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منظمة الأغذية والزراعة للأمم المتحدة

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MARKET REPORT - CHINA

Report for the 21st Session of FAO-IGG on Tea

Current Situation of Tea Production and Marketing in China

Drafted by Chinese delegation

Tea Production

1. Production concentrated in the advantageous areas

Chinese tea plantation is widely distributed. The main plantation regions are located in Yangtze valley, southeast coastal areas and southwest areas. Due to government policy and market regulation in recent years, Chinese tea production is more and more concentrated in the advantageous areas, and the output of advantageous areas accounts for more than 90% of the national total output. Currently, China's tea is produced in 20 provinces (autonomous regions, municipalities), among which Yunnan, Guizhou, Sichuan, Hubei, Fujian, Zhejiang, Anhui, Henan, Hunan, Shaanxi and Chongqing are main producing areas. In 2013, the cultivated area and the production of tea in these 11 provinces together accounted for 88.04% and 88.32% of the national total, respectively. While Guizhou Province had the largest cultivated area which amounted to 15.80% of the national areas, Fujian Province had the largest production, being 17.46% of the national output.

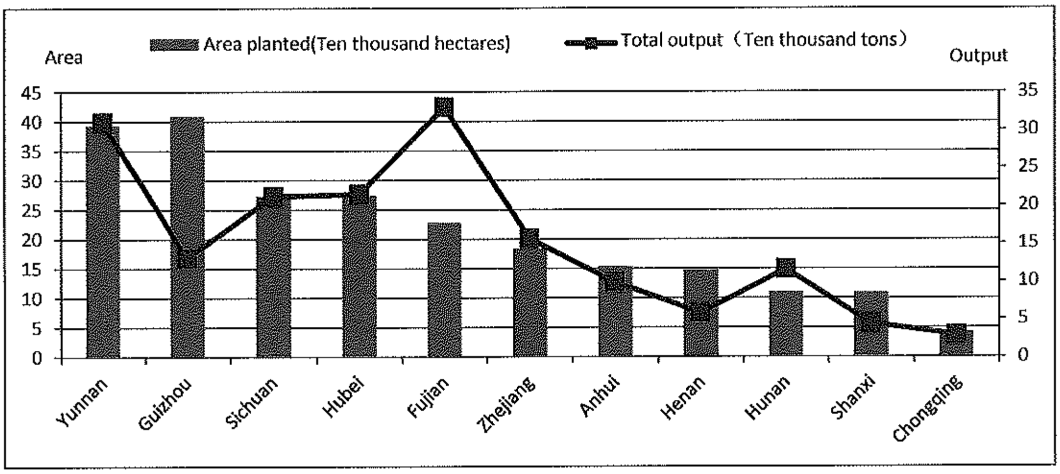

Figure 1 The distribution of Chinese tea production in 2013

2. Increasing area, production and profits

Since 2010, Chinese tea plantation and tea production have been growing steadily. The total plantation area increased from 1.9702 million hectares in 2010 to 2.58 million hectares in 2013, with an average annual growth rate of 6.6%. As the world's largest plantation area in 2013, China accounted for 47% of the world total. China's tea production in 2013 was 1.89 million tons, again being the world's largest, with a year-on-year growth of 6.5%, accounting for 37% of the world total. The average annual growth rate during the recent four years is 7%.

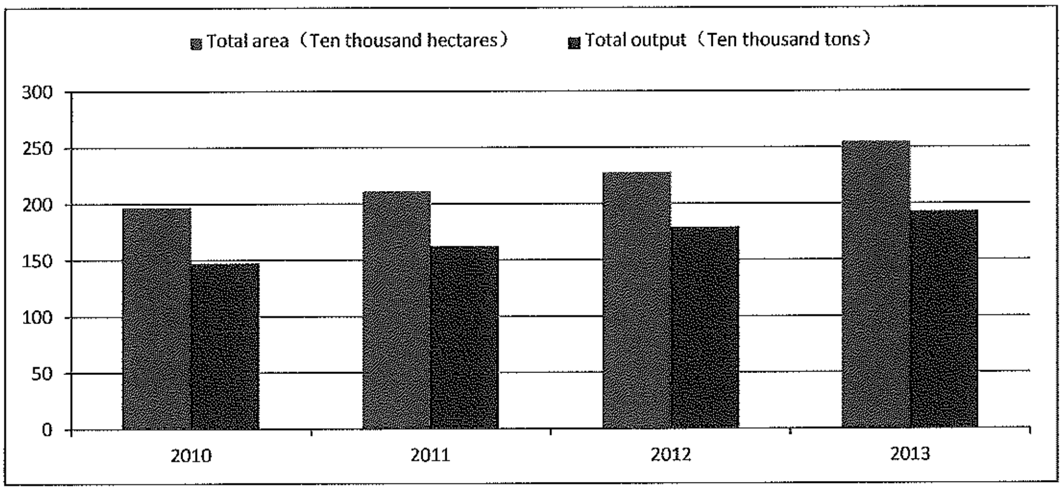

Figure 2 The pattern of Chinese tea plantation area and production: 2010-2013

In the meantime, the tea industry in China plays an important part in increasing the income of peasants from main tea production areas. In 2013, China's total tea value was RMB 110.6 billion, and the average tea value was RMB 2859 per mu (1 hectare = 15 mu) which was 1.64 times of that in 2010, with a year-on-year growth rate of 14.4% and an average annual growth rate of 13.1%. Accordingly, the proportion of gross tea industry output value in gross agriculture output value increased from 1.83% in 2010 to1.94% in 2013.

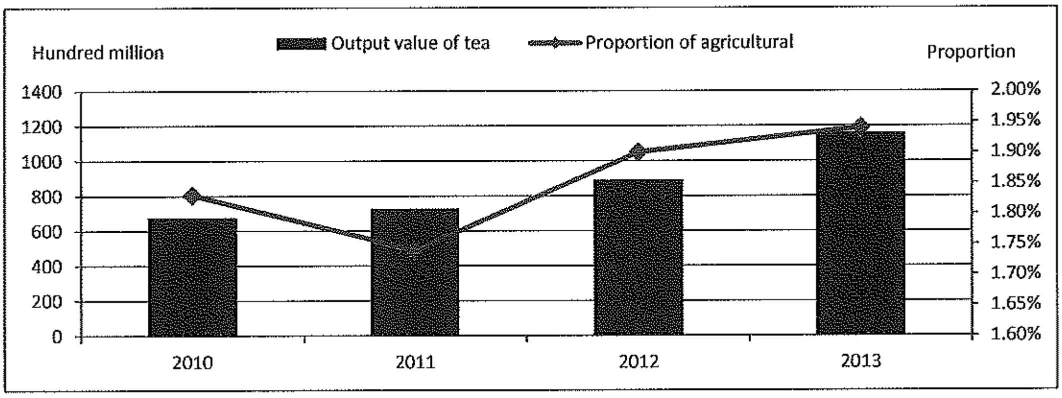

Figure 3 Gross output value of Chinese tea industry and its share in total agricultural gross output value

3. The integral growth of six major teas

Affected by domestic consumption habits, green tea has long been the major product in Chinese tea industry. Since the introduction of the reform and opening-up policy, the structure of tea industry has been readjusting progressively due to factors such as market demand. While the total production continues growing, the proportions of green tea and oolong tea have stayed at the same level or slightly declined. By contrast, the proportions of brick tea, black tea, white tea and yellow tea are continually on the rise, taking on a look of six major teas developing integrally. In particular, brick tea, white tea and yellow tea are unique to China and present strong marketing vitality. In 2013, the productions of green tea, black tea, brick tea, oolong tea, white tea and yellow tea were 1.249 million tons, 0.198 million tons, 0.197 million tons, 0.229 million tons, 0.011 million tons and 2.253 thousand tons, respectively, with year-on-year growth rates of 5%, 14.2%, 16%, 3.6%, 19.8% and 10.5% respectively. Specifically, the proportion of green tea has been decreasing from 70.94% in 2010 to 66% in 2013; the proportion of black tea was 10.50% in 2013, increasing steadily over the years; the proportion of oolong tea remained stable at about 12%; there has been a restorative growth for brick tea in the recent three years whose share was 10% in 2013.

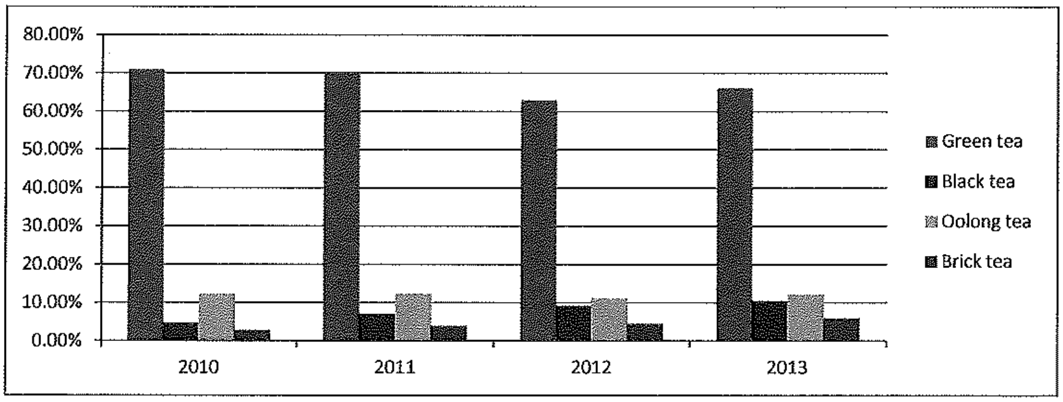

Figure 4 The structural change of Chinese teas (Yield ratio): 2010-2013

4. Improving product quality

Chinese government has always emphasized the great importance of food safety, including tea products. In recent years, the quality of China's tea plantations is improved step by step to guarantee the quality and safety of tea. In 2013, the area of pollution-free tea plantation was 1.64 million hectares, with a year-on-year growth rate of 8.6%, accounting for 63.63% of the total tea plantation area. Moreover, the area of organic tea plantation was 152 thousand hectares, with a year-on-year growth rate of 6.4%, accounting for 5.91% of the total tea plantation area. In addition, Chinese government takes great efforts to invest in the standardization of tea plantation, pest control and green prevention-control technology. In the procedure of tea processing, marketing threshold was raised for tea firms to improve production conditions according to the QS standard criteria.

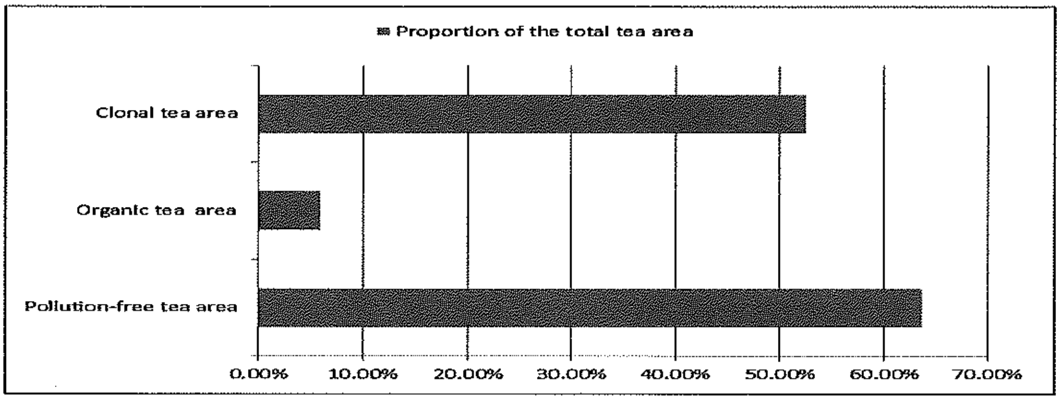

Figure 5 The proportions of clonal tea area, organic tea area and pollution-free tea in 2013

Tea Marketing

1. Exploring urban and rural market to increase domestic sales

The market demand for tea is so high that China has become the largest tea consumption country in the world. It is estimated by FAO that China's consumption quantity of tea reached 1.235 million tons in 2013 with an annual average tea consumption growth rate of 5%. By this rate, the consumption quantity in 2014 and 2015 would reach 1.30 million tons and 1.365 million tons, respectively. A study by Guan Xi (2011) indicates that the population of Chinese tea consumers was 468 million, 36% of the total population. Among them, the population of urban consumers and rural consumers were 254 million and 214 million, respectively. According to ITC, Chinese average consumption is 0.95 kg per year per capita, ranking only the 20th in the world. In one word, China still has lots of space to enhance its domestic consumption quantity of tea; consumption promotion, precision marketing and urban-rural markets developing are a few effectively ways to increase domestic tea consumption significantly.

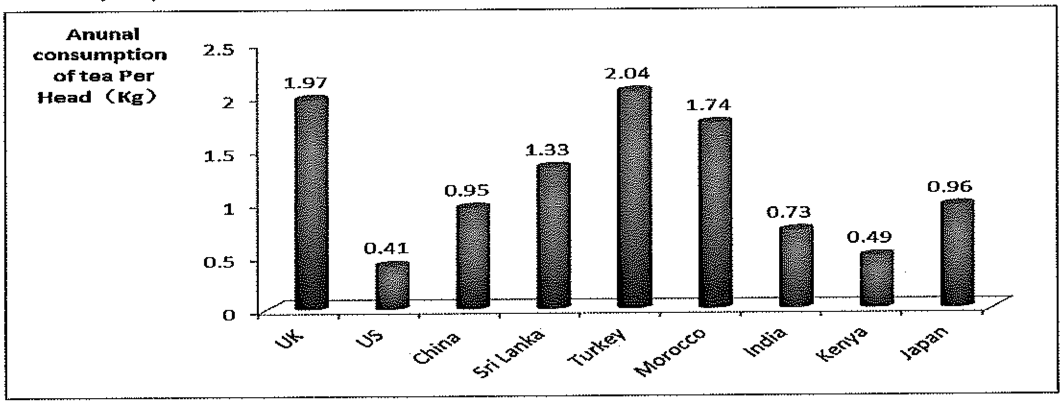

Figure 6 Per capita consumption of tea in selected countries

2. Consolidating international market to increase export quantity

In recent years, the export quantity of Chinese tea has been growing slightly with fluctuations, and the export value and price have continued rising too. In 2013, the quantity of Chinese tea export was 325.8 thousand tons, 7.69% more than 2010's, with an annual average growth rate of 2.5%; likewise, the export value of Chinese tea was $12.47 billion, 59.03% more than 2010's, with an annual average growth rate of 16.72%. The average export price was $3920 per ton in 2013, which means a year-on-year growth rate of 15.13%. Meanwhile, the share of Chinese tea export quantity wasn't high compared with the total world export, the number in 2012 (i.e., 18%) was even lower than that of 2003. The main export product of Chinese tea was green tea (about 80% of the total tea export), supplemented by black tea and oolong tea, scented tea and brick tea. In the green tea plate of international tea market, China has remained on the top of the list. However, the international mainstream of consumption is black tea in which China has no export advantage. Therefore, under the precondition of stablizing green tea export, China needs to explore export of black tea and other teas in order to increase export quantity.

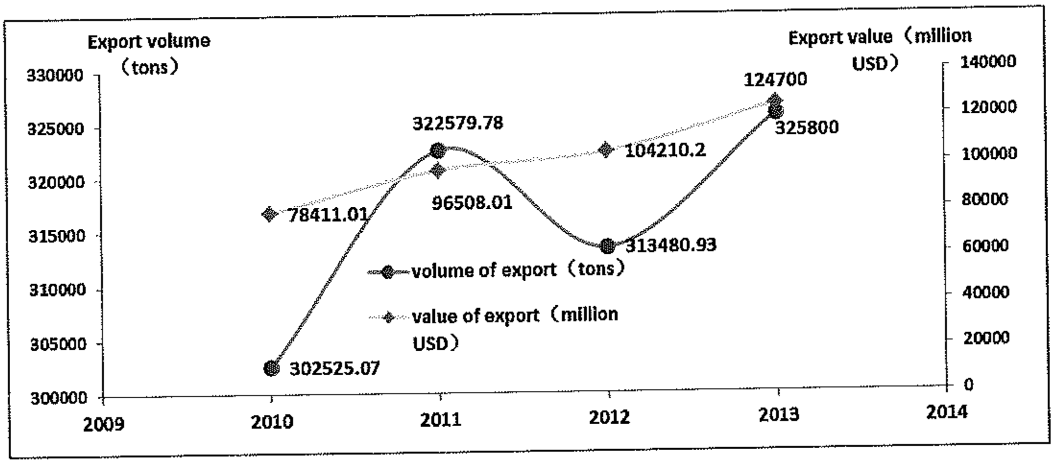

Figure 7 China's export quantity and value of tea: 2010-2013

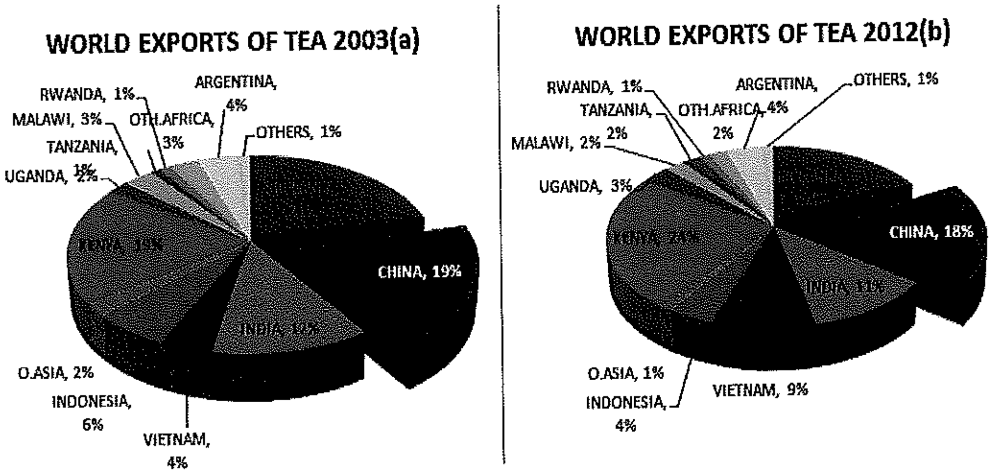

Figure 8 World exports of tea: 2003 VS. 2012

3. The balancing of production and marketing

From 2001 to 2011, the annual average growth rate of tea consumption in China was 8.86%; on the other hand, the annual average growth rate of tea production was 8.77%. Since 2010, along with the increase of new tea plantations, China's tea production has been growing rapidly, even more than tea consumption. Considering consumption inventory, processing losses and other factors, production and marketing keep in balance basically (Table 1).

Table 1 China's tea production and marketing: 2010-2013

	2010	2011	2012	2013
Total Yield (10 thousand tons)	147.51	162.32	177.43	189.00
Total Sales (10 thousand tons)	146.36	155.51	161.85	171.08

Note: The production data is from agricultural statistics and economic crop department, and the sales quantity data is own calculation according the following formula, "Total sales quantity = Direct domestic consumption quantity + Indirect domestic consumption quantity + Export quantity", where direct consumption quantity data is from FAO, indirect consumption quantity is estimated from relevant literatures, and the export quantity was from the Customhouse.