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## **China - Peoples Republic of**

### **Raisin Annual**

## **U.S. Raisin Imports Lose Market Share Despite Increasing Chinese Demand**

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**Report Highlights:**

China's raisin production is forecast at 200,000 MT in MY 2019/20, up nearly 3 percent from the previous year. China is expected to import 45,000 MT of raisins from the world, up about 5 percent from last year. The Chinese government's recent announcement of a third round of additional tariffs on U.S. products, effective as of September 1, 2019, will further reduce the competitiveness of U.S. raisin imports and reduce U.S. market share.

## Production

China's raisin production is forecast at 200,000 metric tons (MT) in marketing year (MY) 2019/20 (August-July), an increase of nearly 3 percent from the revised production in MY2018/19. The primary reason for the increase is that grape harvests in Turpan, the largest production region in China, have finally rebounded following a bad crop in MY2016/17.

Grape production in Turpan is forecast at 1 million MT in 2019/20, of which 70 percent is likely to be processed into raisins. Turpan, of the Xinjiang Uyghur Autonomous Region, produces more than 80 percent of the country's raisin output (Turpan is shown in red and Xinjiang is shown in orange). Turpan currently plants some 37,800 hectares of grapes and acreage is steadily increasing, according to local media reports. Although many grape varieties are planted in Turpan, more than 90 percent of the grapes are Thompson Seedless varieties which can also be consumed fresh.



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Green raisin production continues to decline given slow market movement, according to local industry sources. Green raisins are wind-dried in special drying houses run by individual farmers. The share of green raisins, which used to account for about 60 percent of Turpan's total raisin production, has decreased over years, but China remains the world largest green raisin producer.

Dark raisin production will largely increase driven by strong demand and improved market prices (see Prices). The dark raisins are processed by companies using solutions and sun-drying yards. Traders indicate that the number of processing facilities is increasing in Turpan to accommodate the rapidly developing food industry. Dark raisins are generally used as food ingredients and green raisins are traditionally consumed as snacks.

## Prices

Dark raisins are currently priced at RMB 17 (\$2.4) per kilo in Turpan wholesale markets, an increase of more than 30 percent from the previous year due to strong market demand. In addition, supplies of dark raisins have been tight since the beginning of the season, according to local traders. Prices may decrease as large quantities of raisins will become available in late September or early October. On the other hand, green raisins prices have decreased by 20 percent year-on-year to RMB 24 (\$3.4) per kilo. Industry sources indicate that there are still carry-in stocks of green raisins from MY 2018/19.

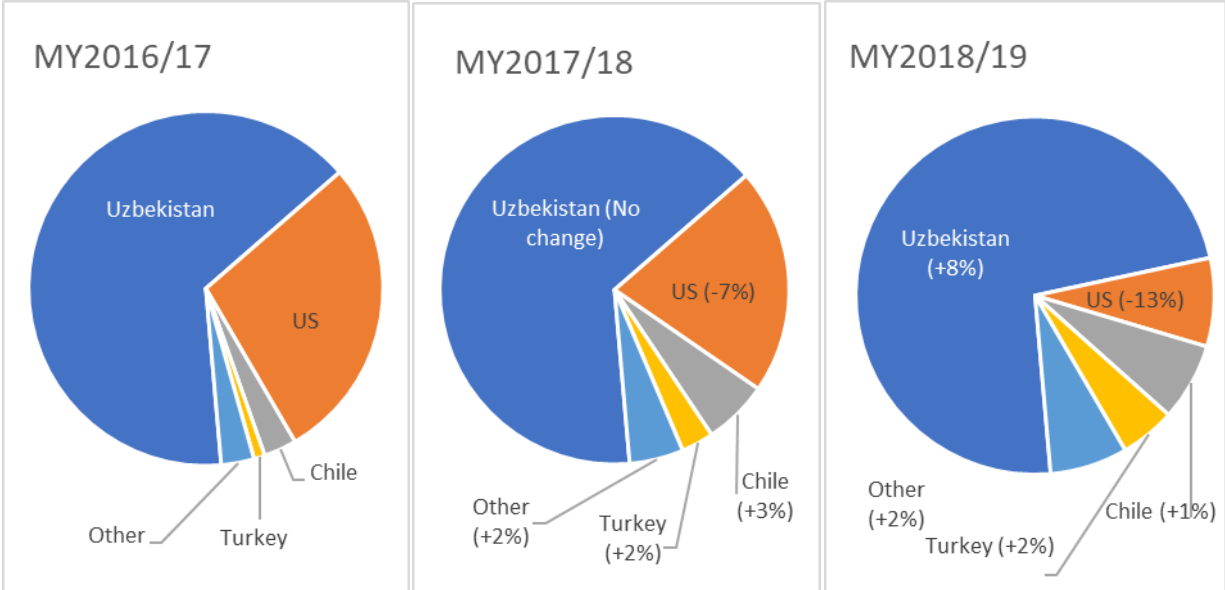
## Consumption

Raisin consumption continues to increase, largely driven by the development of the Chinese food industry. It is reported that the food and beverage industry will maintain an annual growth rate of more than 7 percent in the foreseeable future. In addition to the bakery and confectionary sectors, more processed food, such as dairy products, are using raisins as ingredients. In general, raisin consumption occurs in more developed regions, such as Guangdong, Jiangsu, Zhejiang, and Shandong provinces, particularly in first- and second-tier cities. Consumers between the ages of 30 and 39 are the major raisin

consuming group, accounting for nearly half of total consumption, according to a market survey. In addition, female consumers reportedly prefer dried fruit products more than their male counterparts. Annual per capita consumption of raisins in China is still low; it is currently estimated at 0.15 kilo per person. Industry reports that there is great potential for raisin consumption to increase, especially in third- and fourth-tier cities.

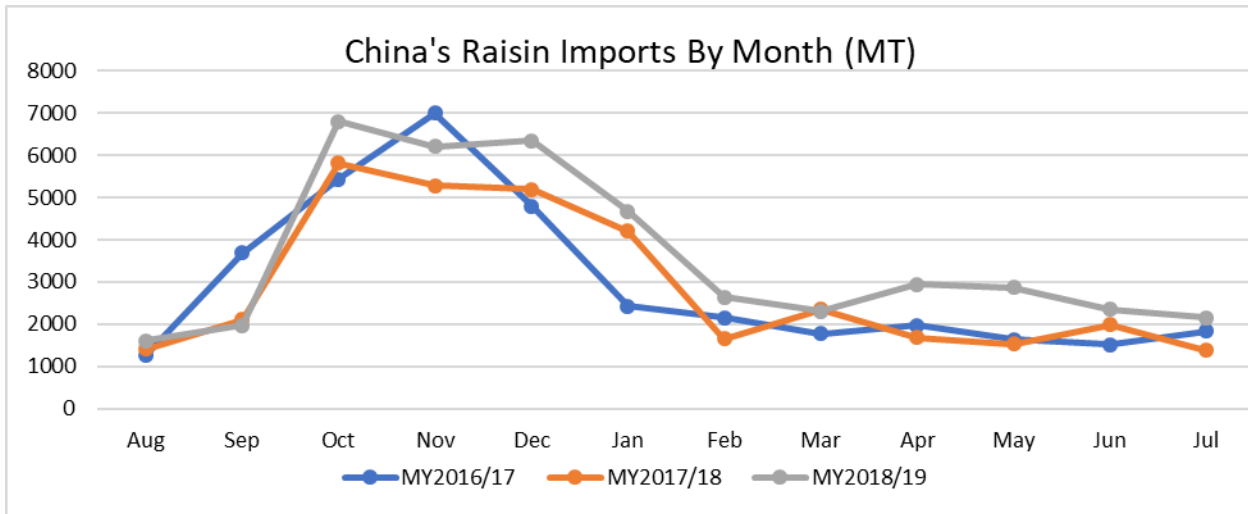
**Trade**

China’s raisin imports are expected to increase by nearly 5 percent to 45,000 MT in MY 2019/20 (August-July), supported by growing demand in the food processing sector. Uzbekistan remains China’s largest raisin supplier with its market share steadily increasing to 73 percent in MY 2018/19. In 2017/18, U.S. market share declined from 20 percent to 7 percent as China’s additional tariffs on U.S. products made raisins less competitive. U.S. market share is likely to continue eroding following additional tariffs on U.S. raisins products effective September 1, 2019 (see Policy). On the other hand, Chilean exporters enjoy zero tariff rates under their free trade agreement with China and have seen their market share grow in MY2018/19.



Source: China Customs

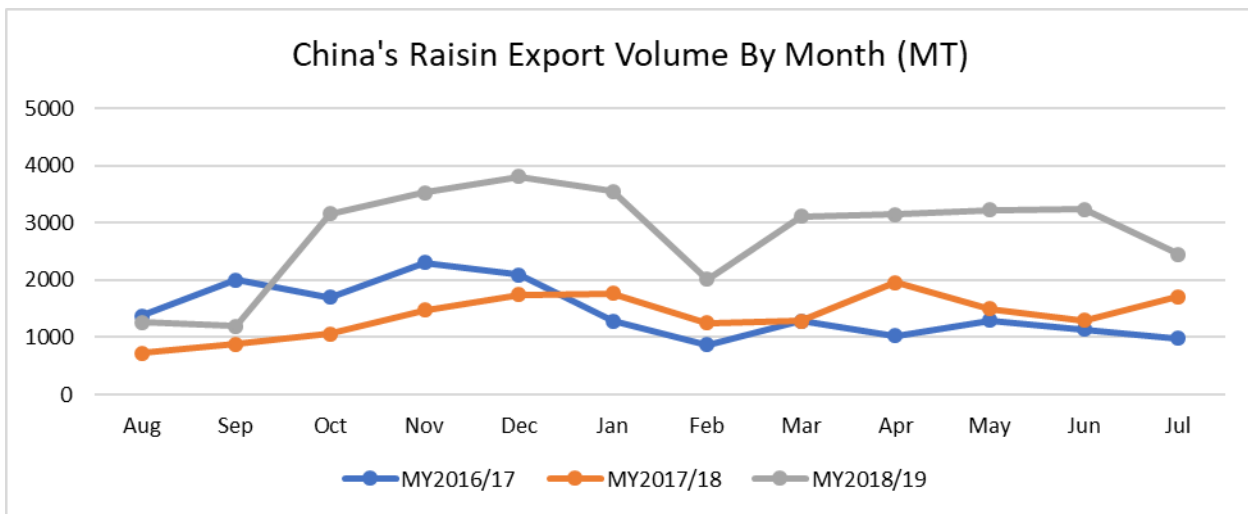
China's import shipments are concentrated in October-December (see chart below).



Source

: China Customs

China's raisin exports are likely to fall by nearly 60 percent to 20,000 MT in MY 2019/20. China is anticipated to export fewer raisins to the European Union in MY2019/20. This is because Turkey, the world largest raisin producer and exporter, will recover from a tough crop in the previous year. As a result of reduced Turkish exports to the EU, China's raisin exports more than doubled in MY 2018/19. In addition, dark raisins are currently in short supply in domestic markets, which may impact the availability of exportable supplies in MY2019/20.



Source

: China Customs

### Policy

Trade tensions with the United States have resulted in China levying additional tariffs on many U.S. agricultural products, including raisins. The current duty rate on raisins imported from the United States is 50 percent (10 percent MFN plus an additional 40 percent). On August 23, 2019, the Chinese

government announced another round of additional tariffs on U.S. products. Effective September 1, 2019, U.S. raisins will face an additional 10 percent tariff, resulting in an aggregate tariff rate of 60 percent (see [GAIN report CH19052](#)).

On April 1, 2019, China lowered the value added tax (VAT) rate on sales and imports of agricultural products, including raisins, from 10 percent to 9 percent. This is the third consecutive year that China reduced VAT on agricultural products (13 percent to 11 percent in 2017 and 11 percent to 10 percent in 2018).

### Import Tariff and VAT on Raisins with Major Trading Partners in 2019

| Trade partner                     | Tariff (%)                   | VAT (%)<br>(as of April 1) |
|-----------------------------------|------------------------------|----------------------------|
|                                   | Raisin<br>(HS 08062000)      |                            |
| <b>Country/Region with FTA</b>    |                              |                            |
| Chile                             | 0                            | 9                          |
| <b>Country/Region with no FTA</b> |                              |                            |
| United States                     | 60 (as of September 1, 2019) | 9                          |
| Uzbekistan                        | 10                           | 9                          |
| Turkey                            | 10                           | 9                          |
| Afghanistan                       | 10                           | 9                          |

Source: China Customs

### Marketing

In China, raisins are distributed through traditional retail, online retail, and bakery and confectionary sectors. U.S. raisins can be found in most retail stores located in first- and second-tier cities. Despite slower economic growth in China, demand for raisins continues to grow, especially as the rising middle class has stimulated greater demand for snack and packaged foods. From 2005 to 2014, the annual compound growth rate of snack foods in China was 22 percent. Chinese people consume \$289.85 billion USD of snack food every year, the Xinhua News Agency reported. By 2020, the snack food market is expected to reach \$300 billion USD, according to industry research.

#### *E-commerce has accelerated the market penetration rate of snack food*

E-commerce has accelerated the market penetration rate of snack food, cultivating and promoting purchasing habits of customers, adding that snacks accounted for nearly 30 percent of the total online food sales. China's online retail sales reached US\$562 billion in the first five months of 2019, accounting for over one-fifth of the country's total retail sales of consumer goods. E-commerce remained a key driver of consumption growth in 2019, according to the 2019 China E-Commerce H1 Report released by the Chinese Academy of Social Sciences (CASS). The number of e-commerce users continued to grow, as the country's online shoppers totaled 610 million by December 2018. 97 out of 100 people are using mobile phones to shop online. The purchasing power of online shoppers has also supported the robust growth of cross-border e-commerce, and the total imports and exports of the sector increased by 50 percent in 2018.

*Booming baking industry in second- and third-tier cities*

Raisins remains the most frequently used and popular dried fruit ingredient in the quickly expanding baking industry. The sector's expansion, and consumer demand for baked goods, have helped to also push raisins beyond the major cities to second- and third-tier cities.

**Production, Demand, and Supply (PS&D) table**

| Raisins              | 2017/2018     |          | 2018/2019     |          | 2019/2020     |          |
|----------------------|---------------|----------|---------------|----------|---------------|----------|
| 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           | 180000        | 180000   | 190000        | 195000   | 0             | 200000   |
| Imports              | 35000         | 35000    | 36000         | 43000    | 0             | 45000    |
| Total Supply         | 215000        | 215000   | 226000        | 238000   | 0             | 245000   |
| Exports              | 15000         | 17000    | 20000         | 34000    | 0             | 20000    |
| Domestic Consumption | 200000        | 198000   | 206000        | 204000   | 0             | 225000   |
| Ending Stocks        | 0             | 0        | 0             | 0        | 0             | 0        |
| Total Distribution   | 215000        | 215000   | 226000        | 238000   | 0             | 245000   |

Note: China's raisin marketing year begins each year in August. Quantities in Metric Tons.