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## China, Peoples Republic of

### Dried Fruit

### Annual

### 2007

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**Report Highlights:**

China's MY 2008/09 raisin production is forecast at 135,000 MT, a 10-percent decrease from MY 2007/08 because of hot and dry weather in Turpan, Xinjiang Province. Raisin imports in MY2008/09 are forecast at 14,500 MT, an increase of seven percent over the previous year, driven by the strong market demand and decreased domestic production. U.S. raisins continue to dominate the market, and are mostly packaged or processed for re-export to Japan. Raisin imports in MY2008/09 are forecast at 14,500 MT, seven percent up from MY2007, driven by the strong market demand and declined domestic production. U.S. raisin imports continue to dominate the market, however these are mostly packaged or processed for re-export to Japan.

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Includes PSD Changes: Yes  
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## Production

### *Production Decreases with Unfavorable Weather*

China's marketing year 2008/09 (MY August-July) raisin production is forecast at 135,000 metric tons (MT), down 10 percent from 150,000 MT the previous year and 13 percent from the previous estimate, due to the hot and dry weather in late May and early July in Turpan, Xinjiang Province, China's largest raisin producing area. China's raisin industry is expecting a steady increase in production over the next three years, driven mostly by expanding grape acreage in Turpan where the local government has targeted grape acreage to expand to 56,700 hectares by 2010. FAS/Beijing does not believe this is a realistic goal, given that the area's grape acreage was only 30,100 hectares in 2007. China's total raisin acreage in MY 2008/09 is forecast at 33,000 HA, up 10 percent from the previous estimate. According to official statistics in Turpan grain, cotton, and vegetable acreage all decreased in 2007, but grape acreage increased three percent, mainly because of the favorable returns and local government support policies. Turpan's government provides grape growers free management training, offer favorable rates on loans, and has worked to improve the infrastructure for raisin distribution.

### *Prices Expected to Increase as Production Decreases*

According to local industry sources, prices in MY 2008/09 are expected to increase in tandem with the decline in production. The current purchase price for dark raisins directly from farmers is around \$0.40/lb (6 RMB/kg), a 20-percent increase over prices in 2007. The price for green raisins is around \$0.60/lb (8.5 RMB/kg), a five-percent increase 2007.

### *Green Raisins Dominate China's Production, but Dark Raisin Production is Increasing*

China is the largest green raisin producer in the world, mainly because of Turpan's uniquely dry and hot climate during the day and cool climate during the night. China's green raisin production is estimated at 85,000 MT in MY 2008/09, accounting for 63 percent of total raisin production. This percentage of total production is smaller than the 85 percent share of three years ago, and is attributed to the increasing domestic market and export demand for dark raisins. China's production of dark raisins in MY 2008/09 is estimated at 45,000 MT, mainly consumed by the food processing sector for use in bakery, confectionary, and dairy products. Local industry sources also indicate that exports of dark raisins have increased rapidly in recent years. Golden raisin production is estimated at 5,000 MT, mainly consumed as snack foods with a higher price than green raisins.

Raisins are available year round in China's market, but at varying prices. Figure 1 shows raisin wholesale prices in Xinjiang Province.

Figure1. Raisin Wholesale Prices in Xinjiang



Source: Ministry of Agriculture, China

## Trade

### *U.S. Raisins Dominate Import...*

U.S. raisins still dominate China's imported raisin market, accounting for over 80 percent of China's total raisin imports. In MY 2007/08, China imported a total of 13,629 MT raisins, 11,366 MT from the United States. Turkey supplied 13 percent of China's imported raisins in MY 2007/08.

FAS/Beijing forecasts China's raisin imports at 14,500 MT in MY 2008/09, a seven-percent increase over the previous year, driven by strong market demand and a decline in domestic production. A large amount of China's imported U.S. raisins are processed and packaged for re-export to Japan (generally going through a grading process and unique customer-specified packaging). China exported 10,500 MT of raisins to Japan in MY 2007/08, of which, FAS/Beijing estimates more than 8,000 MT raisins were originally of U.S. origin.

### *...But Few U.S. Raisins are Consumed in China*

Although U.S. raisins dominate China's raisin import market, few are actually consumed in China. As such, there is market opportunities for U.S. exporters. FAS/Beijing's market intelligence indicates that China's domestic demand for U.S. raisins is large, but importers are reluctant to supply the market because of troublesome trade details with domestic distributors, such as supermarkets. U.S. raisin importers acknowledge that there is large domestic demand for U.S. raisins, and the profit margin for domestic sales is higher than for exports to Japan. However, importers feel export transactions are more direct and there is

less risk to changes in price and in payment collection. Domestic distributors, especially large supermarkets often delay payment to importers as a general rule of practice.

The import duty is listed below:

	H.S. Code	Imp. Duty (%)		VAT (%)	
		2007	2008	2007	2008
Raisin	08062000	10	10	13	13

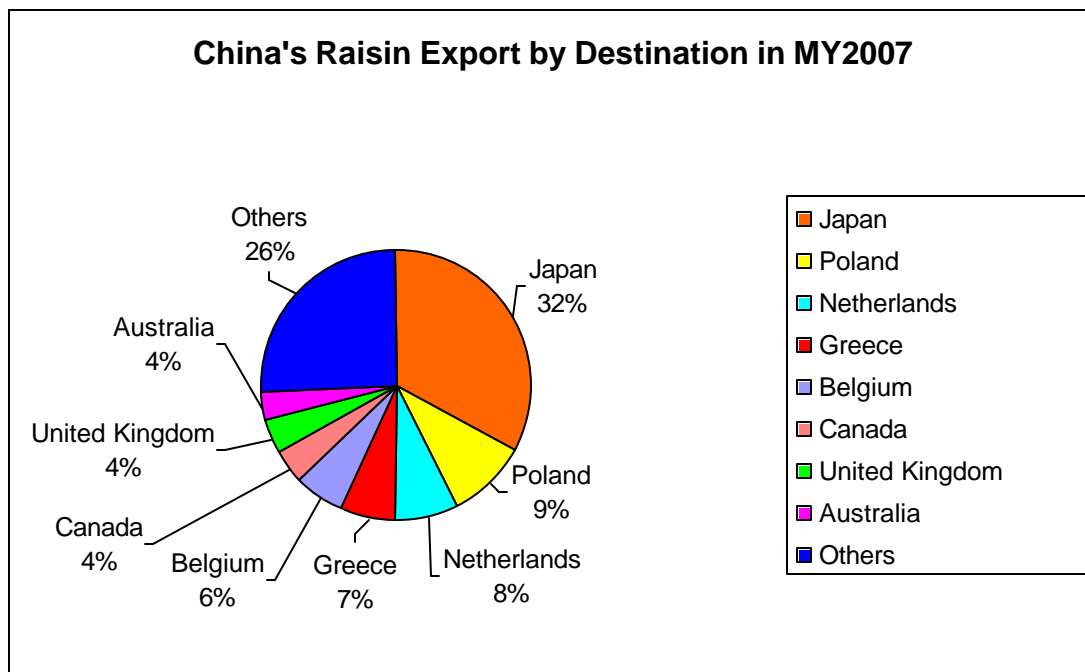
Source: China Customs Data

*Exports continue to Increase with More Destinations*

China exported 31,874 MT of raisins in MY 2007/08, a 35-percent increase over the previous year, driven by strong international demand and production decline in Turkey. Turkey's raisin production in MY 2007/08 decreased by more than 20-percent of the expected production, the result of a severe drought. Please refer to [TU8032](#) for more information about Turkey's raisin outlook.

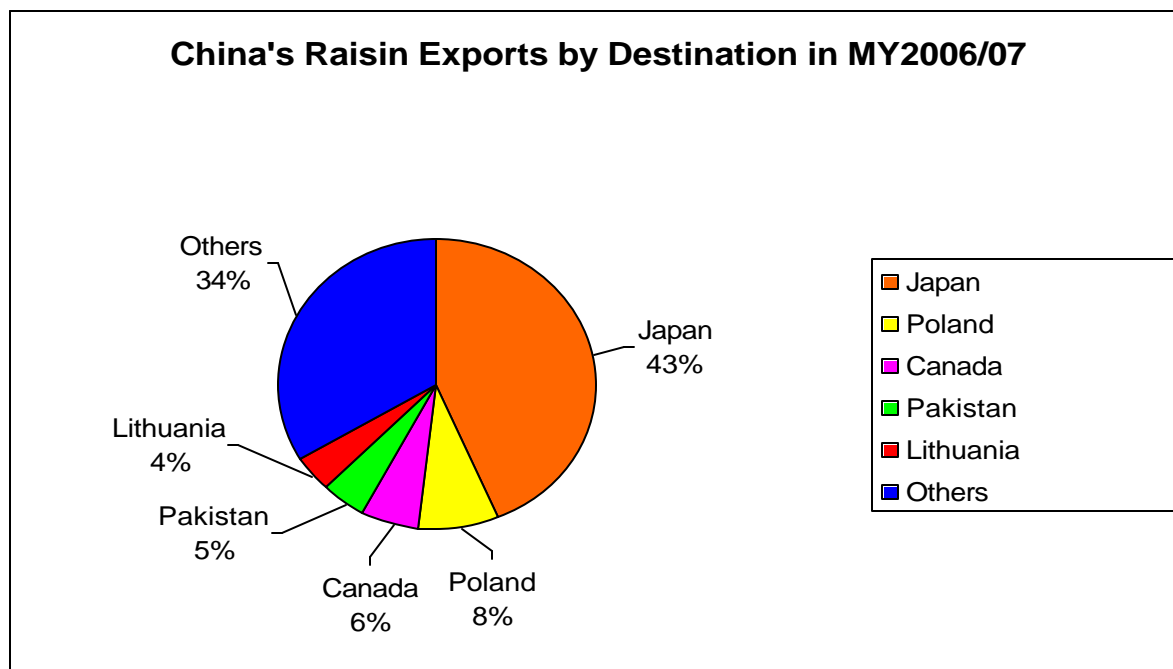
MY 2008/09 raisin exports are forecast to reach 35,000 MT, a 10-percent increase over MY 2007/08 as a result of buyers recognizing China's escalating competitiveness. Figures 2 and 3 below demonstrate this increase in buyers of Chinese raisins in MY 2007/08 over MY 2006/07.

Figure 2. China's MY 2007 / 08 Raisin Exports by Country



(Source: China Customs)

Figure 3. China's MY 2006 / 07 Raisin Exports by Country



(Source: China Customs)

## Consumption and Marketing

### *Steady Growth of Raisin Consumption*

Driven by increasing disposable income, concerns about health and nutrition, and fast-growing baking and confectionary sectors, raisin consumption is steadily increasing throughout China. Less expensive Chinese varieties, usually of lower quality compared to imported product, dominate the market due to price advantages. Imported raisins target high-end market niches and are consumed as snacks or used as ingredients in various food products.

### *Consumption of Imported Raisins*

U.S. raisins are shipped from California (mostly Long Beach port in Los Angeles) to a number of ports in China. Most enter the country via Qingdao and Tianjin in northern China for further processing before these are re-exported to Japan. Those sold to domestic Chinese markets are mostly imported via Shanghai in eastern China or Guangzhou and Shenzhen in southern China, then repacked as snacks or distributed to industrial users who want high quality raisins as ingredients.

Across the country, imported raisins are consumed mostly in the affluent Pearl River Delta in southern China (including Guangzhou, Shenzhen, and several other cities) and the Yangtze River Delta in eastern China (including Shanghai and the neighboring cities), followed by northern China (including Beijing, Tianjin, and Dalian). Demand for high quality raisins has recently been triggered by a small base of in the central cities of Xi'an and Chengdu, thanks to the rapidly developing baking sector.

A large number of mid- to upper class consumers are behind China's raisin consumption. They are young to middle aged, educated, pursue a snacking and healthy lifestyle, and mostly live in big cities or rich industrialized regions, like the Pearl River or Yangzi River Deltas. Living in a fast-paced metropolitan society spurs the middle to upper class to think

more about health, convenience and quality of life. With more disposable income, they are willing to pay premier prices for products that are rich in nutrition, support health, or help maintain youthful, slim figures and beauty. Meanwhile, they are also willing to pay higher prices so their children and aging parents can eat these higher-end products.

#### *U.S. Raisins in the Market*

Both domestically grown and imported raisins are traditionally consumed as snacks, however, the application in such products as bread, cake, biscuits, confectionary goods, and even breakfast cereal are gradually gaining popularity. This growth has created substantial market potential for the use of U.S. raisins as ingredients. However, the lack of knowledge about U.S. raisin availability, specification, potential to add value to processed products, and recipes all act as constraints.

Compared to competitors, U.S. raisins have consistent quality, plump size, and good shape and color, thanks to high product standards. Sun dried U.S. raisins also have better taste and higher moisture content than competitors' raisins, which are generally dried artificially. However, U.S. raisins are priced about 40-50 percent higher than competitors, which significantly hinders the sale of U.S. raisins in this price sensitive market.

Industrial users have limited knowledge of U.S. raisins' consistently good quality, supply availability, technical specifications, nutritional benefits, and the value they add to finished products. Similarly on the consumer side, U.S. raisins do not have a strong image that helps differentiate them from Chinese raisins or those from other countries. Without such knowledge of the benefits of buying and consuming U.S. raisins, purchases are determined more by price by local consumers, with less expensively priced competitor raisins more often selected.

In the past, U.S. raisins have not been proactively marketed in China. However, in MY 2007/08, the *Raisin Administrative Committees (RAC)* conducted a series of activities in China, including one-on-one trade servicing, trade show exhibition, in-store snack and bakery promotions, and received positive responses from both the trade and consumers.

#### *Market Potential for U.S. Raisins*

Nonetheless, there is still substantial potential for U.S. products in the China market, given the increasing demand for high quality food, concerns over healthy eating and food nutrition, a growing mid-to upper class population and their strong demand for healthful snack foods, as well as the fast growing retail, baking, snack food, ice cream, confectionary, and breakfast cereal sectors in the country.

Threats for U.S. raisins arise from the competition with Chinese raisins and lower, more competitively priced imports from Turkey and South Africa. Without successful differentiation, The share of U.S. raisins in this high-end niche market will also be restricted by other popular dried fruit such as cranberries and blueberries which have successfully positioned themselves in the upper market.

#### *SWOT Analysis*

Conducting a SWOT analysis is useful to evaluate the China market for U.S. raisins (see following table). Compared to Chinese raisins and those imported from other countries, U.S. raisins excel in product quality and safety due to advanced processing techniques and high standards. Strong support from U.S. government agencies and the weakening U.S. dollar against the Chinese RMB also give U.S. raisins an edge in the market.

Based on the SWOT analysis, FAS/China recommends the following approaches for marketing U.S. raisins in China:

1. Educate industrial users about product knowledge, supply availability, technical specification, applications and recipes, added values, and health and nutritional benefits;
2. Among consumers, build up clear and strong image of U.S. raisins as 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 fast growing sectors including: bakery, snack food, ice cream, confectionary, and breakfast cereals;
5. Make U.S. products more price competitive; one option is to move the labor intensive processing part to China where labor cost is much cheaper.

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

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Consistent quality, safety, health benefits, and added value to finished products;</li> <li>• Weakening U.S. dollar versus Chinese Renminbi;</li> <li>• Strong support from U.S. government agencies in overseas marketing.</li> </ul>	<ul style="list-style-type: none"> <li>• Trade and consumers lack knowledge of U.S. raisins' high quality and safety, supply availability, added values, and specific health and nutritional benefits;</li> <li>• Higher prices compared to raisins from other origins in this price sensitive market;</li> <li>• Vague image, therefore weak differentiation from competing products;</li> <li>• Lack of reliable infrastructure and distribution networks in rural and western China;</li> <li>• Retailers do not realize that the identification of California origin will increase sales.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Increasing demand for high quality food;</li> <li>• Increasing concerns about healthy eating and food nutrition;</li> <li>• Growing population of mid- to upper class and their strong demand for healthy snack foods;</li> <li>• Substantial potential arising from fast growing sectors including retail, snack food, bakery, ice cream, confectionary, and breakfast cereals.</li> </ul>	<ul style="list-style-type: none"> <li>• Competition from less expensive raisins grown domestically or imported from other countries;</li> <li>• Other expensive dried fruit such as cranberries and blueberries successfully positioned in high-end niche markets.</li> </ul>



## Statistics Tables

Table 1: Production, Supply and Demand (PS&amp;D) Table

Raisins China	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Aug 2006			Market Year Begin: Aug 2007			Market Year Begin: Aug 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Area Planted	26780	26780	26780	28670		32,140	30000		33,000
Area Harvested	18750	18750	18750	20100		22,500	21000		24,750
Beginning Stocks	0	0	0	0		0	0		0
Production	125000	125000	125000	145000		150,000	155000		135,000
Imports	12262	9500	12262	13500		13,629	15000		14,500
Total Supply	137262	134500	137262	158500		163,629	170000		149,500
Exports	23621	22500	23621	30000		31,874	40000		35,000
Domestic Consumption	113641	112000	113641	128500		131,755	130000		114,500
Ending Stocks	0	0	0	0		0	0		
Total Distribution	137262	134500	137262	158500		163,629	170000		149,500

Table 2: China Raisin Imports by Country

(Metric Tons)				
H.S. Code: 08062000				
Country	3rd Qtr 2007	4th Qtr 2007	1st Qtr 2008	2nd Qtr 2008
United States	3,617	2826	2465	2805
Turkey	480	340	400	380
Kyrgyzstan	0	73	102	53
Kazakhstan	0	0	9	0
Australia	0	2	1	1
Japan	0	0	0	227
Others	2	3	1	1
Total	4,099	3,244	2,976	3,467

Table 3: China Raisin Exports by Country

(Metric Tons)				
H.S. Code: 08062000				
Country	3rd Qtr 2007	4th Qtr 2007	1st Qtr 2008	2nd Qtr 2008
Japan	3070	2766	1685	2966
Belgium	0	540	218	1076
Greece	0	738	100	867
Poland	297	540	540	820
United Kingdom	38	192	172	471
Germany	0	40	378	392
Australia	120	517	284	280
Saudi Arabia	38	105	51	221
Hungary	20	0	0	200
Netherlands	38	1539	670	173
Czech Republic	415	300	180	160
Malaysia	73	0	0	158
Lithuania	467	140	120	143
India	24	15	140	141
France	0	179	200	140
Taiwan	0	91	142	126
Others	642	1316	1562	866
Total	5243	9019	6442	9199