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China - Peoples Republic of

Citrus Annual

Citrus Area in China Continues to Expand

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Report Highlights:

Overall marketing year (MY) 2018/19 citrus production in China is forecast to continue to increase, although much of this growth will be for mandarins and tangerines. The expansion of citrus production in China is being driven by increased area in western regions such as Guangxi and Sichuan provinces. Because of the rapid expansion in citrus planted area, industry contacts expect strong growth in production for the next few years as planted trees come into production. Orange production in MY 2018/19, however, is expected to be down slightly as a result of a smaller crop in the traditional Jiangxi province growing areas. Chinese orange imports are expected to be robust due to the rising demand for counter-seasonal fruits, as well as premium high-quality fruits, by middle-class Chinese consumers.

Executive summary:

Overall marketing year (MY) 2018/19 citrus production in China is forecast to continue to increase, although much of this growth will be for mandarins and tangerines. The expansion of citrus production in China is being driven by expanded area in western regions such as Guangxi and Sichuan provinces. Because of the rapid expansion in citrus planted area, industry contacts expect strong growth in production for the next few years as planted trees come into production. Orange production in MY 2018/19, however, is expected to be down slightly as a result of a smaller crop in the traditional Jiangxi province growing areas. Chinese orange imports are expected to be robust due to the rising demand for counter-seasonal fruits, as well as premium high-quality fruits, by middle-class Chinese consumers.

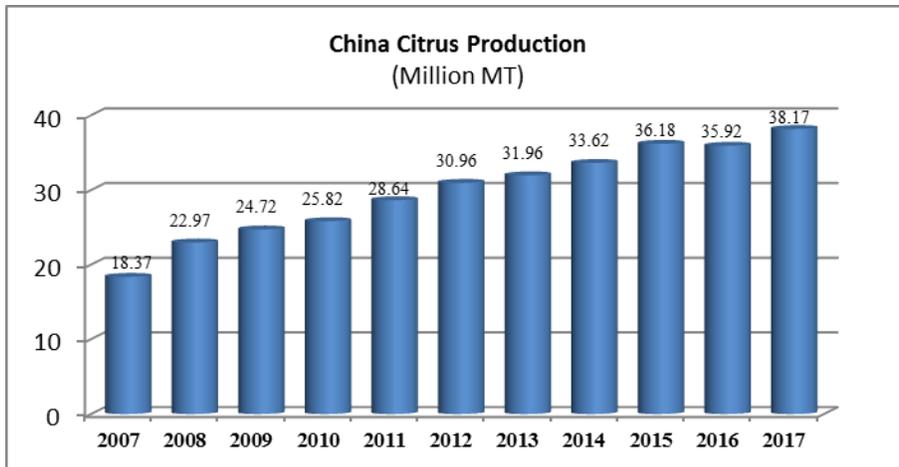
Chinese Citrus Production



Source: China Statistical Yearbook 2017, blank map from http://www.d-maps.com/carte.php?num_car=11570&lang=en

Legend:

- Dark Red = Province accounts for 15 to 20% of citrus production (Guangxi)
- Red = Province accounts for 10 to 15% of citrus production (Jiangxi, HuBei, Hunan, Guangdong, Sichuan)
- Pink = Province accounts for 5 to 10% of citrus production (Fujian, Chongqing)
- Rose = Province accounts for 3 to 5% of citrus production (Zhejiang)



Source: 2017 China Statistical Yearbook

Oranges

Production

Orange production is forecast at 7.2 million metric tons (MMT) in MY 2018/19 (November –October), down slightly from the previous year’s production. This is primarily as a result of a smaller crop in the main Jiangxi province growing areas, where production is expected to be down 20-30 percent compared to last year. This lower production, however, is likely to be mostly offset by expanded acreage and new trees coming into production in growing areas in Chongqing, Hunan and Hubei as well as other western regions.

The smaller orange crop in Jiangxi province (so called “Gannan Navel” oranges) was caused by two major factors. First, after last year’s bumper production, this year had a naturally-occurring smaller crop. Second, heavy rains during flowering resulted in the setting of fewer fruits. Although production is down, because of fewer oranges per tree the size of the oranges are considerably larger on average than last year, which is impacting processors and packers for a number of reasons. One is that the price per kilogram for oversized oranges (exceeding 100 millimeter) are considerably lower than for more normal sized fruits as a result of reduced consumer demand. Additionally, these oversized fruits often do not meet the size specifications necessary for the mechanized packing (often in individual wrappers) and trading of oranges via e-commerce channels.



Orange Fields of Jiangxi Province

In comparison with a few years ago, producers report that the greening issue in Jiangxi province (the largest navel orange production region in China) is being better controlled, especially in *Anyuan*, *Xunwu* and *Xinfeng* counties, where orange trees were the most seriously hit. In these areas infected acreage was felled and replanted and there is expected to be a significant bump in production in a few years when these trees start to produce. In addition, contacts report that farmers in these regions are also now better educated about the disease and more diligent in quickly removing affected trees. New and replanted groves in these areas are also increasingly being fitted with netting system (see photos below) in hopes to protect them from the disease. These netting systems, however, add significantly to the production costs.



Netting Systems for newly planted trees in southern Jiangxi Province

In addition to implementing mitigation efforts in impacted areas, farmers have also shifted production north to new, unaffected, growing areas in Jiangxi province. As with the replanted trees, when trees in these new areas begin to produce in the next few years it should also cause a jump in production in this region.

Traders reported that in addition to the traditional *Niu He Er* navel variety planted in Jiangxi province, farmers have planted more *Cara Cara* variety due to higher margins and rising market demand. In addition, more *Hamlin* variety trees (primarily an orange for juicing) have also been planted in Jiangxi province as a result of increasing demand for 100 percent-fresh NFC juice processing by large juice processors.

Expanded orange production and acreage in other provinces is also expected to continue and expand and help largely offset the smaller Jiangxi crop this year. For example, contacts report that the production of late variety *Fengjie* oranges in Chongqing will grow 20 percent this year. In addition, new growing areas such as *Fuchuan* county in Guangxi and some areas in Yunnan are also increasing planted area.

The production estimate for MY 2017/18 is unchanged at 7.3 MMT. (**Note:** The Chinese Government has released an overall citrus production number for the MY 2017/18 crop but has not yet released figures broken out by citrus type. This information is contained in the China Ministry of Agriculture's annual China Agriculture Statistical Report, which has been delayed this year. While typically available in November, it is not expected to be released until early 2019.)

Prices

Navel orange prices in the southern Jiangxi orchards have risen compared to last year and are currently around RMB 6.0 – RMB 6.8 (\$0.88-\$1.0) per kilogram. According to distributors and packers, on average this year the orchard price is about RMB 0.6- RMB 1.00 higher than last year due to the strong demand and smaller production. Prices, however, can differ greatly among sizes as Chinese consumers now prefer more uniform-sized fruits. This year's Jiangxi crop has a large percentage of oversized fruits, and traders report that these typically have to be sold at prices as much as 30 percent lower than more normal-sized oranges.



Processors are reporting a much higher percentage of oversized fruits in Jiangxi province such as the fruit on the left

Consumption

Orange consumption in MY2018/2019 is forecast to fall slightly because of a smaller crop in Jiangxi province, and fewer normal-sized oranges which are in high demand among Chinese consumers. In recent years, consumers have paid more attention to fruit freshness and taste, and are more attracted by convenient and innovative packaging. As a result, many large processors have been investing in upgrading their packing facilities by adding new equipment. This equipment can sort not only by size but also by brix content, and can individually pack each “premium” orange in special plastic bags and then into gift boxes for retail or e-commerce.

The demand for high-quality branded oranges in second and third tier cities is expected to continue to grow with the rapid development of cold storage and cold chain infrastructure in China. In addition, the expansion of online shopping and the wide use of mobile shopping applications in China now enable consumers in other regions to receive premium citrus, such as fresh “Gannan Navel” oranges from Jiangxi province, within a few days.

According to traders, some regional differences in orange demand have largely disappeared. For example, in the past consumers in northern China would prefer larger sized-oranges, and this would provide a marketing opportunity for packers with oversized fruits. However, these packers report that with the growth of e-commerce and other retail channels, that this is no longer the case.



New packing, sorting, and processing equipment in Jiangxi Province

In recent years, the demand for red flesh *Cara Cara* variety is on the rise for its unique taste and red flesh appearance. In wholesale markets, both domestically produced and imported *Cara Cara* oranges are more widely available.

Trade

Imports

China's MY 2018/2019 overall orange imports are forecast at 400,000 MT, unchanged from last year. While imports from the United States are expected to be down because of increased tariffs, counter-seasonal shipments from suppliers such as Australia and South Africa are expected to continue to increase.

On March 23, 2018, the People's Republic of China's State Council Tariff Commission (SCTC) announced a list of U.S. products subject to additional tariffs in response to the United States imposing tariffs related to the U.S. 232 Trade Action (see FAS GAIN report [CH18017](#)). For fresh oranges, the additional Chinese tariff was 15 percent (in addition to the existing 11-percent MFN tariff) and went into effect on April 2, 2018. Later, on July 6, 2018, SCTC implemented another set of tariffs on U.S. products in response to the U.S. Section 301 Investigation (see FAS GAIN report [CH18034](#)). For oranges, the additional tariff was set at 25 percent, resulting in a current tariff treatment of 51 percent ($11 + 15 + 25 = 51$). These additional tariffs put U.S. oranges and other citrus at a price disadvantage with fruit from other countries.

The MY2017/2018 import estimate is unchanged at 400,000 MT. Counter-seasonal imports from South Africa and Australia continued to rise this past marketing year. Shipments from Spain and Egypt and the United States (before the additional tariffs were put into place) were also strong earlier in 2018. The majority of U.S. oranges are imported between December and May.

(Note: China Customs has not released detailed trade data for any month since March 2018. As a result, much of this analysis is based on export data from key orange exporters to China)

Exports:

China's orange exports are forecast at 55,000 MT in MY2018/19, down 10 percent from last year's estimates, due to the smaller crop and strong domestic demand. Processors report that because of domestic consumer preference for oranges with high brix content, some packers sort and keep fruits with higher sugar content for domestic markets and export fruits with lower brix content.

Oranges, Fresh Market Begin Year China	2016/2017		2017/2018		2018/2019	
	Nov 2016		Nov 2017		Nov 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	790000	790000	800000	800000	0	810000
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	7000	7000	7300	7300	0	7200
Imports	357	357	400	400	0	400
Total Supply	7357	7357	7700	7700	0	7600
Exports	59	60	55	60	0	55
Fresh Dom. Consumption	6718	6717	7075	7070	0	6955
For Processing	580	580	570	570	0	590
Total Distribution	7357	7357	7700	7700	0	7600

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

Orange Juice

Production

Orange juice production in MY 2018/19 (October-September) is forecast at 45,400 MT, up nearly 4 percent from the previous year's estimate. Industry reports that consumer demand for "not from concentrate" (NFC) juice keeps expanding rapidly and high-end consumers as well as the younger generation of consumers increasing prefer 100 percent-fresh squeezed orange juice. Prices for premium juice products can be as high as twice or three times the price of "from concentrate" (FC) juice. Major juice processors in Jiangxi, Chongqing, and Sichuan provinces plan to expand their processing facilities to meet this increasing demand for high-end NFC orange juice. In addition, farmers have planted more juice-variety orange trees in Jiangxi, Hubei, Hunan and Chongqing provinces. Industry contacts, however, report that demand for low juice-percentage FC drinks has been stagnant to slowly declining.

Consumption

MY 2018/2019 orange juice domestic consumption is forecast to grow from the previous year's estimate as a result of the robust growth for 100 percent orange juice. Middle-class consumers are increasingly focusing on freshness and health benefits of products, and this has boosted demand for NFC juice. Industry contacts estimate the annual growth rate for normal temperature and chilled 100 percent orange juice at 15 percent and 30 percent, respectively. Demand for NFC juice mixes (which have a high percentage of orange juice in the mix) as well as juices with high pulp content is also growing. In addition to traditional retail chains, branded NFC juices can be increasingly found in coolers in various locations such as subway stations, restaurants, gas stations, theatres as well as entertainment parks. In addition, there has been strong expansion in specialized fresh extraction juice shops and vending machines in shopping malls, airports, and train stations.

Trade

Imports

Orange juice imports in MY 2018/2019 are forecast to increase slightly to 56,000 MT due to the strong consumption market and lower domestic orange production this year.

Exports

In MY 2018/2019, total orange juice exports are forecasted at 2,500 MT, down from the previous year's estimates, due to strong domestic consumption demand and the high costs for producing and processing juice to export specifications.

Orange Juice Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
China						
Deliv. To Processors	580000	580000	570000	570000	0	590000
Beginning Stocks	0	0	0	0	0	0
Production	44500	44500	43800	43800	0	45400
Imports	54957	54957	55000	55000	0	56000
Total Supply	99457	99457	98800	98800	0	101400
Exports	2525	2525	2600	2600	0	2500
Domestic Consumption	96932	96932	96200	96200	0	98900
Ending Stocks	0	0	0	0	0	0
Total Distribution	99457	99457	98800	98800	0	101400

(MT)

Note: "The tables include NFC production for converted to Frozen Concentrated Orange Juice (FCOJ), 65 Brix equivalent, using the following conversion factor: 1 metric ton of FCOJ 65 Brix equals 5.6 metric tons of NFC 11.6 Brix."

Mandarin /Tangerine

Production

China's mandarin/tangerines production is forecast at 22 MMT in MY 2018/2019 (October – September), up nearly 4 percent from the previous year's estimate. Multiple industry contacts report planted acreage for mandarin/tangerines has continued to expand. In fact, some industry insiders worry that area has expanded too fast, and by 2020 when a large number of these trees come into production there may be an oversupply in the market.

Producers in Sichuan province expect a larger crop this year because of the expanding growing area and steady increase in annual harvest from younger orchards. In addition, traders expected that larger crops are likely to be produced from the replanted trees in both Guangdong and Jiangxi provinces. In both of these provinces, because of greening disease in previous years trees have been replanted and production has also shifted to new areas – with new orchards starting to come into production.

Because of strong consumer demand, there has also been a rapid expansion in area of newer varieties of citrus, especially easy-to-peel seedless hybrid tangerines. These include varieties such as *Wogan* (沃柑), *Aiyuan* (爱媛), *Chunjian* (春见) *Buzhihuo* (不知火). Farmers are willing to plant more of these

varieties due to higher profits. It is reported that currently in the southern part of Guangxi, *Wogan* production already reached 1 MMT and it is estimated that the production of this variety will double by the end of 2020. These new varieties are increasingly available in various wholesale markets and can also be found in retail shelves when in season.



An Aiyuan hybrid (seedless and easy to peel) tangerine and also more traditional mandarins

Prices

On average, the orchard prices of late-variety hybrid tangerines in Sichuan province range from RMB4 (\$0.59) to RMB9 (\$1.32) per kilogram, on average lower than the same time last year. These lower prices are a result of ample domestic supplies, as well as some quality issues resulting from freezing temperatures earlier this year. Other mandarin prices in Guangxi and Jiangxi orchards ranged from RMB2.0 (\$0.30) to RMB8.5 (\$1.25) per kilogram, but in general are also lower than last year due to large crop. As mentioned, industry insiders anticipated that tangerine and mandarin production will continue to rise in the next few years as trees come into production, and some feel that this could result in oversupply and low prices going forward. Newer varieties of seedless and easy to peel hybrid tangerines are increasing in the market and are priced with a large premium compared to traditional varieties due to the strong demand.

Consumption

MY 2018/2019 domestic consumption is forecast at 20.9 MMT, a slightly increase from the previous year's estimate, due to the increased production and strong Chinese consumer demand for high-quality fruits. As was mentioned, demand for new varieties of citrus, especially seedless and easy-to-peel varieties, is strong among middle-class and younger consumers due to the taste and easier convenience compared to more traditional seeded varieties.

Consumption for processing (i.e. canned mandarin production) is forecast to fall slightly from last year to 540,000 MT. A substantial portion of canned mandarin production is for export, with the United States as the largest market. In September 2018, the United States imposed additional tariffs of 10 percent on preserved citrus from China as part of a larger package of tariffs on \$200 billion of Chinese imports.

Trade

Imports

MY 2018/2019 imports are forecast at 55,000 MT, up 10 percent from the previous year's estimate, due to the robust demand for premium imported fruits from Australia, South Africa, Peru and Egypt.

Exports

China's MY 2018/2019 mandarin/tangerine exports are forecast at 540,000 MT, down slightly from last year. Although production is up, farmers are increasingly planting mandarin/tangerine varieties targeted to the domestic market rather than traditional mandarins for export.

Tangerines/Mandarins, Fresh Market Begin Year China	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 2018	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	830000	830000	850000	850000	0	870000
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	20600	20600	21200	21200	0	22000
Imports	50	50	55	50	0	50
Total Supply	20650	20650	21255	21250	0	22050
Exports	587	587	540	550	0	540
Fresh Dom. Consumption	19413	19413	20072	20060	0	20890
For Processing	650	650	643	640	0	620
Total Distribution	20650	20650	21255	21250	0	22050

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

Grapefruit/Pomelos

Production

Pomelo production in MY 2018/2019 (October-September) is forecast to rise to 4.9 MMT, up two percent from the previous year. Producers in Fujian and Guangdong (the two largest pomelo producing provinces) confirmed that the harvest will be good this year as weather was favorable during the growing season. Production in Sichuan and Guangxi provinces is also expected to increase as the planting area has been continuously expanding during the past three years.



Fujian pomelos including popular “three red” variety

Prices

Traders report that the current average price for domestic white flesh pomelo is RMB 2.8 (\$0.42) per kilogram, which is about RMB 0.6 (\$0.09) lower than the previous year, due to the larger crop and current slack demand in the market. The orchard price for premium three-red pomelo (with popular red flesh) in Fujian province is RMB 3.5 (\$0.51) per kilogram.

Consumption

MY 2018/2019 domestic pomelo consumption is forecast to grow 2 percent to over 4.7 MMT, due to the increased production. Currently in the market there is a wide discrepancy in demand for pomelos of different qualities. Seedless pomelos from the *Pinghe* region in Fujian province are in great demand because of their unique sweetness and juicier characteristics. Three red (red flesh, red juice, and red inside of peel), yellow flesh and red flesh varieties pomelos are the most popular ones and command a strong price premium. Demand for lower-quality pomelos and seeded varieties, however, are stagnant and traders report an oversupply in the market.

Trade

Imports

MY 2018/2019 imports are forecast at 45,000 MT, down four percent from previous year’s revised estimates on lower prices and ample supply of domestic pomelos.

MY 2017/2018 imports have been revised to 65,000 MT, as a result of a jump in imports from South Africa. Traders report that a sharp increase in these imports of smaller pomelos/grapefruits from South Africa has depressed the market price. Traders also report that consumers typically prefer larger sized pomelos/grapefruits.

Exports

MY 2018/2019 exports are forecast unchanged from the previous year at 200,000 MT. Although production is rising, traders report that increasingly stringent inspections and stricter quality standards in

importing countries has impacted exports. Major export destinations for Chinese pomelos include Netherlands, Russia, Hong Kong, and other European countries.

Grapefruit, Fresh Market Begin Year	2016/2017		2017/2018		2018/2019	
	Oct 2016		Oct 2017		Oct 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
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	4600	4600	4800	4800	0	4900
Imports	40	40	44	65	0	45
Total Supply	4640	4640	4844	4865	0	4945
Exports	180	180	200	200	0	200
Fresh Dom. Consumption	4460	4460	4644	4665	0	4745
For Processing	0	0	0	0	0	0
Total Distribution	4640	4640	4844	4865	0	4945

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

Citrus Policy

The Chinese government continues to provide financial and technical support to citrus growers, primarily on regional and local levels. Regional regulations on seedlings and planting technology are monitored by local government officials. In areas hit by greening disease, farmers are encouraged to build nets in order to protect the younger trees from the spread of greening disease. Some local governments are also providing financial support for the purchase of new tree seedlings for replanting. Local governments in some areas also provides guidance to farmers and the correct time to harvest, in order to help ensure that fruits are picked at the optimum time in terms of quality and marketing.

On import policy, as mentioned, in March and July 2018 the Chinese Government placed additional tariffs on imports of U.S. citrus, which is significantly impacting sales. On export policy, in an effort to encourage exports, the Chinese government announced on October 22 that export rebate rates will be increased for most or many exported products on November 1, 2018.

The export rebate for oranges (HS 08051000) and mandarins, tangerines and hybrids (HS 08052190, 08052900, 08059000) will be increased to 10 percent (of the export value) from 5 percent. The export rebate for grapefruit (HS 080540), lemons & limes (080550) and clementines (080522) will be increased to 6 percent from 5 percent.

Citrus Marketing

With the rapid development of cold storage and cold chain infrastructure in China, citrus distribution channels are continuing to expand. Large fruit wholesale markets in Guangzhou, Shanghai and Beijing

are seeking ways to upgrade their facilities and penetrate into secondary cities, and regional secondary wholesale markets are also begin to expand their capacity.

Hypermarkets and supermarket chains as well as specialized fruit stores are the primary retail outlets for purchasing citrus products in first-tier cities. However, more and more offline chains in second and third-tier cities are offering imported citrus products on their shelves. Additionally, the significant growth in mobile applications and online shopping platforms has enabled premium-branded citrus products to be delivered to millions of consumers' home within a few days.

Because of this growth, integrated promotions that include both online and offline channels are a new practical way to further promote imported citrus products in this changing market. Well-educated consumers in first tier cities are more familiar with the imported fruits. With higher per capita income, this group of consumers is willing to pay higher price for premium products and pay more close attention to freshness, taste, appearance as well as nutritional benefits of the imported citrus products. Trade seminars and activities with consumer interaction can help enhance the positive image of imported citrus. Point-of-sale materials, gift packaging and brand messaging can largely boost the sales throughout the promotion, especially during the Chinese holidays and festivals.

Guangzhou and Shenzhen in South China continue to be the major transaction hub for imported citrus products due to the proximity to Hong Kong. After the custom clearance completion, containers are shipped to *Jiangnan* wholesale market in Guangzhou, and then often transshipped to *Huizhan* market in Shanghai and *Xinfadi* in Beijing. Other importing ports include Dalin and Tianjin.