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Required Report - public distribution

Date: 9/5/2018

GAIN Report Number: CH18056

China - Peoples Republic of

Raisin Annual

China Raisin Production Forecast to Increase in 2019

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Report Highlights:

Post forecasts China's MY 2018/19 raisin production at 190,000 MT, up nearly 6 percent from the revised number in the previous year as a result of improved fresh supplies. Increased tariffs on U.S. agricultural products will likely reduce raisin imports from the United States, the second largest raisin supplier to China in MY 2017/18. The market share once occupied by the U.S. is likely to be partially filled by other suppliers such as Uzbekistan, Chile, and Turkey. Overall, China's total raisin imports are estimated to decrease by nearly 3 percent to 33,000 MT in MY 2018/19.

Production

Favorable weather in the Turpan Basin results in a bountiful fresh grape harvest

China’s raisin production is forecast at 190,000 metric tons (MT) in the marketing year (MY) 2018/19 (August-July), up nearly 6 percent from the revised number of 180,000 MT in MY 2017/18. Fresh grape production continues to rebound in the Turpan Basin of Xinjiang due to favorable weather in 2018. The increased fresh supplies will likely improve the raisin production, as most fresh grapes harvested in Turpan are processed into raisins. As the largest raisin production region, Turpan produces more than 80 percent of China’s total raisins. (Turpan is shown below in red and Xinjiang is shown in orange). Another raisin producing region is Hami, which is also located in Xinjiang. The two regions combined produce almost 95 percent of the country’s total raisin Post is also revising the MY 2016/17 raisin production downwards to 165,000 MT due to industry sources a reduced crop of fresh grapes that year.



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Turpan is known for its heat, sunshine, and day-and-temperature difference, which are extremely suitable for growing. Hundreds of grape varieties are planted in the but Thompson Seedless varieties account for more than percent. In addition to being consumed for raisin-processing purposes, this variety is also popular for fresh consumption.

Two types of raisins are processed in Turpan.¹ The green raisins, traditionally consumed as snacks, are wind-dried in special drying houses run by individual farmers. Currently, green raisins account for nearly 60 percent of raisin production in China, currently the single largest producer of green raisins in the world. The dark raisins, mostly used as food ingredients, are processed mostly by large companies with sun-drying yards. Notably, dark raisins are becoming increasingly popular and are increasing their market share in China.

There are no national or industry standards for raisin processing in China. Therefore, raisin quality varies dramatically, as do prices. In MY 2018/19, average raisin prices are expected to be lower from a year ago as a result of increased production. Although the raisin production season normally begins in mid-August, a large volume of raisins will not supply the market until late September or early October. A non-profit industry association which comprises raisin sellers, buyers, processors, packers, and warehouses was established on August 5, 2018, in Turpan. One of the goals of the association is to establish uniform branding, packaging, and production processes.

Consumption

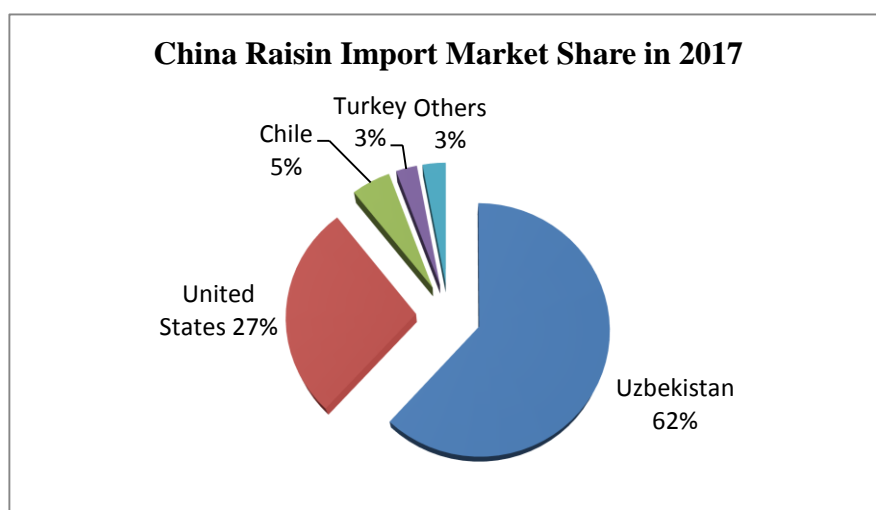
¹ Approximately five kilos of fresh grapes make one kilo of raisins.

Raisin consumption is growing steadily in China. Raisin consumption in the food processing industry, such as bakery and confectionary applications, is experiencing much faster growth than raisins consumed as snacks. For example, some bakery houses use raisins as leaven to ferment bread. Food manufacturers are beginning to produce small retail packages containing a mixture of raisins and various nuts, then marketing them as a daily nutritious snack food. Currently, raisins are primarily consumed in first- and second-tier cities (e.g. Beijing, Shanghai, Guangzhou, Shenzhen, and Chengdu) by young and middle-aged professionals, especially women. There is great potential for raisin consumption to grow in the third and fourth tier cities as the local food processing industry develops.

Trade

Imports to decrease due to trade restrictions and abundant domestic production

China's raisin imports are expected to decrease by nearly 3 percent to 33,000 MT in MY 2018/19, largely due to increased tariffs on U.S. products (see Policy). Part of the market share once enjoyed by the United States (27 percent in 2017), is likely to be filled by other suppliers including Uzbekistan, the largest raisin supplier to China; Chile who benefits from tariff-free treatment under a bilateral free trade agreement; and Turkey, the world's largest raisin producer/exporter and a new player in the China market. However, it may be difficult to find sufficient volumes of similar quality raisins to substitute.



Source: China Customs Data

Chinese exports to Europe expected to increase due to quality concerns from other suppliers

China's raisin exports are forecast at 16,000 MT in MY 2018/19, up nearly 7 percent from the revised number of 15,000 MT in MY 2017/18. China's raisin exports peak in November and December. China's raisin exports to the European Union are expected to rebound in anticipation of reduced supplies from Turkey. The EU remains China's largest export market for raisins, but the volume depends heavily on Turkey's supplies. Turkey is the dominant player in the EU raisin market. In MY 2018/19, Turkey's raisin exports to the European market are likely to decrease on quality concerns. Japan is the second largest market for Chinese raisins, but the volume is declining. China also exports raisins to other markets in Southeast Asia and the volume seems stable.

Policy

In response to the U.S. 232 Trade Action, China's State Council Tariff Committee (SCTC) announced on April 2 that additional tariffs on 128 U.S.-origin products would be implemented immediately. U.S. raisins were included in the list of products subject to an additional 15 percent import tariff (see FAS GAIN Report CH18017). On June 16, China's SCTC announced a list of U.S. products subject to additional tariffs, effective on July 6, 2018, in response to the U.S. 301 Investigation (see FAS GAIN Report CH18034). U.S.-origin raisins were covered again in the list and have been assessed an additional 25 percent import tariff, amounting to an additional tariff of 40 percent—adding the base MFN rate, the current total import tariff is 50 percent.

Following a July 2017 value-added tax (VAT) reduction on agricultural products to spur domestic consumption, the Chinese Government again lowered the VAT in 2018, this time to 10 percent, effective May 1, 2018 (see FAS GAIN Report CH18022).

China's import tariffs and VAT for raisins in 2018

Commodity	H.S. Code	Import Tariff (%)		VAT (%)
		MFN	Additional Tariffs (as of July 6, 2018)	As of May 1, 2018
Raisin	08062000	10	40	10

Source: China Customs

Marketing

In China, raisins are commonly sold in traditional wholesale and retail markets, where the Xinjiang-produced green raisin dominate over imports as a snack food due to its low cost and local taste preferences. Currently, trade contacts report that in the Guangzhou Yidelu wholesale market (traditionally the largest trading hub for raisins in South China) Xinjiang green raisins account for roughly 90 percent of available raisins. The remaining 10 percent is made up of imported raisins. Although imports struggle to gain traction in traditional markets, industry contacts report that demand for high quality, imported dark raisins is robust in high-end retail outlets, e-commerce venues, and the bakery sector.

In first-tier and second-tier cities' premier retail stores, imported raisins (predominantly from the United States) are packaged 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. In recent years, Foreign Agricultural Service Trade Offices (ATOs) throughout China, in collaboration with regional high-end retailers and the Raisin Administrative Committee, have held multiple American food festivals showcasing the quality of U.S. raisins.

Chinese e-commerce is now an important retail venue for various food products with enormous potential to reach shoppers around the country. All major Chinese e-commerce retailers carry a range of domestic and international raisin brands. On Tmall.com and JD.com (two of the largest e-retailers in the country),

U.S. raisin brands currently dominate the top two positions in terms of sales volume. This demand is boosted by a growing number of younger generation, middle-class consumers who 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 use social media to show off their home-made breads and cakes. Adding imported raisins into salads, breakfast cereals and yogurt is also popular among this same group of consumers.

Bakery products that include raisins are highly prevalent in China. According to multiple trade contacts, U.S. dark raisins are the preferred option in the industry due to their size, color, and the resulting taste of the finished baked product. While Beijing, Shanghai, Guangzhou and Shenzhen are the key markets for the baking sector, bakery chains continue to expand into 2nd and 3rd tier cities throughout the country. In 2018, ATO Guangzhou, together with the Raisin Administrative Committee and multiple other U.S. trade associations and baking ingredient exporters organized a highly successful U.S. Pavilion at the Guangzhou Bakery Show. The event was an ideal venue to showcase the quality of U.S. raisins not only to the large Guangzhou baking sector but also to introduce new bakery chains throughout South China. In 2018, ATOs across China hope to implement similar marketing projects.

Tables

Production, Supply and Demand (PS&D) Table

Raisins	2016/2017		2017/2018		2018/2019	
Market Begin Year	Aug 2016		Aug 2017		Aug 2018	
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	185000	165000	190000	180000	0	0
Imports	35500	35500	35000	34000	0	0
Total Supply	220500	200500	225000	214000	0	0
Exports	17400	17400	25000	15000	0	0
Domestic Consumption	203100	183100	200000	199000	0	0
Ending Stocks	0	0	0	0	0	0
Total Distribution	220500	200500	225000	214000	0	0

Unit: metric ton