

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Dried Fruit Annual 2009

Report Categories:

Raisins

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Report Highlights:

For
MY 2009/10, China's raisin production is estimated at 155,000 metric tons (MT) because of favorable weather and expanded acreage. China's raisin imports and exports are forecast at 13,000 MT and 35,000 MT, a 13 and 20 percent increase from last year.

Executive Summary:

For MY 2009/10 (October-September), China's raisin production is estimated at 155,000 metric tons (MT), an 11 percent increase from the previous year due to favorable weather and expanded acreage. In September 2009, the local Turpan government suspended golden raisin production to comply with the new Food Safety Law (promulgated on June 1, 2009). For MY 2009/10, China's raisin imports are forecast to rebound to 13,000 MT, a 13 percent increase from last year due to expected recovery from the global financial crisis and strong demand for re-exports to Japan. In MY 2009/10, China exports are forecast at 35,000 MT, a 20 percent increase from last year. At the beginning of this marketing year, Chinese exports to Europe have been unusually strong because Turkish traders have not been very active in the market.

Domestic raisin consumption is steadily increasing because of rising incomes, more buyer emphasis on health and nutrition, and China's fast-growing baking and confectionary sectors. Middle to upper class consumers are the largest purchasers of imported raisins. Post believes that the food processing and bakery sector may offer the best prospects for U.S. raisins. Education is extremely important to increase market share.

Production:

For MY 2009/10, China's raisin production is estimated at 155,000 metric tons (MT), an 11 percent increase from the previous year due to favorable weather and expanded acreage. Although the rate of production in Turpan, which is located in Xinjiang province and produces 75% of China's total crop, has grown considerably in the last few years (from 300,000 MT to 750,000 MT from 2000 to 2008), it is expected to slow due to resource constraints. Water is becoming less available as it is being pumped at a faster rate from underground wells than can be naturally recharged. Because the Turpan local government wants to ensure enough water is available for urban usage, it plans to fix irrigation canals to prevent wastage. As an additional conservational effort, the government has mentioned it wants to discourage future fresh grape acreage expansion (i.e. stabilize the acreage around 33,000 ha (500,000 mu)), but it is unclear what methods it might impose. With less emphasis on quantity, many industry contacts believe farmers will begin focusing more on improving quality.

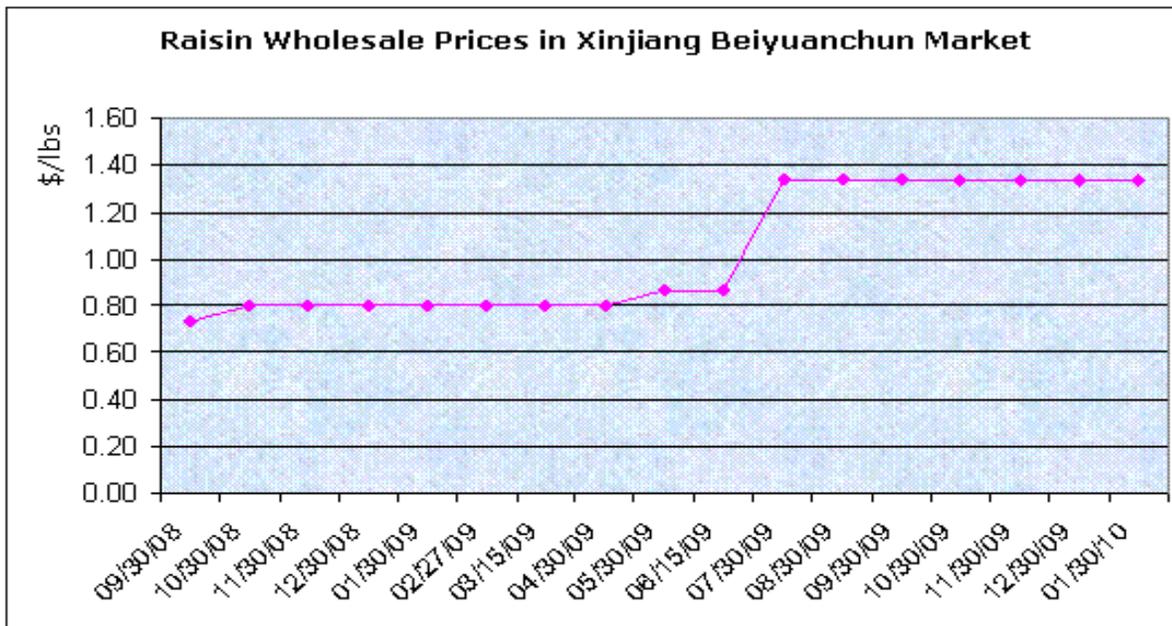
Because of Xinjiang's unique climate, China is the largest green raisin producer in the world. Although Xinjiang grapes are fully mature in July, they are harvested in August to increase sugar content. For about 40 days the fruit are hung on vines in special drying houses. 4 to 5 MT of fresh grapes produce 1 MT of raisins. Two types of raisins are produced: 1) dark raisins, which fall off the vines and are sun-dried and 2) green raisins, which remain on the vines and are air-dried. Industry contacts estimate green raisins make up 65 percent of total production. Raisins are usually available year round for the domestic market. Please refer to [CH6093](#) for more detailed information on the raisin drying process.

Obsolete processing techniques and equipment hinder China's raisin development. Grape vines are hand-picked (no mechanical equipment is used) for drying, and then sold and graded (usually by hand) by processor or wholesale market managers before being shipped to second tier distributors, wholesalers, or other end buyers. However, the government is encouraging mechanization, and is currently subsidizing a raisin-color sorting machine.

In September 2009, the local Turpan government suspended golden raisin production to comply with the new Food Safety Law (promulgated on June 1, 2009). Most golden raisins are produced with sulfured grapes, which result in higher than permitted residues of sulfur dioxide (SO₂). According to China's latest Hygienic Standards for Uses of Food Additives, the Maximum Residue Limit (MRL) of SO₂ for dried fruit is 0.1 g per kg.

Wholesale prices have risen in recent months due to robust European demand. Prices may ease once Turkey reenters the European import market (see Trade section).

Figure1. Raisin Wholesale Prices in Xinjiang



Source: Ministry of Agriculture, China

Consumption:

Domestic raisin consumption is steadily increasing because of rising incomes, more buyer emphasis on health and nutrition, and China’s fast-growing baking and confectionary sectors. Less expensive Chinese varieties, usually of relatively lower quality, currently dominate the market because they are more price competitive than imported products. Both domestically grown and imported raisins are traditionally consumed as snacks. Yet, their application in bread, cake, biscuits, confectionary goods, and even breakfast cereals are gradually gaining in popularity (such as in Xi’an and Chengdu).

Middle to upper class consumers are the largest purchasers of imported raisins (as a snack food). They are generally younger to middle-aged, educated, and mostly live in large metropolitan areas or rich industrialized regions such as the Pearl River Delta in southern China (e.g. Guangzhou and Shenzhen), the Yangtze River Delta in eastern China (e.g. Shanghai and Nanjing), and northern China (e.g. Beijing, Tianjin, and Dalian). These consumers are willing to pay a premium for safer and healthy products, especially for their children and aging parents.

Trade:

For MY 2009/10, China’s raisin imports are forecast to rebound to 13,000 MT, a 13 percent increase from last year due to expected recovery from the global financial crisis and strong demand for re-exports to Japan (see paragraphs below). The United States dominates China’s raisin import market, accounting for over 85 percent of Chinese total raisin imports. U.S. raisins compete with imported varieties from South Africa and Turkey. Imported raisins that target the domestic market generally enter via Shanghai, Guangzhou, or Shenzhen. They are repackaged as snacks or distributed to industrial users and used as ingredients, mainly in the bakery sector.

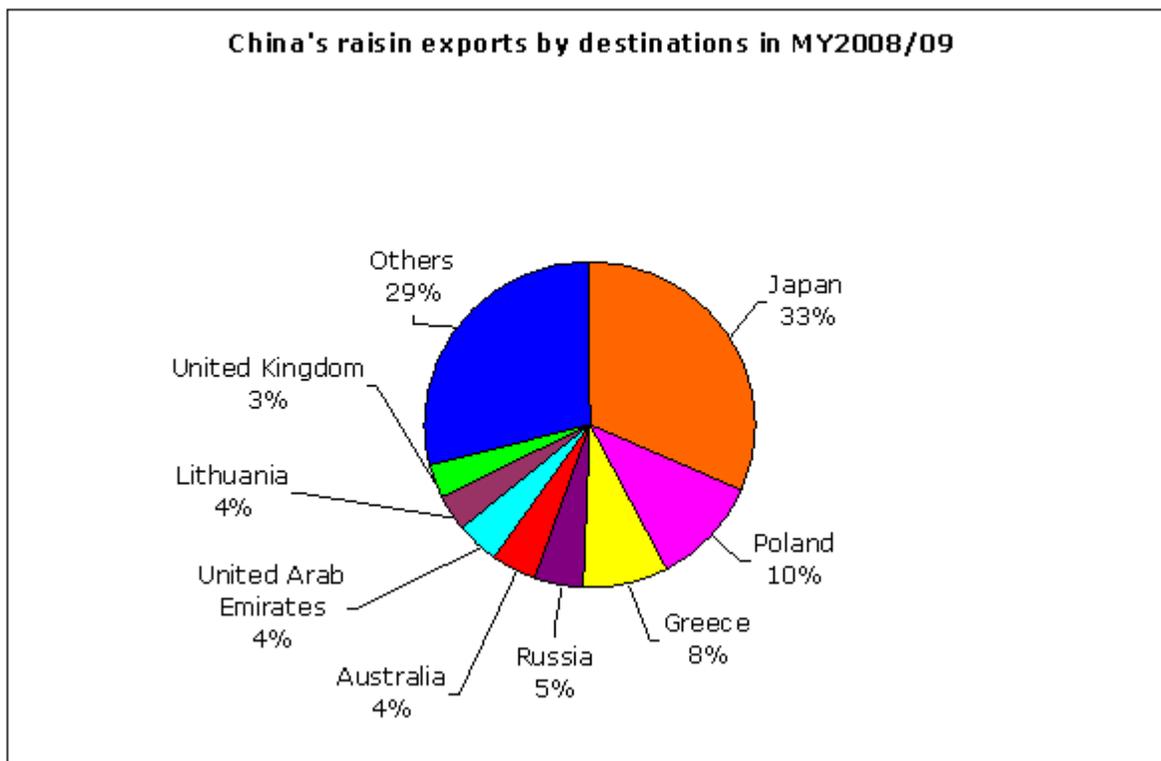
The import duty is listed below:

	H.S. Code	Imp. Duty (%)		VAT (%)	
		2008	2009	2008	2009
Raisin	08062000	10	10	13	13

Source: China Customs Data

In MY 2009/10, China exports are forecast at 35,000 MT, a 20 percent increase from last year. At the beginning of this marketing year, Chinese exports to Europe have been unusually strong because Turkish traders have not been very active in the market (although they do have available product). Industry contacts believe some traders hope to favorably influence prices by controlling exportable supply. China exported 29,320 MT raisins in MY 2008/09, a 10 percent decline from the previous year, which is attributed to less domestic production and a 33 percent increase in exports from Turkey, a major competitor.

Japan accounts for over 30 percent of China's total raisin exports (i.e. re-exports), and is China's largest buyer. However, most of these raisins are U.S.-origin. U.S. raisins are shipped from California (mainly from Long Beach in Los Angeles) to a number of ports in China. Most enter the country via the duty free zones of Qingdao and Tianjin for further processing before they are re-exported to Japan. Chinese processors, which are contracted out by Japanese traders, re-process U.S. raisins because China's labor, packaging, and land expenses are relatively lower than in Japan or the United States. Japan purchases very few Chinese origin raisins since most cannot meet Japan's hygiene requirements.



(Source: China Customs)

Marketing:

Post believes that the food processing and bakery sector may offer the best prospects for U.S. raisins, although a growing

middle class offers some potential as well. The Chinese bakery sector, which had market sales of over RMB 40 billion in 2009, has witnessed tremendous growth in the last three years. Some industry contacts predict that the bakery market’s annual growth rate will continue at around 20-30 percent. Moreover, a growing middle class population that is increasingly demanding higher quality, safe, and nutritious food offers additional untapped opportunities in the snack market. Unfortunately, many potential buyers are not very familiar with U.S. raisins.

Education is extremely important to increase market share. Industrial users have limited knowledge of U.S. raisin quality, nutritional benefits, supply availability, and other advantages. Moreover, as consumer incomes rise and safety and health concerns become more paramount, product differentiation is essential; otherwise, buyers may be more inclined to purchase a less expensive alternative. Education efforts should emphasize U.S. sun-dried raisin quality, such as grading, size, shape, and color, as well as taste and higher moisture content (many competitor raisins are dried artificially). Marketing should also highlight U.S. raisin’s unique health and nutritional benefits.

In order to promote U.S. raisins in China, since MY 2007 the Raisin Administrative Committees (RAC) has conducted a series of activities, including one-on-one trade servicing, trade show exhibitions, and in-store snack and bakery promotions. In 2009, RAC participated in the Eastern China Market U.S. Bakery Ingredients Promotion, where 6 USDA cooperators and trade groups jointly promoted U.S. bakery ingredients through educational seminars for chefs and local distributors. Because of these efforts, four new California raisin distributors were identified, and 20 bakery items with California raisins appeared on bakery shelves.

SWOT Analysis

Compared to Chinese raisins and other imported varieties, U.S. raisins excel in product quality and safety. Based on the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis, FAS/China recommends the following marketing approaches:

1. Educate industrial users about supply availability, technical specifications, applications and recipes, and health and nutritional benefits;
2. For the rising middle class consumers, build a clear and strong image of U.S. raisins as a high quality, healthy, and nutritional snack;
3. Differentiate U.S. raisins from those of other origins;
4. Promote U.S. raisins as value-added ingredients in growing sectors including: bakery, snack food, ice cream, confectionary, and breakfast cereals; and,
5. Consider making U.S. products more price-competitive through processing efficiencies.

Figure 4. SWOT Analysis of U.S. Raisins in China

Strengths	Weaknesses
<ul style="list-style-type: none"> • Consistent quality, safety, and health 	<ul style="list-style-type: none"> • Lack of knowledge of quality and safety,

benefits; <ul style="list-style-type: none"> • Weakening U.S. dollar versus Chinese Renminbi; • Strong support from U.S. government agencies in overseas marketing. 	supply availability, and specific health and nutritional benefits; <ul style="list-style-type: none"> • Higher priced compared to raisins from other origins; • Not enough information to differentiate from competing products; • Lack of reliable infrastructure and distribution networks in rural and western China; • Retailers do not realize that the identification of California origin raisins may increase sales.
Opportunities	Threats
<ul style="list-style-type: none"> • Rising demand for high quality food; • More emphasis on healthy eating and food nutrition; • Growing middle to upper class population; • Untapped potential in areas including retail, snack foods, bakery, ice cream, confectionary, and breakfast cereals. 	<ul style="list-style-type: none"> • Competition from less expensive domestic or imported raisins; • Other expensive dried fruit, such as cranberries and blueberries, are successfully positioned in high-end niche markets.

Production, Supply and Demand Data Statistics :

Raisins	China	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	New	USDA	New	USDA	New

	Official Data	Post	Official Data	Post	Official Data	Post
		Data		Data		Data
Area Planted	32,14 0	32,14 0	33,00 0	33,00 0	0	33,50 0
Area Harvested	22,50 0	22,50 0	24,75 0	24,75 0	0	25,12 5
Beginning Stocks	0	0	0	0	0	0
Production	150,0 00	150,0 00	135,0 00	135,0 00	150,0 00	155,0 00
Imports	13,62 9	13,45 3	11,50 0	11,45 7	13,00 0	13,00 0
Total Supply	163,6 29	163,4 53	146,5 00	146,4 57	163,0 00	168,0 00
Exports	31,87 4	32,45 9	28,60 0	29,32 0	35,00 0	35,00 0
Domestic Consumption	131,7 55	130,9 94	117,9 00	117,1 37	128,0 00	133,0 00
Ending Stocks	0	0	0	0	0	0
Total Distribution	163,6 29	163,4 53	146,5 00	146,4 57	163,0 00	168,0 00

Table 2: China Raisin Imports by Country

(Metric Tons)				
H.S. Code: 08062000				
Country	4rd Qtr 2008	1st Qtr 2009	2nd Qtr 2009	3 rd Qtr 2009
United States	1,988	2,161	2,348	3,748
Japan	52	0	18	51
Turkey	140	20	360	44
Australia	0	17	0	5
Taiwan	3	1	2	2
Malaysia	0	0	0	1
Germany	2	1	0	1
Others	155	252	84	0
Total	2,342	2,451	2,812	3,852