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Raisin Annual Report

Report Categories:
Raisins
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Report Highlights:

China's MY2010/11 raisin production is estimated to decline 14 percent to 160,000 metric tons (MT) due to unfavorable weather conditions in the largest producing area. Based on the good quality and reliability of U.S. raisins, China's imports are increased five percent to 13,800 MT. Exports are down four percent to 45,000 MT from last year's record high. Low production in key exporting countries (Turkey and Chile) has opened an opportunity for China to supply the growing import demand in European markets.

Production:

China's raisin production in MY2010/11(October– September) is estimated at 160,000 metric tons (MT), a 14 percent decrease from the 185,000 MT in MY2009/10 due to heavier-than-normal winds in Turpan, Xinjiang. Turpan is the largest raisin producing area in China, accounting for over 80 percent of total production. Due to the significant drop in production, the industry is expecting prices to increase by 15-20 percent in MY2010/11. Based on a recent Post crop visit to Xinjiang, the MY2009/10 estimate for China's raisin production is revised to 185,000 MT from 150,000 due to larger-than-normal grape supplies used for raisin production.

Grape production has been one of the most important sources of income for local farmers in Turpan, which accounts for 40-50 percent of farmer's total income. Over the past few years, Turpan's grape acreage rapidly expanded from 13,000 hectares in 2003 to 33,000 in 2010. However, due to the lack of water availability, acreage may reach its full potential at around 33,300 ha (500,000 mu). Given Turpan's resource constraints, local officials noted that the focus has shifted from acreage expansion to quality improvement.

In an attempt to increase farmers' income, the local government is encouraging farmers to plant more table grapes and wine grapes over grapes for raisin production. According to local officials, the current share of table grapes is 25 percent, wine grapes is 5 percent, and raisin grapes is 70 percent; but, the government's target is 35 percent, 25 percent, and 40 percent respectively.

Thompson Seedless is the most favored table grape, and is planted in over 90 percent of Turpan's grape acreage. This variety is suitable for both fresh consumption and raisin production. Since local farmers are very knowledgeable about this variety, local officials claim that it is very difficult to convince farmers to shift to other

varieties. Local farmers usually harvest Thompson Seedless grapes for fresh sales during early-July to mid-September. The lower quality grapes (imperfectly shaped and over matured) are used for raisin production.

Unlike California's sun-dried dark raisins, Xinjiang produces air-dried green raisins. Local farmers use special drying houses (see picture on the right) to dry grapes. The size of the drying house is usually three by four by six meters, with many small windows on the walls. After harvest, the vine grapes are hung on branches that are wired to wooden panels in the drying house (see picture to the right). The unique hot and dry wind in Turpan will dry the fruit in 25-30 days.

When the grapes fall off the vines, the grapes will become sun-dried and dark raisins. For the grapes that remain on the vine, they will become air-dried green raisins. According to local farmers, about 70 percent of the production is green and 30 percent is dark. In Xinjiang, green raisins are considered better quality than dark raisins. Green raisins were priced at RMB10-11/kg in September 2010, while dark raisins were RMB6-7/kg during the same time.

Local officials claimed that obsolete processing techniques have been one of the major challenges for Xinjiang's raisin industry. Each farmer still harvests, hangs, and picks his vines by hand. When completed, the farmers sell their raisins to wholesalers or processors, who will later supply second tier distributors.

If the farmers attempt to clean (deep processing) the raisins themselves, the lack of knowledge and equipment will damage the appearance of the raisin (change the color from green to yellow green), which will prevent selling at favorable prices. If the farmers had the ability to clean the raisins, they would be able to supply the snack food industry, which is a higher tiered market that prefers small-packaged fruits.

Prices:

Local farmers prefer table grape production over raisins for a couple of reasons: (1) Farmers can immediately sell their fresh table grape supplies when available at harvest; but, for raisins, farmers must wait several months later until the grapes are processed into raisins, and (2) Compared to table grapes, labor costs for raisins are much higher and are not completely offset by higher market prices.

In 2010, the average price of table grapes in Turpan was around RMB 3.5/kg, while the price for raisins was RMB 11.5/kg. Although raisins are sold at a higher price, according to farmers, it takes four metric tons of fresh grapes (RMB14,000) to produce one ton of raisins (RMB11,500).

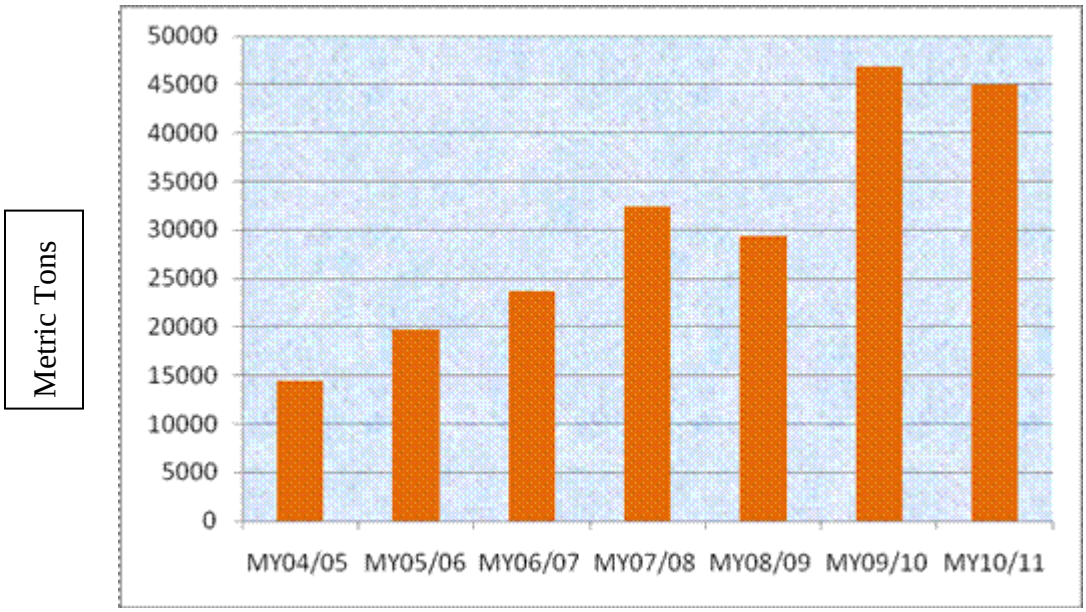
Consumption:

Industry believes China's domestic raisin consumption will increase based on the rapid development of China's baking and confectionary sectors, rising incomes, and the healthy attributes that are well recognized by consumers. Producers are still concerned that the lack of deep processing will continue to restrict the access of their locally-produced raisins to high-end markets such as small-packaged snack foods in supermarkets and upscale food service industries, which are mostly dominated by imported raisins. The majority of locally-produced raisins are sold in wet-markets in bulk package, and mainly consumed by low-income consumers or low-grade food processing sectors.

Trade:

Despite low production in MY 2010/11,

Raisin Exports Continue to Reach Record Levels



Source: China Customs. (**MY10/11 is Post's current estimate)

Despite China's 14 percent decline in production caused by strong winds in Turpan, new record levels of raisin exports in MY2010/11 are expected to continue because prices for Chinese raisins are becoming more and more competitive in European markets, China's primary raisin export destination. According to the Customs data, in MY2009/10, prices for Chinese raisins in the United Kingdom were 20 percent lower than prices for Turkish raisins.

China's raisin exports are forecast at 45,000 MT in MY2010/11, a four percent decline from the record high of 46,886 MT in MY2009/10. The exports in MY2009/10 increased 37 percent due to low exportable supplies in Turkey and Chile which are the traditional suppliers to growing European markets. For more information on raisin production in these countries, please refer to the reports Turkey 2010 Raisin and Chile 2010 Raisin.

Re-Exports

Japan continues to be the largest buyer of China's re-exports of U.S.-origin raisins. According to industry sources, a large amount of imported U.S. raisins are processed and re-exported to Japan. Currently, there is no credible data available on the specific amounts as government sources continue to report inconsistent information. For instance, according to Chinese Customs, China exported 6,702 MT of raisins to Japan in the first eight months of 2010. But, according to Japanese Customs, Japan only imported 187 MT from China during the same period. Chinese origin raisins are seldomly exported to Japan largely due to Japan's high level of hygiene requirements.

Imports

China's raisin (H.S.code 080620) imports in MY2010/11 are forecast at 13,800 MT, a five percent increase from the previous year fueled by increasing demand from the high-end bakery sector. The United States continues to dominate China's imported raisin market, accounting for over 85 percent of China's total raisin imports. The other suppliers are Kyrgyzstan and Turkey, who account for about 10 percent of the market. The import duty and VAT remains the same from the previous year at 10 and 13 percent, respectively.

Marketing:

Although the retail market for healthy snack foods is also experiencing significant growth, Post believes that the bakery and food processing sectors offer the best prospects for U.S. raisins. Currently, the bakery sector purchases about 60 percent of total U.S. raisin imports in China. The bakery sector, which had market sales of over $5.9 billion in 2009, has witnessed astounding growth in the last three years. Industry contacts predict that the annual growth rate for the bakery market will continue at around 20-30 percent.

The main competitor/substitute to U.S. raisins is the locally-produced red raisin varieties from the Xinjiang province, which are one-third to one-half the price of U.S. raisins. Because of this wide price gap, it is necessary to educate industrial users about supply availability and technical specifications, as well as the rising middle class

consumers about recipes and the health and nutritional benefits. Other approaches to the market should include highlights of U.S. raisins in value-added ingredients such as bakery, snack foods, ice cream, confectionary, and breakfast cereal.

For example, in 2009, the Raisin Administrative Committee participated in the Eastern China Market U.S. Bakery Ingredients Promotion where six USDA cooperators and trade groups jointly promoted U.S. bakery ingredients through educational seminars for chefs and local distributors. As a result, four new California raisin distributors were identified, and 20 bakery items containing California raisins appeared on bakery shelves. The 2010 Asian Games offers another opportunity to market the safety aspect of U.S. raisins given those South China hotels and restaurants are preparing to receive large numbers of international visitors.

Production, Supply and Demand Data Statistics :

Raisins China	2008/2009	2009/2010	2010/2011

	Market Year Begin: Oct 2008		Market Year Begin: Oct 2009		Market Year Begin: Oct 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	33,000	33,000	0	33,100	0	33,300
Area Harvested	24,750	25,000	0	25,500	0	25,800
Beginning Stocks	0	0	0	0	0	0
Production	135,000	150,000	150,000	185,000	120,000	160,000
Imports	11,300	11,457	13,300	13,122	13,000	13,800
Total Supply	146,300	161,457	163,300	198,122	133,000	173,800
Exports	27,500	29,320	48,000	46,886	35,000	45,000
Domestic Consumption	118,800	132,137	115,300	151,236	98,000	128,800
Ending Stocks	0	0	0		0	
Total Distribution	146,300	161,457	163,300	198,122	133,000	173,800