

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **China - Peoples Republic of**

### **Raisin Annual**

## **Happy Raisins Come From Happy Grapes**

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**Report Highlights:**

Post forecasts China's MY 2017/18 raisin production at 190,000 metric tons, an increase of nearly 3 percent from the previous year, supported by stronger market prices. China's raisin imports are forecast at 38,000 metric tons, an increase of nearly 9 percent over MY 2016/17, largely due to increased demand from the food processing industry. In both MY 2015/16 and 16/17, U.S. market remained at 27 percent. Post forecasts that this share will drop slightly in 2017/18 due to increasing imports from Chile.

### **Production**

Post forecasts China's raisin production in marketing year (MY) 2017/18 (August-July) at 190,000 metric tons (MT), up nearly 3 percent from the previous year. In the Turpan region of Xinjiang Uyghur Autonomous Region (Turpan is shown below in red and Xinjiang is shown in orange), favorable growing conditions have resulted in another good harvest of fresh grapes. In addition, dryer weather during fruit development has improved the grape quality (less occurrence of pests and diseases) commanding strong grape prices. Overall, raisin quality in MY 2017/18 is better than the previous year.

Turpan is the country's largest raisin producing region produces more than 80 percent of China's total raisins. Traditionally, most fresh grapes harvested in Turpan are processed into raisins. Together with the Hami region Xinjiang) these areas produce some 95 percent of all China. Although there are more than a dozen raisin in Turpan, Thompson Seedless have always been the dominant grape variety, comprising 85-90 percent of the grape area. Thompson Seedless is a versatile variety that serve both the fresh consumption and raisin-producing



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China is the single largest producer of green raisins in the world. These traditional raisins are made in special drying houses by individual farmers. However, production of dark raisins in factories with sun-drying yards is increasing quickly, driven by development of the food processing industry. Green raisins once accounted for 80 percent of total production, but its share has declined to around 60 percent.

*Photo credit: Wikipedia*

Raisin production season normally begins in mid-August, yet large quantities of raisins become available in late September or early October. Green raisins are currently priced, on average, at RMB 17 (USD 2.5) per kilo,<sup>1</sup> higher from the previous year's level. However, green raisin prices vary significantly on grade and quality. In contrast, dark raisin prices are relatively stable at around RMB 10 (USD 1.5) per kilo.

Raisins are normally sold in bulk form at the processing facilities in Xinjiang. More than 100 small raisin processing plants operate in the Turpan Basin and the majority of these plants use outdated technology and equipment. In June of 2017, a modern raisin sorting, grading, and storage facility was built in Turpan and is capable of processing up to 100,000 MT of raisins a year.

## Consumption

China's per capita consumption of raisins is estimated at 0.16 kg year in 2017, according to an industry report. This number is expected to reach 0.21 kg in 2020, or an increase of 23 percent from the current level. Although consumption of raisins as a snack is growing slowly in China, raisins used in the food processing industry (e.g., bakery goods, confectionary sector, etc.) are increasing faster. In addition,

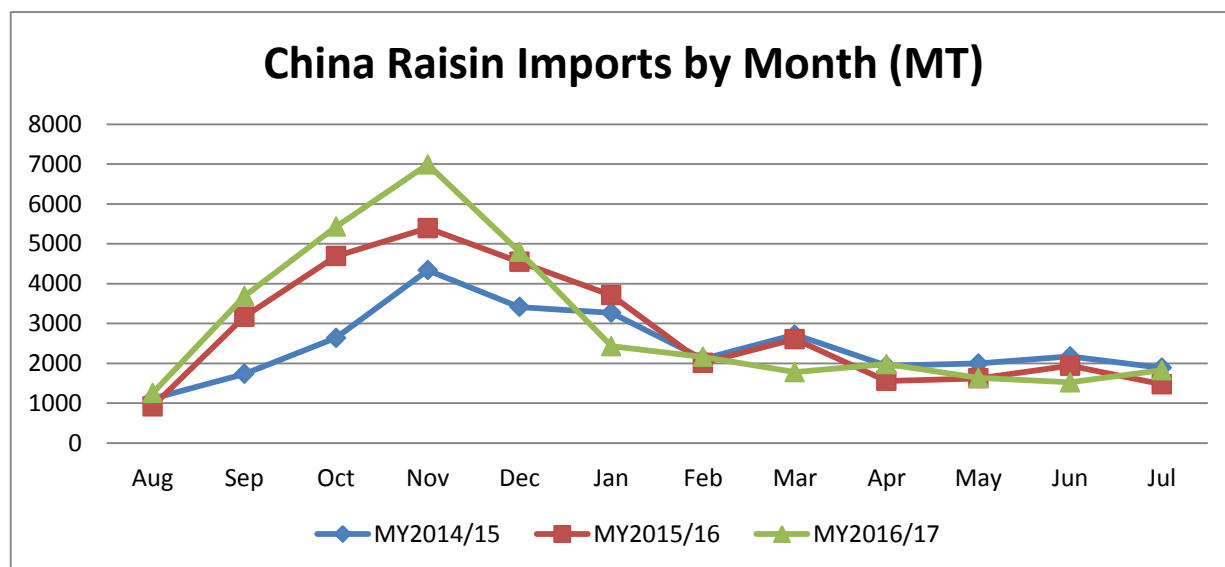
<sup>1</sup> Approximately five kilos of fresh grapes produce one kilo of raisins.

more raisins are used as cooking ingredients at home. Imported raisins from the United States and Chile are consumed by higher income consumers and in food service sector. Most consumers prefer Xinjiang green raisins to Californian counterparts as Xinjiang raisins taste less sweet and have not been treated with oil. Most raisins imported from Uzbekistan are used in food processing.

## Trade

### Imports

China's raisin imports are expected to increase by nearly 9 percent in MY 2017/18 to 38,000 MT drive by growing domestic food processing industry. The heaviest import flow happens between October and January (see table below). Uzbekistan remains the largest raisin supplier (66 percent market share in 2017) followed by the United States (27 percent). Although import volume from these two countries is growing steadily, raisin imports from Chile are quickly increasing as the zero-tariff mechanisms of the China-Chile free trade agreement come into effect. As a result, Post forecasts U.S. market share will decrease by 1 to 2 percent in MY 2017/18.



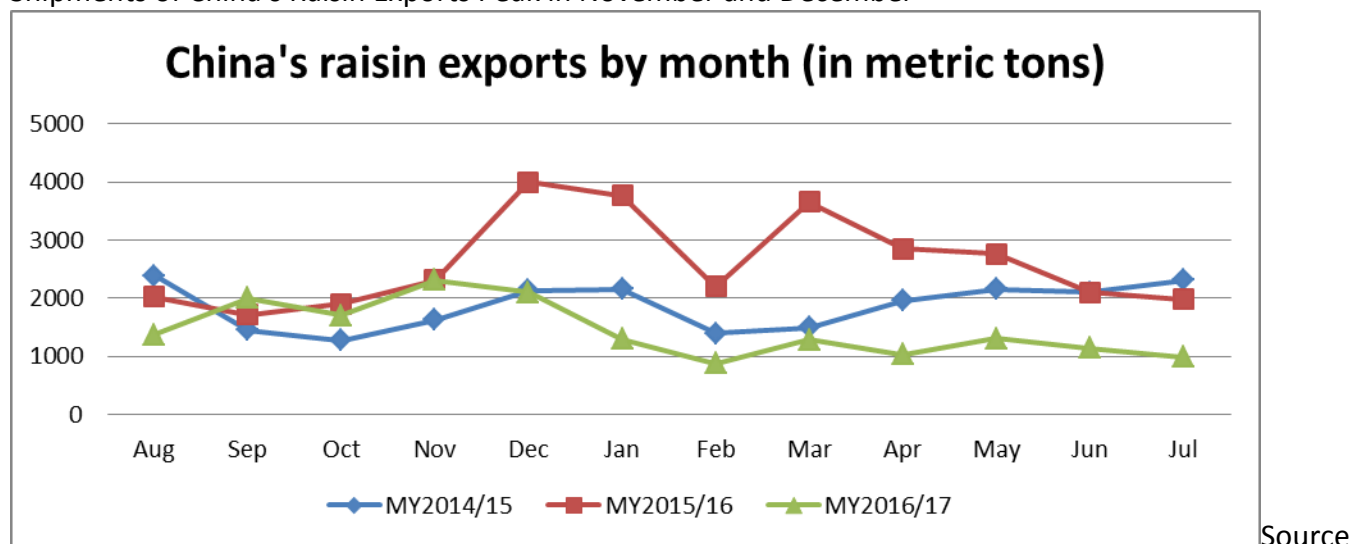
Source

: China Customs Data

### Exports

China's raisin exports are forecast at 22,000 MT in MY 2017/18, up 25 percent from the revised number of 17,500 MT in MY 2016/17. China directly competes with Turkey, the world's largest raisin producer and exporter, in the European market. China is expected to export more raisins to the EU, China's largest export market, replacing Turkish exports to this market. This year, Turkey saw reduced production as a result of frost and hail damage. In MY 2016/17, when Turkey experienced a bumper crop of raisins, China's share in the European raisin market declined sharply by more than 50 percent. Japan remains the second largest market for Chinese raisins, but the volume is declining. Chinese raisins, however, are favored by Southeast Asia and exports are expected to grow.

## Shipments of China's Raisin Exports Peak in November and December



## Policy

A few years ago, the local Turpan government released a plan to develop a local grape and wine industry during 2014-2020. According to the plan, the local government would support the development of a wine industry in the region, for the purpose of easing the marketing pressure off of fresh grapes and raisins. The plan also included a provision to provide financial assistance to raisin processors for capital-upgrades. However, the details of such assistance are not immediately available.

The Chinese Central Government announced earlier this year that the value-added tax (VAT) for all agricultural products was adjusted down from 13 percent to 11 percent, effective July 1, 2017. In addition, raisin imports are subject to a 10 percent import tariff (see table below).

Commodity	H.S. Code	Import Tariff (%)		VAT (%)	
		2016	2017	2016	As of July 1, 2017
Raisin	08062000	10	10	13	11

Source: China Customs data

## Marketing

Most raisins in China are still sold in traditional retail markets, where the Xinjiang-produced green raisin dominates over imports as a snack food due to its low cost and local taste preference. Although imported raisins struggle to gain traction in these traditional markets, demand for high quality, imported dark raisins continues to grow in high-end retail outlets, e-commerce venues, and the baking industry.

In first- and second-tier cities, premier retail stores market imported raisins in plastic bags, cans, or paper boxes, and are marketed to middle-class consumers as safe, healthy, and convenient snack foods. According to local retail contacts, in-store promotions and food festivals highlighting the consistent quality of imported U.S. raisins as a nutritious snack have been effective in increasing sales. Foreign Agricultural Service Trade Offices (ATOs) throughout China, in collaboration with regional high-end retailers and the Raisin Administrative Committee, have recently held multiple American food festivals showcasing the quality of U.S. raisins.

E-commerce is an expanding retail venue with enormous potential to reach shoppers around China. All major e-commerce retailers carry domestic and international raisin brands. On Amazon.cn, U.S. brands currently dominate the top two positions in terms of sales volume. This demand is boosted by the popularity of “Do-It Yourself Foods” where middle-class consumers purchase premium imported ingredients and bake their own products at home to help ensure product quality and food safety. This trend is especially popular among new mothers and young couples who increasingly use social media to show off their home-made breads and cakes.

Bakery products that include raisins are growing in popularity in China. According to a key trade association, U.S. dark raisins are preferred, accounting for roughly 60 percent of all raisins used in the Chinese baking industry. Industry contacts report that this preference is due to the U.S. dark raisin’s size, color and the resulting taste of the finished product. While Beijing, Shanghai, Guangzhou and Shenzhen are the key markets for the baking sector, bakery chains continue to expand into first- and second-tier cities. In 2017, ATO Guangzhou, together with multiple U.S. trade associations and a high-profile South China bakery chain, implemented a very successful baking promotion highlighting U.S. dark raisins along with several other U.S. baking ingredients in emerging market cities. In 2018, ATOs across China hope to implement similar marketing projects.

## Tables

**Production, Supply and Demand (PS&D) Table**

Raisins	2015/2016		2016/2017		2017/2018	
Market Begin Year	Aug 2015		Aug 2016		Aug 2017	
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
Beginning Stocks	0	0	0	0	0	0
Production	190000	190000	185000	185000	0	190000
Imports	34000	34000	40000	35000	0	38000
Total Supply	224000	224000	225000	220000	0	228000
Exports	31500	31500	25000	17500	0	22000
Domestic Consumption	192500	192500	200000	202500	0	206000
Ending Stocks	0	0	0	0	0	0
Total Distribution	224000	224000	225000	220000	0	228000

Unit: metric ton