total Distribution	117000	117000	113000	103000	0	94000
(MT)						