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China - Peoples Republic of

Citrus Annual

Annual

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Report Highlights:
The Office of Agricultural Affairs in Beijing (OAA/Beijing) forecasts that China's total citrus production will reach 30 million metric tons (MMT) for marketing year (MY) 2012/13, up nearly three percent from the revised estimate of 29 MMT in MY 2011/12. Government funding has been allocated to improve production and build processing facilities in key orange producing provinces like Jiangxi. The United States is the top orange and lemon supplier to China. Brazil and Australia are the dominant suppliers of frozen concentrate orange juice (FCOJ) and tangerines/mandarins, respectively.

Commodities:

Citrus, Other, Fresh

Production:

Oranges

OAA/Beijing forecasts that China's orange production will reach 7.0 MMT in MY 2012/13 (November-October), slightly up from the revised estimate of 6.9 MMT in MY 2011/12. This year's production in Jiangxi, the largest orange producing province, is expected to be lower than last year because of excessive rainfall during the bearing season. However, higher-than-normal production in other key producing provinces (like Sichuan and Chongqing) will likely offset declined production in Jiangxi. In MY 2012/13, China's orange-planted acreage is forecast at 800,000 hectares, up two percent from MY 2011/12.

Navel oranges remain the dominant variety and are harvested in November and December. China is aiming to extend its orange supply season, so new varieties (including Valencia) are being planted earlier and later in the season. Fruit farm consolidation is forming, but some growers are willing to consolidate, while others refuse, so large-scale companies find it difficult to operate on limited land. Private investment companies are building new facilities in key producing areas (like Jiangxi and Chongqing) to process citrus into wine, vinegar, and juice.

Update on Jiangxi, China's top orange producer: Over the past few years, Jiangxi's orange production has increased dramatically. Plantings from 2003 to 2006 are now bearing fruit and are expected to continue through the next three to five years. Current production is around 1.3 MMT of oranges on acreage of 116,000 ha. The provincial government has a production goal of 3.0 MMT by 2015 and 3.5 MMT by 2020 with planted acreage reaching 133,333 and 146,666 hectares, respectively.

Frozen Concentrated Orange Juice (FCOJ)

Production of frozen concentrated orange juice (FCOJ) is expected to reach 45,000 MT in MY 2012/13 (October-September), which is an increase of 13 percent from the revised MY 2011/12 estimate. FCOJ production depends on market prices for fresh oranges. If prices for fresh oranges are too expensive, there will be short supplies of oranges used for processing. This is a challenge for newly built juicing facilities in Chongqing and Fujian as processors report that there are inadequate amounts of oranges available for processing. With China expanding its supply season and planting more Valencia oranges, processors remain optimistic that more supplies will become available for processing.

Tangerines/Mandarins

OAA/Beijing estimates China's tangerine/mandarin production in MY 2012/13 (October-September) at 17 MMT, up six percent from the revised MY 2011/12 estimate of 16 MMT. Although dry weather conditions in summer months lowered production in Guangdong, the largest mandarin producer, other main producers, including Hunan and Hubei, are expecting a bumper harvest. Compared to previous years, tangerine/mandarin acreage remains relatively flat at 814,000 hectares. Some farmers are switching from old tangerine/mandarin varieties to newer, more profitable varieties such as honey mandarins.

Canned mandarins

OAA/Beijing forecasts that China's canned mandarin production will reach 440,000 MT in MY 2012/13 (October-September), up 10 percent from the revised MY 2011/12 estimate of 400,000 MT, primarily driven by domestic demand. Reliable industry sources reported that domestic sales of canned mandarins increased in MY 2011/12, but the majority of canned mandarins are destined for the export market, which recently shown modest signs of recovery according to China Customs statistics. China's canned mandarin exports (from Jan-Oct 2012) were five percent higher than the same time in 2011.

Grapefruit/pomelos

OAA/Beijing estimates that China's grapefruit/pomelo production will reach 2.9 MMT in MY 2012/13 (October-September). This year's poor weather conditions in Fujian (the largest grapefruit/pomelo producing province) have led to a 30 percent decline, which will also cause China's overall production to fall by nearly 10 percent. Local sources also reported lower production in Chongqing.

Lemons

China's lemon production is forecast at 400,000 MT in MY 2012/13 (October-September), up 14 percent from the previous year, primarily because of a bumper harvest in Anyue (a county located in Sichuan province). Anyue, China's top lemon producer, accounts for 80 percent of total lemon production and is expected to harvest about 350,000 MT this year. Anyue's local government plans to produce 500,000 MT by 2016 and, to meet that goal, it is working to standardize production, establish a research center on processing technology, and build a specialized wholesale market for lemons. Anyue's lemons are mainly supplied to the domestic market, but there are some that's exported to Russia, Hong Kong, and Southeast Asian countries.

Consumption:

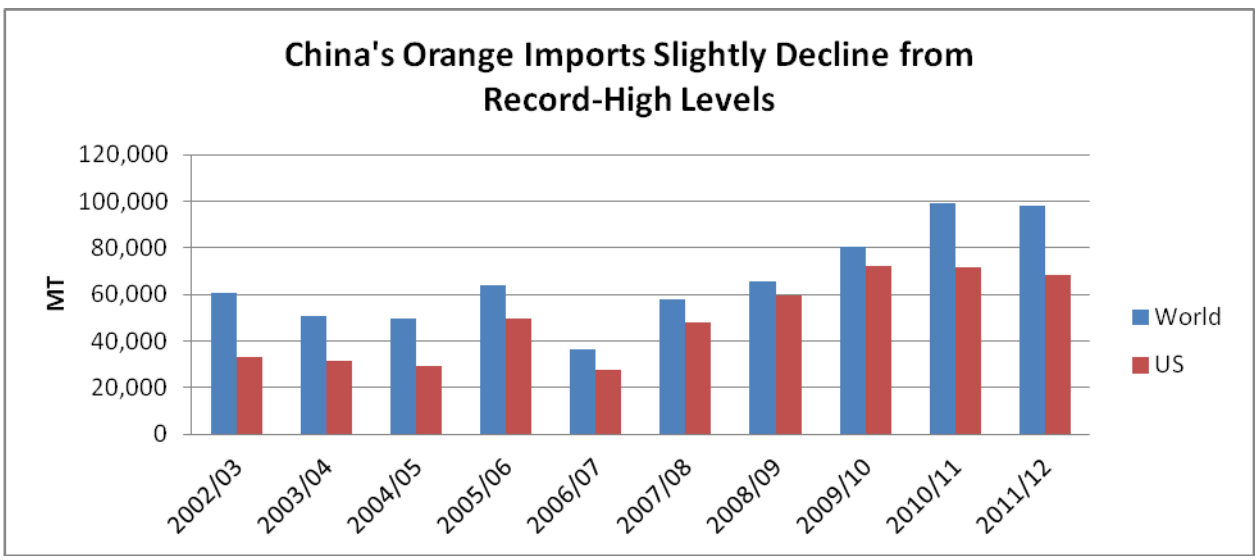
With increasing disposable income and dietary change for healthier lifestyles, Chinese consumers are willing to pay higher prices for fruit and fruit products. Consumer purchasing behavior shifted between 2011 and 2012. According to the 2012 China Statistical Yearbook, per capita income of Chinese urban households in 2011 increased by 14 percent to $3,429, which is almost four times higher than 2000. Also, per capita expenditure on food also increased by 15 percent to $874 in 2011. However, the economic recession in 2012 affected consumers' buying decisions in China. Consumers are paying more attention to market prices, and traders (middle men) purchase fruits based on more solid market assessments. Sources note that the economy is showing modest signs of recovery during the fourth quarter of 2012, so they believe that fruit consumption will continue to increase in MY 2012/13.

Emerging fruit outlets in urban areas and new marketing venues (such as online sales and weibo, Chinese equivalent to Twitter) are increasing the availability of fruit and fruit products. Traditional supermarkets and wet markets continue to play a dominant role, but retail chains that exclusively sell fruit are expanding throughout China. Overall, consumers have developed higher requirements on fruit quality and grade.

Only five percent of citrus production is processed, but sources note that consumption of processed citrus is also improving. Orange juice and drinks remain the top choice for fruit juice/beverage buyers. Canned citrus products (such as orange-flavored wine and vinegar) are also becoming popular among young professionals.

Trade:

Imports



Source: China Customs

For MY 2012/13 (November-October), OAA/Beijing estimates that China's orange imports will reach 110,000 MT, up 12 percent from MY 2011/12. Imports from the United States, the largest orange supplier to China, are faced with competition from South Africa. As noted above, fruit consumption in China will likely continue upward as online fruit merchants are focusing on imported fruits.

FCOJ imports are forecast at 55,000 MT in MY 2012/13 (October-September), down nearly 10 percent from the previous year. China's juice consumption continues to grow at a fast pace. Brazil remains the largest FCOJ supplier to China.

In MY 2012/13 (October-September), imports of tangerines/mandarins are expected to reach 10,000 MT, up 20 percent from the revised MY2011/12 estimate – the lowest estimate over the past three years. With adequate domestic supplies, China imports limited quantities of tangerines/mandarins. Australia is the top supplier of tangerines to China during local off-season.

Grapefruit imports are forecast at 15,000 MT in MY 2012/13 (October-September), up 15 percent from the previous year. Consumers are becoming more aware of the nutrition attributes of this fruit, and more high-end hotels and restaurants use grapefruit for juicing purposes. Main suppliers include Thailand, the United States, South Africa, Taiwan, and, more recently, Israel.

Exports

China's tangerine exports are forecast at 900,000 MT in MY 2012/13 (October-September), up 7 percent from the previous year. Although there are reduced supplies in Guangdong and Guangxi, two of China's leading tangerine/mandarin sources for export to Southeast Asian markets, China's overall export pace is expected to be slightly higher than last year's record high of 840,000 MT. In MY 2011/12, China's tangerine exports increased by nearly 40 percent, due to unprecedented import demand from Southeast Asia.

Global demand for canned mandarins is showing some signs of recovery. OAA/Beijing estimates that China's canned mandarin exports will reach 380,000 MT in MY 2012/13 (October-September), up nearly 12 percent from the previous year. The United States is the largest buyer, followed by Japan and the European Union.

OAA/Beijing forecasts that China's orange exports will reach 120,000 MT in MY 2012/13 (November-October), down nearly seven percent from the previous year, due to reduced exportable supplies. Excessive rains in Jiangxi, China's top orange producing province, will result in less exportable supplies and also larger sized fruits, which will challenge typical buyers in Asian and Middle Eastern markets who prefer small sized oranges.

OAA/Beijing forecasts China's grapefruit/pomelo exports at a record 140,000 MT in MY 2012/13 (October-September), up nearly 20 percent from the previous year, due to higher import demand from the European Union (mainly the Netherlands) and Russia, the largest buyers of China-origin pomelos.

Policy:

In June 2012, the State Council released guidelines on the development of Ganzhou, Jiangxi, and orange production is listed as one of the key sectors in agricultural development. The guidelines commit to providing subsidies for orange seeds/seedlings. In August 2012, the Ministry of Commerce identified Ganzhou as one of the pilot cities to implement the program on delivering fruit in the west to the east. Under this program, the central government will provide 51.4 million RMB ($8.2 million) to build 15 distribution centers in Ganzhou region, two distribution centers in major consumption regions, one wholesale market, and five wet markets. In cooperation with private businesses, total investment is expected to reach 674 million RMB ($107 million). The project will also encourage private companies to establish processing facilities for nectar, wine, vinegar, and essence.

In addition, each year, the Ganzhou government allocates 20 million RMB ($3.2 million) on citrus development. This funding is used to improve seed breeding, insect and disease control, and construction of distribution system. The government may also subsidize farm cooperatives on purchasing waxing facilities and/or insect capturing lights. Every year, the Ganzhou government hosts an international orange festival before or during the harvest season.

Marketing:

The United States remains the leading supplier of citrus products to China. In MY 2011/12, U.S. citrus export volume remains steady for oranges, lemons, and orange juice, but, for fresh tangerines and mandarins, there is strong competition from Australia, Taiwan and Thailand. Domestically-produced oranges in Jiangxi province are the main competitors for U.S. Navel oranges. South Africa is the main foreign competitor for U.S. Valencia oranges, given its competitive prices and timing to supply during China's off-season. More direct imports of citrus products are arriving at commercial ports in Shanghai, Dalian and Tianjin, but Jiangnan Fruit Wholesale Market in Guangzhou remains the primary distribution hub for U.S. citrus products, and Shanghai is the leading port for South African citrus products.

The majority of imported citrus is sold to major retailers, convenient fruit shops, star-rated hotels and high-end restaurants to middle-upper income consumers. Sales of imported citrus depend on season and promotional activities such as Chinese New Year and western holidays. Imported fruits are very popular for gift-giving. In-store promotions have been successful in introducing U.S. citrus products to Chinese consumers. Fruit convenient stores have become popular in China and are adding sections exclusively for imported fruits. These stores are located in the working class communities in urban areas. Shopping through online, television, and mobile devices are developing rapidly and becoming the new marketing and sales trend to promote and sell imported citrus products.

For more marketing information, please visit the 2011 GAIN report:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Citrus%20Annual_Beijing_China%20-%20Peoples%20Republic%20of_12-16-2011.pdf

Table 1: Citrus Historical Production Tables by Province

Orchard Area and Production by Province								
	2008		2009		2010		2011	
	1000 Ha	1000 MT	1000 Ha	1000 MT	1000 Ha	1000 MT	1000 Ha	1000 MT
Hunan	335.9	2,976	376.2	3,385	379.0	3,889	390.8	4,204
Guangdong	248.0	2,805	276.0	3,221	282.6	3,500	290.0	3,787
Jiangxi	281.9	2,485	296.4	2,994	300.6	2,686	308.0	3,567
Guangxi	178.4	2,655	189.2	2,892	197.9	3,132	206.6	3,550
Hubei	211.1	2,555	225.6	2,747	229.2	3,010	244.5	3,310
Sichuan	231.4	2,576	244.5	2,773	253.2	2,929	267.8	3,194
Fujian	173.5	2,565	175.2	2,668	175.4	2,723	175.8	3,004
Zhejiang	122.1	2,384	116.7	1,975	114.5	1,908	112.2	1,944
Chongqing	120.3	1,137	126.3	1,263	138.0	1,390	147.5	1,533
Yunnan	32.9	327	34.1	383	34.3	417	36.5	450
Shaanxi	25.7	237	28.9	308	33.9	287	35.5	342
Guizhou	38.5	191	38.6	194	40.9	204	43.2	208
Shanghai	10.7	265	9.9	236	9.0	202	7.5	177
Jiangsu	3.7	51	4.6	60	3.6	54	3.4	51
Hainan	3.8	39	4.4	44	5.1	48	5.2	45
Henan	10.1	40	10.7	40	10.9	42	10.8	39
Anhui	2.5	22	2.7	23	2.7	28	2.7	29
Gansu	0.3	3	0.3	3	0.3	3	0.3	4
Total	2,030.8	23,313	2,160.3	25,211	2,211.0	26,452	2,288.3	29,440
Source: Ministry of Agriculture Abstracts								

Production, Supply and Demand Data Statistics:

Fresh Oranges

Oranges, Fresh China	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: Nov 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	735,000	735,000	760,000	780,000		800,000
Area Harvested	0	0	0	0		0
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total No. Of Trees	0	0	0	0		0
Production	5,900	5,900	6,600	6,900		7,000
Imports	99	99	110	98		110
Total Supply	5,999	5,999	6,710	6,998		7,110
Exports	92	92	125	129		120
Fresh Dom. Consumption	5,727	5,727	6,260	6,349		6,390
For Processing	180	180	325	520		600
Total Distribution	5,999	5,999	6,710	6,998		7,110

(Unit: 1,000 MT, Hectare)

Fresh Tangerines/Mandarins

Tangerines/Mandarins, Fresh China	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	812,000	812,000	815,000	815,000		814,000
Area Harvested	0	0	0	0		0
Bearing Trees	0	0	0	0		0
Non-Bearing Trees	0	0	0	0		0
Total No. Of Trees	0	0	0	0		0
Production	14,000	14,000	15,000	16,000		17,000
Imports	13	13	12	8		10
Total Supply	14,013	14,013	15,012	16,008		17,010
Exports	607	607	840	840		900
Fresh Dom. Consumption	12,926	12,926	13,632	14,568		15,450
For Processing	480	480	540	600		660
Total Distribution	14,013	14,013	15,012	16,008		17,010

(Unit: 1,000 MT, Hectare)

Fresh Grapefruit/Pomelo

Grapefruit, Fresh China	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0		0			0
Area Harvested	0		0			0
Bearing Trees	0		0			0
Non-Bearing Trees	0		0			0
Total No. Of Trees	0	0	0	0		0
Production	2,800	2,800	3,000	3,200		2,900
Imports	12	12	12	13		15
Total Supply	2,812	2,812	3,012	3,213		2,915
Exports	84	84	120	118		140
Fresh Dom. Consumption	2,728	2,728	2,892	3,095		2,775
For Processing	0	0	0	0		0
Total Distribution	2,812	2,812	3,012	3,213		2,915

(Unit: 1,000 MT, Hectare)

Frozen Concentrated Orange Juice (FCOJ)

Orange Juice China	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors	180,000	180,000	325,000	520,000		600,000
Beginning Stocks	15,000	15,000	25,000	25,000		20,000
Production	13,850	13,850	25,000	40,000		45,000
Imports	76,544	76,544	80,000	60,485		55,000
Total Supply	105,394	105,394	130,000	125,485		120,000
Exports	5,236	5,236	6,500	3,111		4,000
Domestic Consumption	75,158	75,158	90,000	102,374		116,000
Ending Stocks	25,000	25,000	33,500	20,000		0
Total Distribution	105,394	105,394	130,000	125,485		120,000

Note: Numbers have been converted to concentrated orange juice using a ratio of 6:1 between single strength and concentrate. Products under HS Codes 20091200 and 20091900 are both treated as single strength juices.