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**Report Highlights:**

In line with historical trends, fresh citrus production and consumption are forecast to continue upward in MY2020/21 to 35.6 MMT and 34 MMT, respectively. However, looking ahead, the rate of production growth is expected to slow as prices drop and consumer demand reaches its saturation point. Demand for imported citrus in MY2020/21 is expected to remain soft, down 25% overall from pre-COVID levels, though will return as the economy rebounds. Lower frozen concentrate orange juice imports and production show domestic industry challenges and signal consumers' changing preferences to juices made from fresh fruits. Chinese countermeasures for COVID-19 will continue to add complication and cost to cold chain imports, including citrus.

## Summary

Post forecasts total citrus production for marketing year (MY) 2020/21 will continue to grow because:

- New trees planted 3-4 years ago start to produce more fruits.
- New growing areas in various provinces.
- New varieties are planted to replace the outdated ones.
- Grafting and growing techniques shorten the time to bear fruits.
- Increasing greenhouse planting for tangerines and mandarins.

Despite the sustained growth, industry insiders speculate citrus production growth will slow in the next few years as the industry reaches what they believe to be the consumption saturation point.

Prices: Overall citrus prices dropped in MY2019/20 with a larger crop. This downward pressure on prices will continue for MY2020/21 with an even larger crop forecasted. However, it is expected that the prices for premium fruits will remain high assuming the pandemic will be better controlled in MY2020/21 and Chinese consumers have stronger confidence in spending.

The unprecedented surge and spread of COVID-19 in MY2019/20 had some key impacts on the Chinese citrus market:

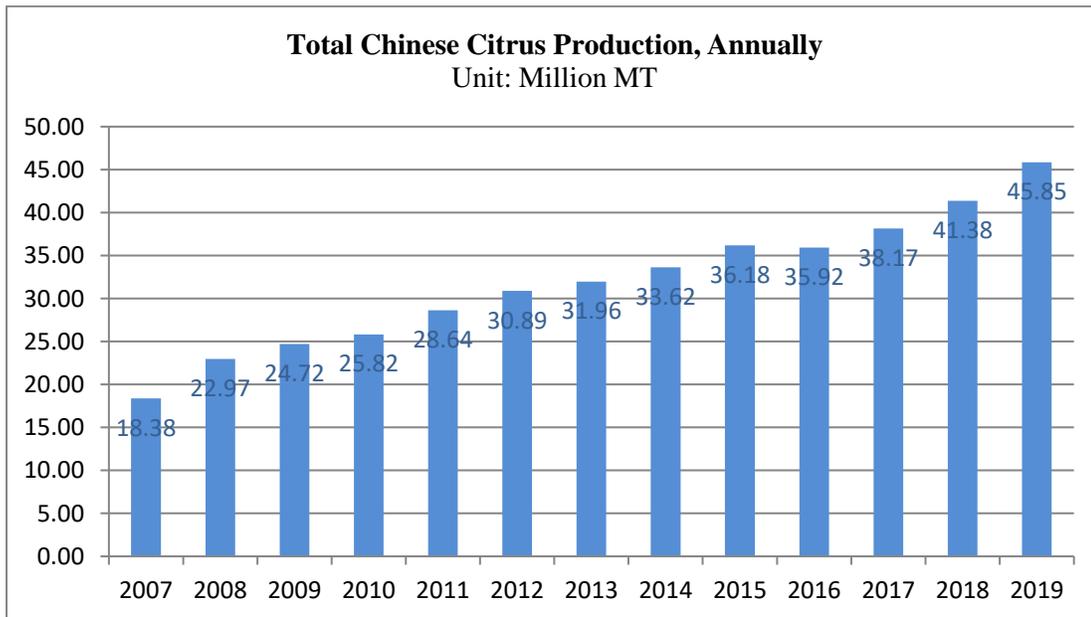
- The economic slowdown in 2020 made Chinese consumers more price sensitive and conservative in spending.
- Major local citrus importers who purchased southern hemisphere products in early CY2020 encountered decreasing market demand and lost money, especially on imported oranges. As a result, for part of MY2019/20, they were hesitant to place further orders for imported fruits given the uncertainty of COVID-19 and challenges with trade.
- Lockdowns and higher operational costs limited exports in MY2019/20, leaving more in the domestic market and creating downward pressure on prices.
- Labor shortages and port backups in China and elsewhere had some negative impact on Chinese imports and exports in early CY2020.
- Fewer imported fruits available in the wholesale market are leading some Chinese traders to put increasing attention on domestic fruit trade.
- The disinfection measures required at Chinese ports for all cold chain food products starting in late MY2019/20 further raise the import costs.
- Post believes consumers' adoption of online and digital sales in the first half of 2020 will create lasting changes for offline retail stores.
- Brand building, even in fruit, is becoming more important to attract high-end consumers.
- The appreciation of the Chinese RMB in CY2019/20 will make it less expensive to import and more expensive to export possibly leaving more fruits in the domestic market.

**Chinese Citrus Production Areas (percentage of total production, tons)**



**Legend:**

- Brown= 25% (Guangxi)
- Light Brown= 10 to 20% (Hubei, Hunan)
- Orange = 5 to 10% (Guangdong, Sichuan, Fujian, Jiangxi, Chongqing)
- Ocher= 3 to 5% (Zhejiang)



Source: China Statistical Yearbook 2020

*\*Note: This chart includes all Chinese citrus products, not only those discussed in the report.*

## **ORANGES**

### ***Production***

Orange production in MY2020/21 is forecast to grow to 7.5 Million MT (MMT), driven mainly by the new trees planted a few years ago in Jiangxi and other provinces that have started to produce more fruits. Post revised its MY2019/20 estimate up to 7.4 MMT as growers and distributors recently reported a much larger crop as a result of plentiful rainfalls during the marketing year.

In MY2020/21 and subsequent years, the expansion of area planted is expected to slow as increasing production volumes from prior year plantings have pushed prices down. The downward price trend is expected to continue and industry experts expect Chinese citrus demand is quickly approaching its saturation point.



*Orange trees grown in Jiangxi province*

In addition to navel oranges, China produces other sweet orange varieties in Jiangxi, Sichuan, Chongqing, Hunan, Hubei, Guangxi, Hainan and Yunnan provinces. Production of red flesh oranges, which are similar to blood oranges, is currently small, but on the rise because of better profit margins for producers.

### ***Prices***

Overall, prices of oranges dropped in MY2019/20 due to larger production volumes and visually less appealing fruits. Currently, in the beginning of MY2020/21, the average orchard prices for navel oranges in Southern Jiangxi is about RMB5- RMB5.6 (\$0.72-\$0.80) per kilogram. Some packers and distributors predict that for varieties harvested in March/April, the orchard price may be even lower, RMB4.4- RMB4.8 (\$0.67-\$0.73) per kilogram as more fruits enter the market. The average retail price for bulk ordinary navel oranges in supermarkets is around RMB8- RMB11.6 (\$1.22 - \$1.77) per kilogram.

However, it is notable that branded, pre-packed navel oranges, increasingly sold via online platforms, enjoy better prices, ranging from RMB10.8- RMB25.2 (\$1.65- \$3.85) per kilogram, depending on different quality grades. The '17.5°' brand under Nongfu Spring, one of the largest navel producers and packers in Jiangxi, Hunan and Hubei, sells its 3kg package online for RMB75 (\$10.80) and its 5kg package for RMB98 (\$14). Prices for other sweet orange varieties can vary widely depending on the consumer perception of the geographical growing area, and the texture and taste of the fruit.

### ***Consumption***

Assuming the gradual economic recovery from COVID-19 and sustained demand for fruit, fresh orange consumption in MY2020/21 is forecast to increase slightly to 7.36 MMT from the updated MY2019/20 consumption estimate at 7.24 MMT.

Consumers are increasingly opting for home delivery service and prefer branded oranges in pre-packed promotional boxes for daily consumption. In addition to freshness, consumers have become even more discerning on texture and taste. In many cases, to stimulate sales and educate consumers, retailers and distributors will display a graphical representation of the sweetness and tartness of the fruit, on the package or at point-of-sale, to help consumers understand the characteristics of an increasingly diverse offering of orange varieties.



*Pre-packaged oranges ready for sale*

## ***Trade***

### *Imports*

Post forecasts MY2020/21 fresh orange imports to grow only slightly to 290,000 MT from the MY2019/20 estimate revised down to 288,000 MT. This slight growth is forecasted on assumption that the Chinese economy partially rebounds and increasing supplies of local citrus will depress import demand. Major suppliers will remain Egypt, South Africa, Australia, the United States, and Spain.

China's total imports of fresh oranges dropped dramatically in MY2019/20, due to the sudden increase in freight costs and labor impacts of COVID-19. Before the pandemic, China's orange imports witnessed a seven consecutive year growth. Key wholesale traders reported the drop largely occurred in the early spring, around Chinese New Year, when port logistics and domestic transportation within China were seriously affected by the pandemic. Imports from Egypt were down 41 percent, South Africa down 15 percent, Australia down 37 percent, and Spain down 80 percent.

### *Exports*

MY2020/21 orange exports are forecast to increase five percent to 55,000 tons from the previous year. Post expects restored logistics, the increased crop, and rebounding economies and demand in key export countries to drive this increase. MY2019/20 exports were revised down to 52,000 MT based on reported export data.

While Vietnam accounted for 60 percent of Chinese exports in MY2019/20, exports dropped 18 percent. Other export destinations for fresh Chinese oranges include the Philippines, Malaysia, Russia, Hong Kong, and Thailand, many of which also saw significant reductions in shipments of Chinese fresh oranges.

Oranges, Fresh Market Year Begins China	2018/2019		2019/2020		2020/2021	
	Nov 2018		Nov 2019		Nov 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HECTARES)	810000	810000	815000	815000	0	816000
Area Harvested (HECTARES)	0	0	0	0	0	0
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total No. Of Trees (1000 TREES)	0	0	0	0	0	0
Production (1000 MT)	7200	7200	7300	7400	0	7500
Imports (1000 MT)	434	434	448	288	0	290
Total Supply (1000 MT)	7634	7634	7748	7688	0	7790
Exports (1000 MT)	55	55	60	52	0	55
Fresh Dom. Consumption (1000 MT)	6989	6989	7088	7236	0	7335
For Processing (1000 MT)	590	590	600	400	0	400
Total Distribution (1000 MT)	7634	7634	7748	7688	0	7790
(HECTARES), (1000 TREES), (1000 MT)						

## **ORANGE JUICE**

### ***Production***

Post forecasts domestic production of frozen concentrate orange juice (FCOJ) for MY2020/21 at 30,800 MT, flat from the MY2019/20 revised estimate. These figures assume that with stable demand, the same amount of oranges will be delivered to processors.

The MY2019/20 production estimate is revised down to 30,800 MT as consumers increasingly sought fresh fruit during the pandemic. This revision is largely due to demand changes. Related to COVID-19, improved delivery networks facilitated more fruits to get direct to customers' homes. Meanwhile, rising labor costs during the pandemic lockdown and transportation disruptions during peak processing times raised prices for processors, and margins narrowed to discourage juice processing. With the boom in online ordering, it is also easier for e-commerce retailers and online platforms to sell secondary quality fresh fruits direct to consumers which could otherwise go to juicing. Furthermore, some key legacy orange juice producers have been simultaneously reducing their production due to financial challenges.

Post is also revising MY2018/19 estimates down based on conversations with industry contacts this year who report the downward trend in domestic orange juice production began earlier than reflected in previous estimates. This is reportedly a result of lower prices of imported FCOJ when compared to domestically produced (with higher operational costs), slower consumer demand and one of the major processing companies reducing production due to financial difficulties.

## *Prices*

While the retail price of orange juice products from concentrate is likely to remain steady, the price of imported FCOJ is forecast to rise on tight supplies, thereby reducing processing companies' margins. As for premium not from concentrate (NFC) juice products, retail prices will remain same, between RMB32- RMB36 (\$4.58-\$5.15) per liter which is two or three times that of from concentrate orange juice products.

## *Consumption*

MY2020/21 frozen concentrate orange juice consumption is forecast up slightly to 89,900 MT based on an expected rebound in the Chinese economy post-pandemic and stronger consumer confidence to spend as movement restrictions are eased.



*Orange juices display on shelf*

Consumption for MY2019/20 is revised down to 89,346 MT based on estimated lower supply and demand-driven factors. During the COVID-19 outbreak, especially for the first two quarters of MY2019/20 public places selling juice products such as shopping centers, sports facilities, schools, and transportation hubs were either closed or required a strict quarantine check. This had a negative impact on the consumption of overall juice beverages, including orange juice consumption.

In retail stores, sales of drinks made with juice concentrate were down over last year. Retailers reported growth in NFC juice and dairy beverage consumption. Post observes that juice and tea shops seem to be using more fresh-squeezed juices to increase their appeal and allow them to sell at higher prices. There are some signs indicating consumers are doing their own juicing at home (juicer sales were up this year) – lower orange prices may make them more willing to do it at home. Top consumer brands of premium orange juices, both from concentrate and NFC, include: 17.5°, Sunkist, Weiquan, Wahaha, and Paisonbai. Some legacy consumer brands are facing keen competition from those trendy new brands in the retail market. To gain the market share, major players in the juice industry will invest substantially in marketing by offering various promotional activities such as “buy one get one free” via both online and offline distributions.

## *Trade*

### *Imports*

Orange juice imports for MY2020/21 is forecast at 60,800 tons, a slight increase from the updated MY2019/20 data. With the slight forecasted increase in demand, and stable domestic production, imports will make up the difference. Major suppliers are likely to include Brazil, Israel, Taiwan, Thailand, and Costa Rica.

Estimated Chinese imports of FCOJ in MY2019/20, was revised to 60,315 tons, down 15 percent from the previous marketing year. The drop is mainly because of soft demand by consumers constrained by lockdowns. The short supply and logistical disruptions caused by the pandemic also raised the cost of imported FCOJ.

## Exports

In MY2020/21 orange juice exports are forecast at 1,700 MT, a slight drop from the previous year's revised estimate. Top export destinations will likely include Hong Kong, Indonesia, Australia, Taiwan, Japan and other Asian countries.

In MY2019/20, China exported 1,769 tons of frozen concentrate orange juice equivalent to the world, down 27 percent from the previous marketing year and the record low in the past decade. This is a result of less domestic supply and COVID-related challenges globally.

Orange Juice Market Year Begins	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Deliv. To Processors (MT)	590000	520000	600000	400000	0	400000
Beginning Stocks (MT)	0	0	0	0	0	0
Production (MT)	45400	40000	46200	30800	0	30800
Imports (MT)	68749	70400	68300	60315	0	60800
Total Supply (MT)	114149	110400	114500	91115	0	91600
Exports (MT)	2304	2411	2350	1769	0	1700
Domestic Consumption (MT)	111845	107989	112150	89346	0	89900
Ending Stocks (MT)	0	0	0	0	0	0
Total Distribution (MT)	114149	110400	114500	91115	0	91600
(MT)						

## TANGERINES & MANDARINS

### Production

In MY2020/21 the production of tangerines and mandarins is forecast at 23.1MMT, a slight increase from MY2019/20. Increasing production in Sichuan, Chongqing, and Zhejiang will outweigh the negative production impacts of citrus greening disease and some unfavorably timed summer rains in Guangdong and Guangxi. Production in MY2019/20 is unchanged from the previous estimate.



*New varieties under research and development*

Looking further ahead, some industry-insiders predict the overall growth rate of tangerine and mandarin production will slow down in the coming years as both local governments and farmers become more conservative in offering incentives and planting trees, respectively.

*Wogan*, the most popular and produced variety, is expected to continue to grow with the expansion into new growing areas. *Red beauty* producers in Zhejiang province are trending to expand growing area and grow this premium variety in greenhouses to avoid the negative impact from unfavorable weather conditions on the crop.

Varieties less popular with consumers will gradually be replaced by new varieties in the coming years. The growing area for *Shatangju* in Guangxi, for example, is now considered too big and production area is expected to level off as traders consider this variety is not ideal for long distance transportation. In addition to *Buzhihuo* and *Papagan* varieties, Chongqing farmers plan to expand their orchards to grow new hybrids such as *Songgan*, *Yaju*, and *Baomao* which consumers increasingly demand. New growing technologies, including grafting, are applied to shorten the time for trees to bear fruit.

### ***Prices***

The average orchard prices for tangerines and mandarins in MY2020/21 is expected to decrease slightly from MY2019/20 due to the larger supply and competition from substitute citrus varieties. The orchard price for Guangxi *Shatangju* in late November 2020 ranged from RMB5-RMB7 (\$0.72-\$1.00) per kilogram, sliding from the previous year. Meanwhile, *Wogan* prices ranged from RMB6-RMB8.4 (\$0.85-\$1.20) per kilogram, lower than MY2018/19.

While the average orchard prices are lower than the previous year, in premium retail stores, high-end *Wogan* can be sold at RMB20-24 (\$2.84-\$3.40) per kilogram. *Gonggan* from Guangdong province sold for at RMB2.8 – RMB4.4 (\$0.40-\$0.63) per kilogram at the farm and in online retail sales for RMB10-RMB20 (\$0.44-\$2.84) per kilogram. Prices for varieties to be harvested in January 2021, are expected to go up slightly as Chinese New Year approaches in mid-February. Prices are likely to drop after Chinese New Year. Industry insiders expect premium branded fruits prices and new-to-market varieties to enjoy much higher prices than bulk fruits in the market. At retail stores some branded tangerines and mandarins are sold between RMB26-RMB36(\$3.70-\$5.14) per kilogram.

### ***Consumption***

MY2020/21 domestic consumption is forecast to be roughly flat at 21.8 MMT. This predicted small increase in consumption assumes that most of the forecasted production increase in MY2020/21 will be consumed domestically.

### ***Trade***

#### ***Imports***

MY2020/21 imports are forecast to increase slightly from the MY2019/20 revised estimate to 50,000 MT. This projected increase in imports assumes that consumer demand for imported fruits will partially rebound post-pandemic with a stronger economy in comparison with MY2019/20.

Post revised MY2019/20 imports down 27 percent from the previous marketing year to 44,000 MT primarily due to the availability of a large crop of domestically produced tangerines and mandarins.

#### ***Exports***

MY2020/21 tangerine and mandarin exports are forecast at 700,000 MT, up 6 percent from the previous year's revised estimate which reflects the latest trade data. Exports are expected to climb as transportation networks normalize and freight prices return to previous levels, tangerine and mandarin

production levels increase, global economic conditions rebound, and Chinese citrus products are granted new market access, including to the United States since 2020.

In MY2019/20, China exported a total volume of 657,000 MT of tangerines and mandarins to the world, down 7 percent from MY2018/19 exports due in large part to actual decreased exports to Vietnam, Russia, Thailand and others, likely due in part to COVID-19.

Tangerines/Mandarins, Fresh Market Year Begins	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
China	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HECTARES)	870000	870000	880000	880000	0	885000
Area Harvested (HECTARES)	0	0	0	0	0	0
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total No. Of Trees (1000 TREES)	0	0	0	0	0	0
Production (1000 MT)	22000	22000	23000	23000	0	23120
Imports (1000 MT)	61	61	64	44	0	50
Total Supply (1000 MT)	22061	22061	23064	23044	0	23170
Exports (1000 MT)	706	706	710	657	0	700
Fresh Dom. Consumption (1000 MT)	20735	20735	21734	21767	0	21860
For Processing (1000 MT)	620	620	620	620	0	610
Total Distribution (1000 MT)	22061	22061	23064	23044	0	23170

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

## Grapefruit & Pomelo

### *Production*



Golden pomelo trees in Meizhou, Guangdong

Total grapefruit and pomelo production in MY2020/21 is forecast at 4.95 MMT, a negligible increase from the previous year mainly driven by the increased production of grapefruit hybrids in Guangxi and Yunnan. Though limited, this change is worth reporting as it reflects the beginning of grapefruit production. Post's previous reports have traditionally only reflected pomelo production as it dominated the market; however, as grapefruit begins to gain recognition, some farmers are planting new hybrid varieties or developing new varieties to plant to be at the beginning of this trend.

Major production areas for pomelos include Fujian, Guangxi and Guangdong. The overall pomelo production will remain stable as the area planted is stagnant. Production area growth is attributed to new areas being planted for grapefruit production.

## *Prices*

The orchard prices for pomelos in MY2019/20 is, on average, RMB1.5- RMB2.5 (\$0.20 - \$0.35) per kilogram, about RMB0.7 (\$0.10) per kilogram lower than previous year. This year Post observed retail prices for premium, Chinese certified organic pomelos will be as high as RMB16 – RMB30 (\$2.30- \$4.32) per kilogram while ordinary pomelos sell in retail at RMB6 – RMB10 (\$0.86 - \$1.44) per kilogram.

The retail price for domestic hybrid grapefruit is around RMB12- RMB16 (\$1.70- \$2.20) per kilogram. However, the volume is quite small compared to domestic pomelo.

## *Consumption*

Overall consumption for pomelo and grapefruit in MY2020/21 is forecast at 4.8 MMT, up slightly from the previous year. Meizhou golden pomelo with white flesh and *Pinghe* “Three red” with red flesh enjoy a good reputation in the market and will remain good sellers. In addition, with the increasing demand for grapefruits, Post expects prices for branded premium grapefruit, either directly imported or domestic products, will be higher than the ordinary grapefruit. This follows trends with other branded citrus, and fruit generally.



*Hybrid grapefruits available in retail store*

## *Trade*

### *Imports*

Grapefruit imports for MY2020/21 are forecast to 78,000 MT, up three percent from Post’s revised estimate for the previous year. In MY2019/20, China’s total import volume of grapefruit increased to about 76,500 tons, up 24 percent from the previous year. South Africa is the largest supplier, accounting for 67 percent of the market share; other main suppliers for pomelo and grapefruit include Thailand, Israel, Egypt, Australia, and Taiwan. 2020 is the first year that Chilean citrus gained access to the China market.

U.S. grapefruit imports to China decreased 72 percent from MY2018/19, in part because imports from South Africa and other countries are less expensive. Few traders report awareness of US-origin grapefruit.

### *Exports*

The export forecast for MY2020/21 is at 220,000 tons, up slightly from the MY2019/20 data based on an assumption that with a larger crop predicted, more fruits will meet the quality standard for export.

In MY2019/20, China exported about 209,000 tons of pomelo to the world, down 15 percent over MY2018/19, with sharp drops to Russia, Hong Kong, and Poland, largely a result of COVID-19. China’s key pomelo export destinations are the Netherlands and Russia, with other exports destined for

Ukraine, Romania, Canada, Lithuania, Hong Kong, Vietnam, Germany, Poland and the United Kingdom.

Grapefruit, Fresh Market Year Begins China	2018/2019		2019/2020		2020/2021	
	Oct 2018		Oct 2019		Oct 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (HECTARES)	0	0	0	0	0	0
Area Harvested (HECTARES)	0	0	0	0	0	0
Bearing Trees (1000 TREES)	0	0	0	0	0	0
Non-Bearing Trees (1000 TREES)	0	0	0	0	0	0
Total No. Of Trees (1000 TREES)	0	0	0	0	0	0
Production (1000 MT)	4900	4900	4930	4930	0	4950
Imports (1000 MT)	61	61	68	76	0	78
Total Supply (1000 MT)	4961	4961	4998	5006	0	5028
Exports (1000 MT)	248	248	255	209	0	220
Fresh Dom. Consumption (1000 MT)	4713	4713	4743	4797	0	4808
For Processing (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	4961	4961	4998	5006	0	5028

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

*\*Note: This table primarily contains production and export information for pomelo and import information for grapefruit. While in previous years, production was heavily dominated by pomelo, in MY2019/20 Post began to see the start of a domestic grapefruit industry and nascent domestic demand for the product.*

## CITRUS POLICY

### Tariffs

Following the U.S.-China Economic and Trade Agreement (ETA), also known as the “Phase One Agreement,” the Chinese government created an administrative process whereby importers could apply for tariff exclusions for some retaliatory tariffs imposed on U.S. products. More information is available in the GAIN report: [Updated Guidance on China's Retaliatory Tariffs and Tariff Exclusion Process for US Products - August 5, 2020](#)

Tariffs on U.S. citrus still remain higher than some competitor counties. Below is an example of competitive environment for citrus:

HS Code	Description	Tariff						VAT (%)
		MFN (Jan 1, 2020)	232 (April 2, 2018)	301 (Feb 14, 2020)	Total Applied Tariff for US (%)	Australia	Chile/Peru	
080510	Oranges, fresh or dried	11	15	30	56	3.7	0	9
080529	Other citrus hybrids	12	15	30	57	4	0	9
080540	Grapefruit	12	15	30	57	4	0	9
200911	Frozen Orange Juice	7.5	-	25	32.5	1.9	0	13
200912	Unfrozen OJ, Brix Val≤20	15	-	25	40	11.3	0	13
200919	Unfrozen OJ NES	15	-	10	25	7.5	0	13

*Note: According to the regulations, Chinese importers can apply for exclusion on the 301 Tariffs, making the applied rate the MFN rate + 232 rate.*

The United States was the only large supplier of oranges to China that saw an increase in MY2019/20, likely as a result of successful tariff exclusion policies and the fact that many citrus products arrived before the strictest lockdowns. However, the uncertainty in the trade relationship between the U.S. and China still gives some traders pause to make purchases.

### *Market access*

This year, also as a result of the ETA, the U.S. completed its determination to allow Chinese citrus including *Citrus grandis* (pummelo/pomelo), *Citrus kinokuni* (Nanfeng honey mandarin), *Citrus poonensis* (ponkan), *Citrus sinensis* (sweet orange), and *Citrus unshiu* (Satsuma mandarin) access to the United States (APHIS announcement: [https://www.aphis.usda.gov/aphis/newsroom/stakeholder-info/sa\\_by\\_date/sa-2020/sa-04/china-citrus](https://www.aphis.usda.gov/aphis/newsroom/stakeholder-info/sa_by_date/sa-2020/sa-04/china-citrus); GACC announcement: <http://www.customs.gov.cn/customs/302249/302266/302267/3025894/index.html>).

In line with China's trend to diversify suppliers, China also granted access to Chilean citrus, including citrus *reticulata* and its hybrids, citrus *paradisi*, citrus *sinensis* and citrus *limon*. <http://www.customs.gov.cn/customs/302249/302266/302267/3073230/index.html>

### *Countermeasures against COVID-19*

In early CY2019, Chinese local government supported the local citrus (and fruit) industries by providing subsidies to big buyers and logistic companies who could purchase and transport the fruits to consumers – domestically and internationally – beyond the orchard gates. With COVID-19 impacts significantly lessened in China, these programs have essentially vanished.

At time of writing, the General Administration of Customs of China (GACC) has issued a nationwide order that all imported cold chain foods, including fruits, are subject to disinfection at customs port of entry. Major wholesale markets in both Guangzhou and Shanghai requested a third party carry out the disinfection procedure. The certificate of disinfection is increasingly required by major retail players before the product can be sold online or in the store. Importers report that delays, uncertainty about the changing rules to contain COVID-19, and added costs associated with these procedures make imports increasingly complicated.

## **CITRUS MARKETING**

The sudden outbreak of COVID-19 in January 2020 spurred significant market changes for fresh fruits including citrus. Outside traditional retail channels, the online e-commerce platforms such as Pinduoduo, JD.com, and Tmall all offer both imported and domestically grown citrus products. Meanwhile, community purchases (orders led by a neighborhood member who is able to organize discount group buying and local delivery) and WeChat mini-program ordering have strongly increased. More online customers and more consistent, fresh delivery allow an increasing number of producers – both large and small – to market and sell their citrus direct to customers throughout the country through digital channels. Industry estimates that in the first 10 months of 2020, digital citrus transactions grew at least 12 percent year-on-year.

With the pandemic and the large domestic production in MY2019/20, imported citrus products encountered challenges in freight movement, cost, and stiff domestic competition from many varieties and increasing quality of fruits. Guangzhou and Shanghai have the most active imported fruit markets in China. Both regions act as entry points for further distribution throughout the country. Citrus arriving in China in early Spring (February/ March) was seriously affected by COVID-19 as lockdowns were common and consumer demand was down. Traders reported significant financial losses from this and reluctance to place further orders in the short term; this is not expected to have a large impact in the future. With the exporting and importing difficulties resulting in less imported fruits in the wholesale market, some traders began switching to domestic supplies to meet demand.

With the longstanding link between Vitamin C and immunity, consumers increasingly consider fresh citrus products as a way to preserve and enhance body function to fight disease. Against this backdrop, per capita citrus consumption in China is expected to remain strong - it almost doubled in the past decade, from 18kg in 2010 to 32kg in 2019. COVID-19, in particular, has begun to change consumer mindsets from wanting to purchase fresh produce daily to wanting to minimize contact and purchase frequency. This has encouraged importers and retailers to begin selling larger packages of fruit that can withstand long distance transportation. In addition, with a slower economy, Chinese consumers are becoming more conservative and look for lower prices.

Intense online and offline retail competition, especially in 1<sup>st</sup> and 2<sup>nd</sup> tier cities, has encouraged regional supermarket chains and distributors to constantly look to differentiate themselves by sourcing new-to-market or unique products. This, and consumer interest in new fruits and varieties, create bountiful opportunities for suppliers who can offer new varieties to the Chinese market. Seedless and easy-to-peel hybrids citrus products will likely remain in demand. Whereas consumers used to look for the sweetest fruit, companies are now advertising the sweet to tart ratio of fruits, indicating changing consumer preferences toward more balanced sweetness.

**Attachments:**

No Attachments