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Report Highlights:

On the back of strong consumer demand, China's overall citrus production in marketing year (MY) 2019/2020 is forecast to continue its upward climb, reaching a record of 35.2 MMT. Of notable mention, citrus production (34.1 MMT) in MY2018/2019 surpassed apple production (33.0 MMT) for the first time, temporarily making citrus the single largest fruit being produced in the country. Steady consumer demand for citrus is expected to drive larger import volumes, with levels reaching a little more than 580,000 MT in MY2019/2020. Meantime, citrus exports for this period are forecast at about 1.0 MMT.

Executive Summary

China's overall citrus production in marketing year (MY) 2019/2020 is forecast to continue its upward climb, reaching a record of 35.2 MMT. In MY2018/2019, citrus production (34.1 MMT) surpassed apple production (33.0 MMT) for the first time, temporarily making citrus the single largest fruit being produced in the country.¹ All signals indicate citrus production to continue its more than a decade long expansion, but the pace of growth seems to be leveling off. See citrus production areas map and graph below.²

MY2019/2020 orange production, despite drought-related losses in the largest navel orange-producing province, is forecast to increase as new growing areas begin to come online. Mandarin and tangerine production is likewise forecast to increase for the same reason, reaching a new record this year. In contrast, pomelo production is expected to remain mostly flat, but still at record levels. Orange juice production is expected to climb slightly. These forecasted increases are largely in response to strong domestic consumer demand.

More than 95 percent of domestically produced citrus has historically been consumed in country, meaning that just a small fraction of the total (about two to three percent) is exported. In MY2019/2020, total citrus exports are forecast at about 1.0 MMT. On the other hand, imports have typically accounted for about two to three percent of China's total citrus consumption. MY2019/2020 imports are forecast at 582,000 MT. Major citrus suppliers are South Africa, Egypt, Australia, United States, and Spain. Imports of U.S. citrus (oranges and grapefruits) in MY2018/2019 dropped sharply because of the 50 percent retaliatory tariff.

Rising domestic citrus production has contributed to increasing competition in the marketplace for consumers pocketbooks. In order to differentiate themselves from the competition, some growers/packers have built recognized brands for which consumers are willing to pay a premium. Consumers are generally willing to pay more for branded products and are increasingly making more fruit purchases through e-commerce platforms.

¹ Apple production for MY2019/2020 is forecast to regain its top position with production estimated at 41.0 MMT compared to citrus of 35.2 MMT. China's MY2018/2019 apple production had dropped due to severe weather.

² Please note the citrus production figure does not include lemons, while the graph below does. The graph is presented on a calendar year basis (not marketing year).

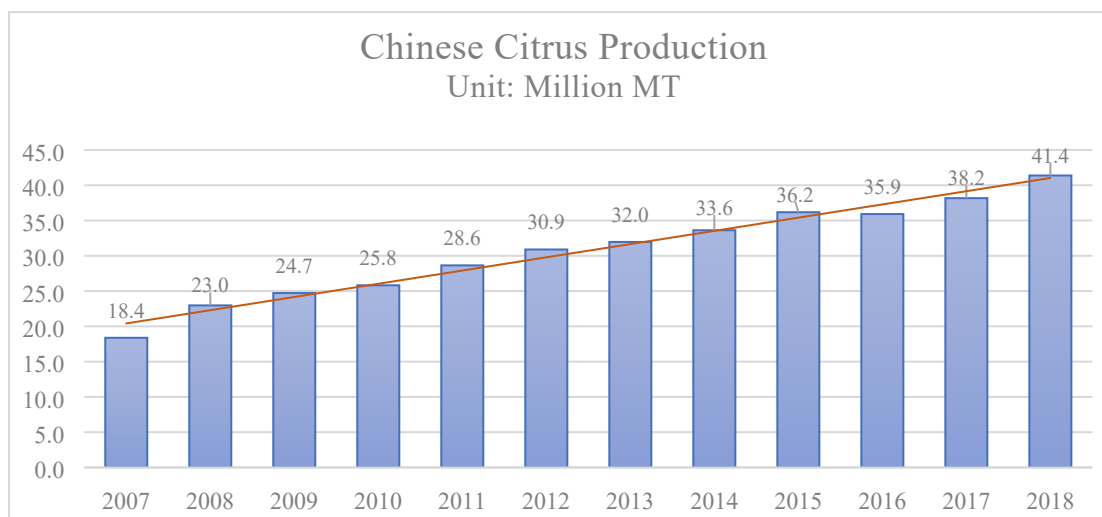
Chinese Citrus Production Areas (percentage of total production, tons)



Source: China Statistical Yearbook 2019 p391, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Brown= 10 to 20% (Hubei, Hunan, Guangdong, Guangxi, Sichuan)
- Orange = 5 to 10% (Fujian, Jiangxi, Chongqing)
- Ochre= 3 to 5% (Zhejiang)



Source: 2019 China Statistical Yearbook

Oranges

Production

Orange production for MY2019/2020 (November – October) is forecast up slightly from the previous year at 7.3 MMT, which is tied for the second-largest crop ever.³ This anticipated increase is largely driven by new production coming online in northern Jiangxi and other orange-producing provinces. At the same time, this forecasted increase is expected to more than offset potential losses resulting from the severe drought conditions earlier this year (Jul-Oct) in southern Jiangxi as well as the residual effects from citrus greening. Meantime, the MY 2018/2019 orange production estimate remains unchanged at 7.2 MMT.

Jiangxi, which is the largest orange-producing province in the country, continues its recovery from a serious outbreak of citrus greening several years ago. The outbreak resulted in a temporary structural change in the Jiangxi orange industry as some of the larger growers, who lost their trees to the disease, moved and started growing oranges in neighboring Hubei and Hunan provinces. Meanwhile, earlier this year, Guangxi became the first province to announce regulatory measures to control the disease, including fines for noncompliance. See policy section at the end of this report for more discussion on citrus greening.



Navel oranges in Jiangxi province

In recent years, large processors and packers across the orange-growing region have invested in upgrading their packing facilities and hired more temporary workers during the peak harvest season. These investments in infrastructure and personnel are being made to maintain product quality and freshness.

Most citrus trees in Jiangxi province are the *Niu He Er* navel variety. Other common varieties include *Cara Cara* (premium variety), *Hamlin* (juicing variety).

Prices

Packers and distributors in Jiangxi predict this year's average orchard price will be down by about 10 percent from last year (MY2018/19) since a sizeable portion of production from the drought-affected areas will likely be smaller and less juicy.⁴ In southern Jiangxi orchard prices are currently around RMB 5.2 – RMB 6.4 (\$0.74 -\$0.91) per kilogram. These lower price trends are expected to put downward pressure on later-season fruit prices.

³ MY17/18 orange production was also 7.3 MMT, while MY2013/2014 was the largest at 7.6 MMT.

⁴ The drought-affected fruit size will likely be around 200g compared to the normal average size of 220-250g.

Retail prices for domestic oranges varies widely based on the fruit's origin, variety and brand. For example, the retail price for *bingtang* variety Chu oranges from Yunnan is around RMB 9 – RMB 13 (\$1.30 - \$1.90) per 500 grams, five to six times more than similar oranges without recognized branding and special packaging.

As another example, the retail price for *Niu He Er* variety Grade A Gannan navel oranges ranges from RMB 8 – RMB 10 (\$1.14 -\$1.42) per 500 grams in high-end stores. By comparison, unbranded, average quality navel oranges currently sell for about half the price at RMB 4 – RMB 6 (\$0.57 -\$0.85) per 500 grams in specialized fruit stores.

Consumption

Orange consumption in MY2019/2020 is forecast to increase to 7.09 MMT assuming increased production levels and Chinese consumers continued strong demand for quality oranges.

As mentioned above, consumers are increasingly willing to pay a premium for branded, high-quality fruit. Both online and offline distribution outlets are competing to source these premium fruits to sell to higher-paying consumers. Many buyers book orders for these premium oranges before the trucks even arrive at the wholesale market where limited volumes of premium fruit sell out quickly. This is especially true for famous orange brands such as Gannan navel oranges, Nongfushanquan 17.5 oranges, and Chu oranges.

Trade

Imports:

China's MY2019/2020 orange imports are forecast at 450,000 MT, a slight increase of 4 percent or 16,000 MT from the previous year. This anticipated increase assumes rising consumer demand for premium, high-quality imported oranges.

In preparing this report, trade contacts reported that U.S. orange imports this year (MY2019/2020) would remain limited if the added retaliatory duty of 50 percent continues. As of December 15, the retaliatory duty remains at 50 percent. Besides this added duty, there is an 11 percent MFN levy applied on U.S. orange imports bringing the total applied tariff to 61 percent.⁵

Post revised its MY2018/2019 import estimate upward to 434,000 MT in line with China Customs data. Imports of U.S. oranges during this period fell by more than 50 percent because of the additional retaliatory tariffs. In other words, the additional retaliatory tariffs put U.S. oranges at a price disadvantage with local and imported fruits.

⁵ Note: The Ministry of Finance and the State Council's Tariff Commission operate a tariff exclusion process by which Chinese importers can apply for and receive an exclusion from retaliatory tariffs assessed on U.S. products in response to the Section 301 measure. Information about the Chinese tariff exclusion process can be found [here](#) and the outcome of batch one exclusions [here](#).

Exports:

Oranges, Fresh Market Begin Year	2017/2018		2018/2019		2019/2020	
	Nov 2017		Nov 2018		Nov 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Area Planted	800000	800000	810000	810000	0	815000
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	7300	7300	7200	7200	0	7300
Imports	393	393	370	434	0	450
Total Supply	7693	7693	7570	7634	0	7750
Exports	65	65	55	55	0	60
Fresh Dom. Consumption	7058	7058	6925	6989	0	7090
For Processing	570	570	590	590	0	600
Total Distribution	7693	7693	7570	7634	0	7750

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

Orange Juice

Production

Post forecasts orange juice production in MY2019/2020 (October – September) at 46,200 MT, up only slightly from the previous year.

Juice processors in Sichuan, Chongqing and Jiangxi provinces are upgrading their facilities to meet the demand of 300 million consumers across the country who are mostly living in first and second tier cities. Meanwhile, farmers in Jiangxi, Hubei, Hunan and Chongqing have planted more juice-variety orange trees. Meantime, industry insiders report steady consumer demand for NFC (not from concentrate) juice.

Price

The price of from concentrate orange juice (FCOJ) is forecast to remain steady due to consistent demand. Meanwhile, the price for premium NFC juice products can be as high as two or three times the FCOJ price because consumers perceive it as healthier than concentrate. Well-off consumers, especially office workers in first tier (e.g. Beijing) and second tier cities (e.g. Chengdu) and younger generation consumers, prefer 100 percent freshly squeezed orange juice.

Owing to rising demand, the price of fresh squeezed and NFC juices are rising, with prices ranging from around RMB 20- RMB 35 per glass (normally three oranges) depending on the location.

Consumption

MY2019/2020 orange juice consumption is forecast up slightly to 112,000 MT based on expanding production of juice variety oranges and increasing processing capacity. Consumption figures in MY2018/2019 are also increased because of revised trade data.

Traditional retailers continue to expand their lines of orange and other juice products. At the same time, juice shops (using fresh and from concentrate juices) are opening in first and second tier cities in response to growing consumer demand. These shops can be found almost everywhere - near subway stations, restaurants, movie theaters and close to office buildings and commercial centers and offer delivery. Meanwhile, the pace of this expansion is somewhat tempered because of rising living costs, which cause some consumers to be more conservative in their food and beverage spending.

Trade

Imports

Orange juice imports in MY2019/2020 are forecast to remain relatively unchanged from the previous year at 68,300 MT in part due to increased local juice production and high import prices. Major orange juice suppliers include Brazil, Israel and Cyprus.

Mandarins/Tangerines

Production

Mandarin/tangerine production in MY2019/2020 (October- September) is forecast at a record 23 MMT, up over 4 percent or 1 MMT from the previous year. This increase is primarily due to new acreage of mandarin and tangerine trees coming into production.



Tangerine orchard in Guangxi province

Strong profit potential combined with government incentives continues to drive the expansion of the area planted in tangerines and mandarins. As a result, some fruit companies are beginning to invest in larger-scale orchards (see above photo) that yield higher quality fruit, while also leading efforts to establish cooperatives to enhance industry coordination and technical capacity. At the same time, smallholder farmers, which account for the majority of production, are likewise increasing production where possible.

The majority of mandarin and tangerine production is concentrated in Guangxi province. The main varieties are the *Shatangjiu* mandarin and *Wogan* tangerine. Producers in Sichuan province expect a larger crop of hybrid tangerines in MY2019/2020.

Prices

Average orchard prices this year (MY2019/2020) are generally thought to be down about 20 percent from last year. This price decline is largely attributed to a couple factors: (1) a temporary oversupply occurred in some areas where harvests of different varieties unexpectedly coincided; (2) some of the fruit from drought-affected areas was smaller in size and lower quality; and (3) rising food prices have caused some consumers to eat fewer mandarins/tangerines.

For example, the orchard price of early-variety hybrid tangerine in Sichuan province in MY2019/2020 ranges from RMB 2 – RMB 7 (\$0.28 - \$1.00) per kilogram, whereas last year's price ranged from RMB 3 – RMB 8 (\$0.42 - \$1.15) per kilogram. Sichuan industry contacts also expect downward price pressure on late-variety hybrid tangerines.

In comparison, certain varieties of branded, premium quality tangerines/mandarins tend to command a higher price than their generic counterparts. The limited quantities of these types of fruits also tends to push prices higher. For example, the retail price for *Hongmeiren* and *Ganjian* varieties could reach RMB 15 - RMB 30 (\$2.10 -\$4.20) per 500 grams.

Consumption

MY2019/2020 domestic consumption is forecast at 21.7 MMT, a 1 MMT increase from the previous year's official figure. This predicted increase in consumption assumes that the anticipated increase in MY2019/2020 production will be consumed domestically.

Trade

Imports

MY2019/2020 imports are forecast to increase slightly from the previous year's newly revised estimate to 64,000 MT. This projected increase in imports is based on the expectation that consumer demand for premium imported fruit will remain strong.

Post is revising the MY2018/2019 estimate upward to 61,000 MT to match China's official import figures for this period. The major supplying countries are Australia, South Africa, and Peru. Meantime, Israel and Pakistan have recently started shipping.

Exports

MY2019/2020 tangerine/mandarin exports are forecast at 710,000 MT, up slightly from the previous year's revised estimate. Exports during this period could climb higher if local prices remain soft and export prices strengthen.

The MY2018/2019 export estimate is revised upward to 706,000 MT to reflect China's official import figures for this period. MY2018/2019 export levels are up 150,000 MT over the previous year. This growth was primarily attributed to increased demand from Vietnam, Russia, and Thailand, which collectively accounted for almost half of total exports.

Tangerines/Mandarins, Fresh	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	850000	850000	870000	870000	0	880000
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	21200	21200	22000	22000	0	23000
Imports	54	54	50	61	0	64
Total Supply	21254	21254	22050	22061	0	23064
Exports	556	556	700	706	0	710
Fresh Dom. Consumption	20058	20058	20730	20735	0	21734
For Processing	640	640	620	620	0	620
Total Distribution	21254	21254	22050	22061	0	23064

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

Grapefruit/Pomelos

Production

Pomelo production in MY2019/2020 (October – September) is predicted slightly up from the previous year at a new record of 4.93 MMT due to new production areas coming online. Meantime, the pomelo production estimate for MY2018/2019 remains unchanged at 4.9 MMT.

China produces variety of different pomelos. The *shatian* variety is primarily from Guangxi province and. Fujian province is home to the famous juicy *three red* variety, named for their reddish flesh and sweet taste. The *golden shatian* variety is primarily grown in Guangdong province. These three varieties are among the most popular with consumers because their brix content of around 13 is higher than other pomelo varieties grown elsewhere.

Price

Contacts are reporting sagging prices for early variety pomelos due to an expected oversupply in the marketplace and softening consumer demand resulting from a slowing economy. For example, the average wholesale price for domestic white flesh pomelo currently ranges from RMB 2 – RMB 3.2 (\$0.28 - \$0.45) per kilogram, approximately RMB 1 (\$0.15) lower than last year.

The prices for seedless and red flesh varieties are generally higher than white and yellow flesh varieties. For example, the red flesh variety from Fujian province ranges from RMB 4 – RMB 7 (\$0.57-\$1.0) per 500 grams. Meanwhile, some retail stores sell a whole peeled white flesh pomelo weighing between 1-1.5 kilograms for RMB 6 - RMB 9 (\$0.85 - \$1.28).

Consumption

MY2019/2020 pomelo consumption is forecast up slightly from the previous year's revised estimate to 4.74 MMT. The anticipated increase in consumption coincides with the forecasted increase in production.

Consumers prefer yellow and red flesh pomelos which are normally sweeter and juicier, though less common in the market. Seedless varieties are preferred. Pomelos produced in certain regions with



Pomelo orchard in Sichuan province

known brands sell well in both online and offline channels. Demand for lower-quality pomelos and seeded varieties are stagnant due to the large production and ample supply of higher quality fruits.

Meanwhile, the HRI sector, especially juice shops and restaurants, are driving demand for imports of high-quality grapefruit. This demand for imported grapefruit is expected to grow in the future in part because China has limited grapefruit production.

Trade

Imports

Grapefruit imports for MY2019/2020 are forecast at 68,000 MT, up 10 percent or 7,000 MT from Post's newly revised estimate for the previous year. This modest increase assumes rising consumer demand for grapefruit and favorable import prices.

In preparing this report, trade contacts reported that U.S. grapefruit imports this year (MY2019/2020) would remain limited if the added retaliatory duty of 50 percent continues. As of December 15, the retaliatory duty remains at 50 percent. Besides the added duty, there is a 12 percent MFN levy applied on U.S. grapefruit imports bringing the total applied tariff to 62 percent.⁶

The MY2018/2019 import number is revised downward based on the latest import data to 61,000 MT, a decrease of 22 percent or 17,000 MT from the previous year. This year-to-year drop in imports was a result of an oversupply of imported grapefruit from the previous year (MY2017/2018).

Imports of U.S. grapefruit were down a little more than 65 percent in MY2018/19 because of the additional tariffs. In other words, the additional retaliatory tariffs put U.S. grapefruit at a price disadvantage with local and imported fruits.

South Africa remains the top supplier of imported grapefruit, accounting for over half of China's total imports.

Exports

MY2019/2020 exports are forecast to 255,000 MT, up 3 percent from last year in anticipation of a larger crop. MY2018/2019 exports are revised upward to 248,000 MT to reflect China's official trade statistics. Russia (37 percent) and the Netherlands (32 percent) account for almost 60 percent of all pomelo exports.

⁶ Please refer to footnote 5.

[illegible]

Citrus Policy

In 2017, citrus greening affected at least 70 percent of the trees in southern Jiangxi and spread west into areas of Guangdong, Guangxi, and Hunan. National and provincial governments have taken some successful measures over the past few years to mitigate citrus greening disease. For example, farmers nationwide are encouraged to build nets in order to protect younger trees and all are requested to report infected trees immediately upon detection. Earlier this year, Guangxi became the first to announce regulatory measures to control the disease, including fines for noncompliance.

The Chinese government has proposed targeted measures for poverty alleviation by supporting the agricultural development in less-developed, remote regions, mostly in mountain areas. These areas are traditionally areas of large citrus production. Under these initiatives, regional and local levels of government provide technical support to citrus growers. For instance, some local governments provide guidance to farmers on the best time to harvest and how to protect local varieties.

Citrus Marketing

Around 90 percent of fresh fruits transactions were completed in wholesale markets and traditional stores. Hypermarkets and supermarkets as well as specialized fruit stores continue to be the primary retail outlets for purchasing citrus products in big cities. Trade seminars and in-store promotions are useful in building a positive image and enhancing consumers awareness. Point-of-sale materials, on-the-spot tasting and innovative gift packaging can also help boost sales.

Aside from traditional sales channels, online sales of fresh fruit are on the rise. *Wal-Mart, Sam's, Ole, China-Resources Vanguard, Pagoda, Fruitmate*, and others all launched integrated online, in-app, and offline formats to capitalize on new consumer demand. According to one source, there are more than 1,000 small e-commerce companies marketing citrus products, primarily mandarins and tangerines, in one province alone because younger generation consumers prefer the ease of online ordering, convenience of mobile payments, and quick delivery times. This e-commerce trend is expected to expand with the advance of 4G & 5G mobile technology.

With the expected expansion of fruit sales in e-commerce channels, e-marketing is becoming increasingly important for promoting citrus products. Having a clear message and nice pictures on major e-shopping platforms is helpful in building positive brand image.



Hongmeiren tangerine gift box

Chinese consumers prefer easy-to-peel seedless hybrid citrus varieties. Established and new hybrid varieties are popular in the market.

Well-off consumers are willing to pay higher prices for premium products. This includes increasing attention paid to branded products. Customers pay close attention to taste, freshness, brands, nutritional benefits, brix, appearance and packaging when making a purchasing decision. The improved logistics and nationwide express delivery system in China enable

customers to have fresh fruits delivered within a short period of time (anywhere from 30 minutes to 3 days).

Trucks of citrus products are shipped to major wholesale markets in Guangzhou, Shanghai, Zhejiang, and Beijing before being transshipped to second level wholesale markets and retailers. The improvement of the country's logistical infrastructure enables online shopping platforms to deliver the products to more remote areas which were previously inaccessible.

Attachments:

No Attachments