



Australian Citrus
Congress 2024

China in Focus: Reinvigorating Trade in Citrus?



FreshAlytics



FreshAnalytics



About FreshAlytics

- 🌱 At the forefront of **data analytics and intelligence solutions** focused on the high value perishable arena.
- 🌱 Empowers businesses dealing with **hyper-perishable goods** to make **quick, well-informed decisions**.
- 🌱 Millions of datasets with billions of data points.
- 🌱 FreshAlytics' Ecosystem combines **disparate arrays** of publicly available, difficult-to-access, and proprietary data.
- 🌱 **Machine learning and generative AI** detects hidden patterns and generates real-time trade and production forecasts.
- 🌱 Increasing ability to **predict market fluctuations** and decipher complex trade dynamics.



FreshAlytics

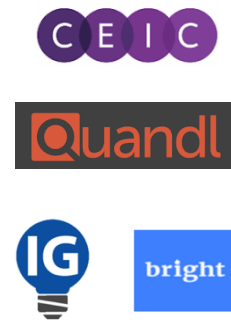
FreshAlytics – Data, Insights and Analysis Ecosystem



Key Open Trade & Production Data Sources



Prop/Alt Data



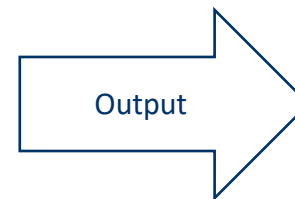
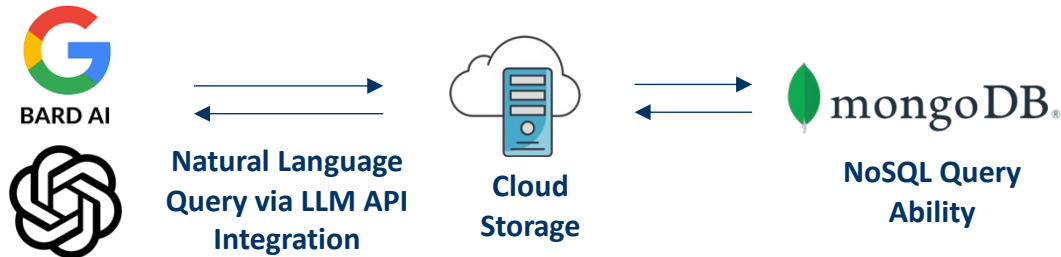
Qual. Insights



Other



Data Storage & Analytics



- Customized Reports
- LLM/AI Generated Reports
- Raw / Cleansed Datasets
- Parsed / Structured Datasets
- Customized Data Forecasts



Perception and Reality – Hong Kong as an Example

Relying on media reporting will provide a negatively skewed view of China. Read widely and contrast with primary sources for a realistic view.

Recent Reporting on China / Hong Kong

February 15, 2020

THE | DIPLOMAT
READ THE DIPLOMAT. KNOW THE ASIA-PACIFIC

Is Australian Media Biased Against China?

Increasingly fierce competition in Australia's media sector contributes to sensationalist reporting on China.

Australia media reporting on China 'too negative', 'distrustful' of Chinese-Australians: survey

- A majority of Australian-Chinese think local media portrays them as 'distrustful' and posing risks to national security, according to a survey
- They believe Australian media's reporting on China has led to low acceptance of their community by the Australian public

The Guardian

Albanese urged to cancel China trip as Beijing warns Australia against sheltering 'fugitives'

Labor warns it will not tolerate foreign interference on Australian soil as it vows to protect free speech.

4 July 2023

Australian Broadcasting Corporation

Australian-Chinese dual citizen being prosecuted for 'subversion' under Hong Kong's National Security Law

The Department of Foreign Affairs and Trade says the man, who could face life in jail, is being denied consular assistance because Hong Kong authorities no...

7 Feb 2022

The Spectator Australia

Australian judges oversee the collapse of law in Hong Kong

The Court of Final Appeal is the final appellate court in the Hong Kong Special Administrative Region (HKSAR). Established on July 1, 1997...

5 July 2022



Hong Kong Global Rankings

1 st Life expectancy	1 st Freest Economy	1 st Air Cargo
3 rd Order & Security	3 rd Ease of Business	4 th UN HDI
5 th Education	8 th Largest Port	9 th GDP P.C. (PPP)

17% Tax (#2 Business Friendly Tax Systems)

Factors Impacting Citrus Trade with China

- 🌿 China is facing **economic headwinds**...
- 🌿 ... impacting consumption → consumers more **price conscious**
- 🌿 **Chafta** provided a boost for citrus exports to China
- 🌿 Domestic production and new importers → **leveled playing field**
- 🌿 Australia's **premium has increased** → limits the export niche
- 🌿 The future is clouded by **externalities (i.e. geopolitics)**



五个逆风 China's 5 Economic Headwinds

- 🌿 **Demographics:** population, ageing & workforce decline
- 🌿 **Deflation:** Falling consumer and producer prices
- 🌿 **Real Estate:** developer defaults and sluggish home sales
- 🌿 **Debt & Economy:** Record levels of debt & economic policy concerns
- 🌿 **Animal Spirits:** Domestic & foreign investor confidence

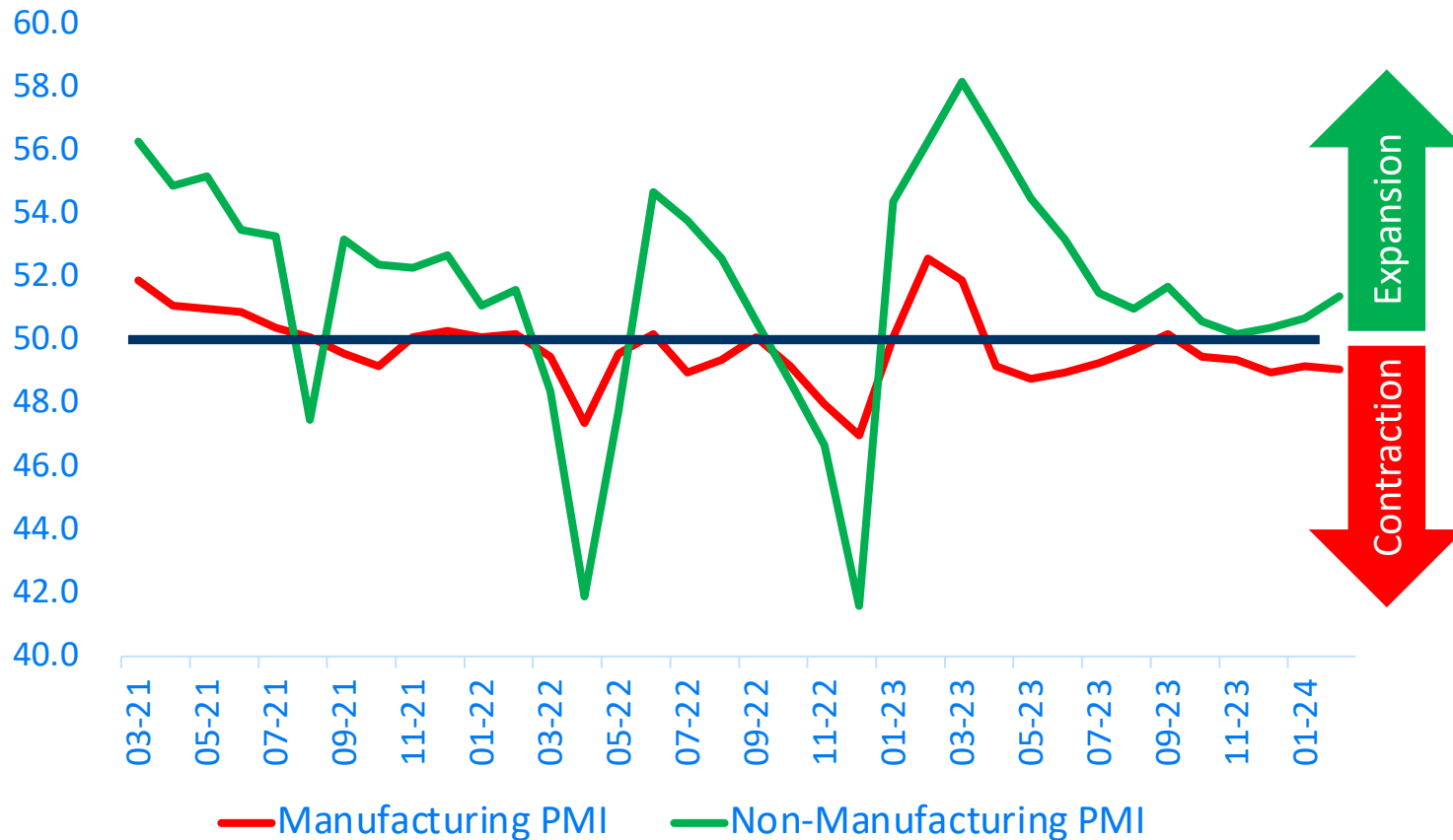




Overall State of Chinese Economy

Manufacturing continues to shrink while non-manufacturing (services) is expanding. Imports continue falling.

China: Purchasing Managers Index



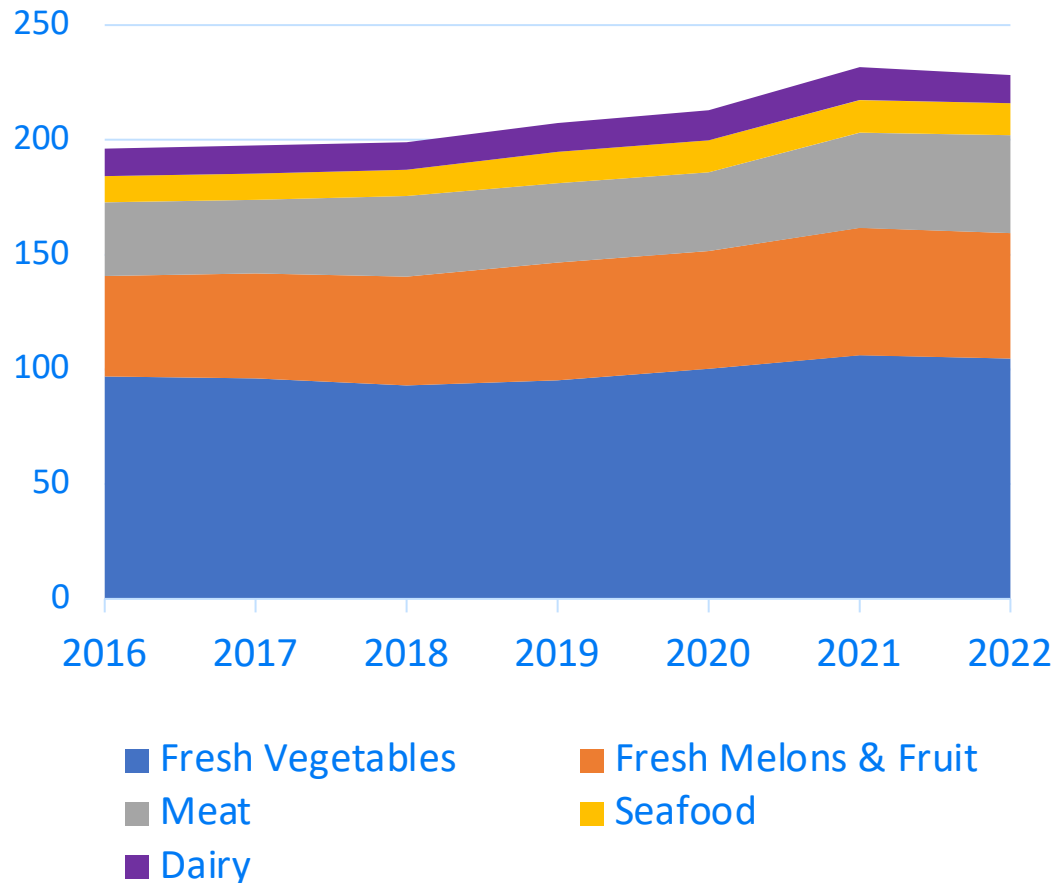
- Overall PMI at 49.25 \uparrow 0.2% MoM.
- SME's finding conditions more difficult.
- Large enterprise PMI 50.4% (flat MoM).
- SME PMI 46.4% (\downarrow 0.8% MoM).
- Import index continues contracting.** 46.4% vs 50.3% in Feb '23.
- More stimulus** from Central Gov't expected.



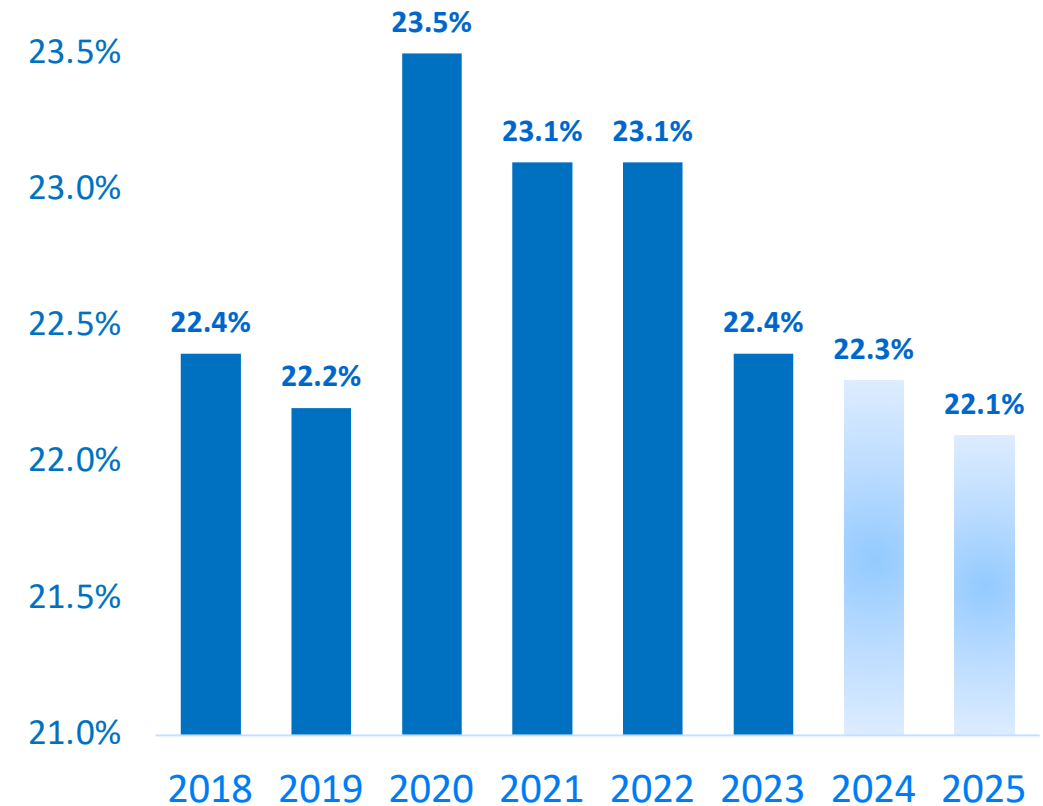
Changing Consumption Patterns in China

COVID impacted consumption patterns which are mean reverting. Economic conditions crimping consumption.

Consumption key Foods (ex-grains) kg/pc



Food & Bev as % of Personal Consumption Expenditure

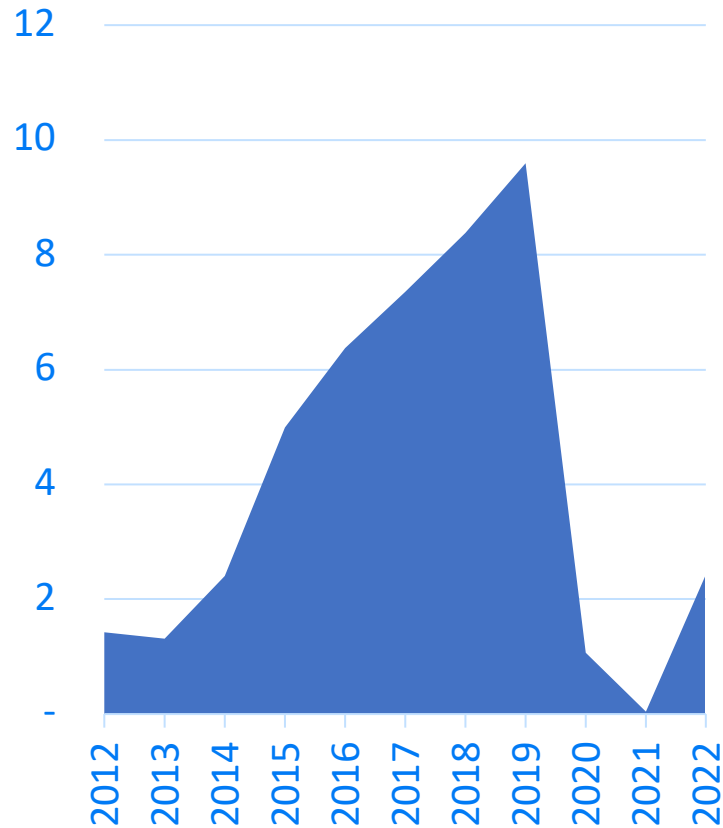




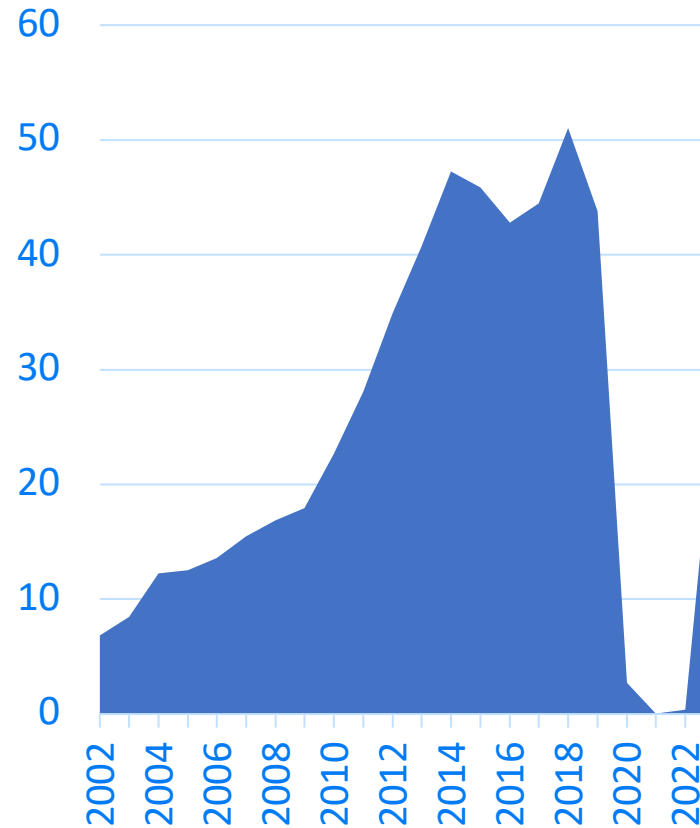
Chinese Consumers More Domestically Focused

International travel (ex-HK) remains muted while domestic travel is reaching pre-covid levels.

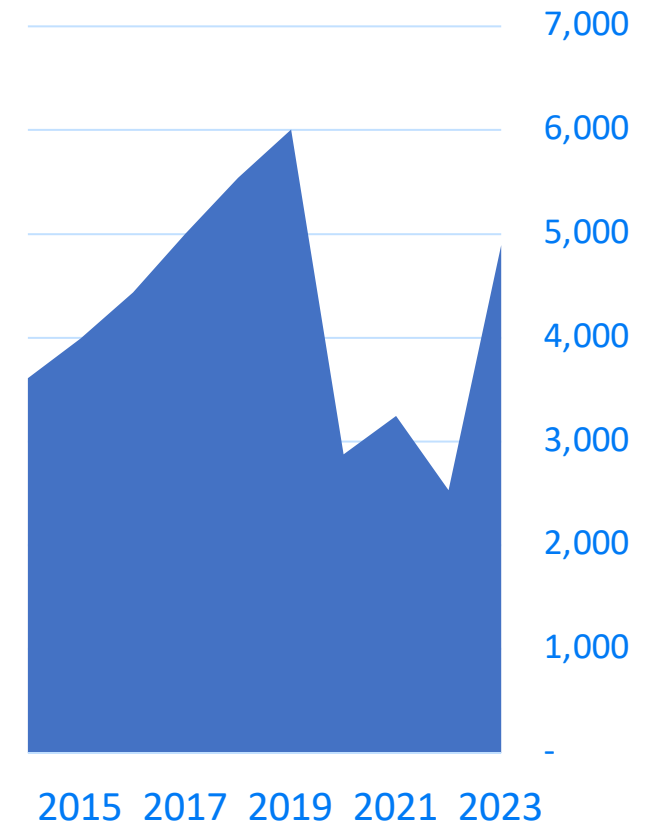
Japan: China Arrivals (mln)



Hong Kong: Mainland Arrivals (mln)



China: Domestic Trips (mln)

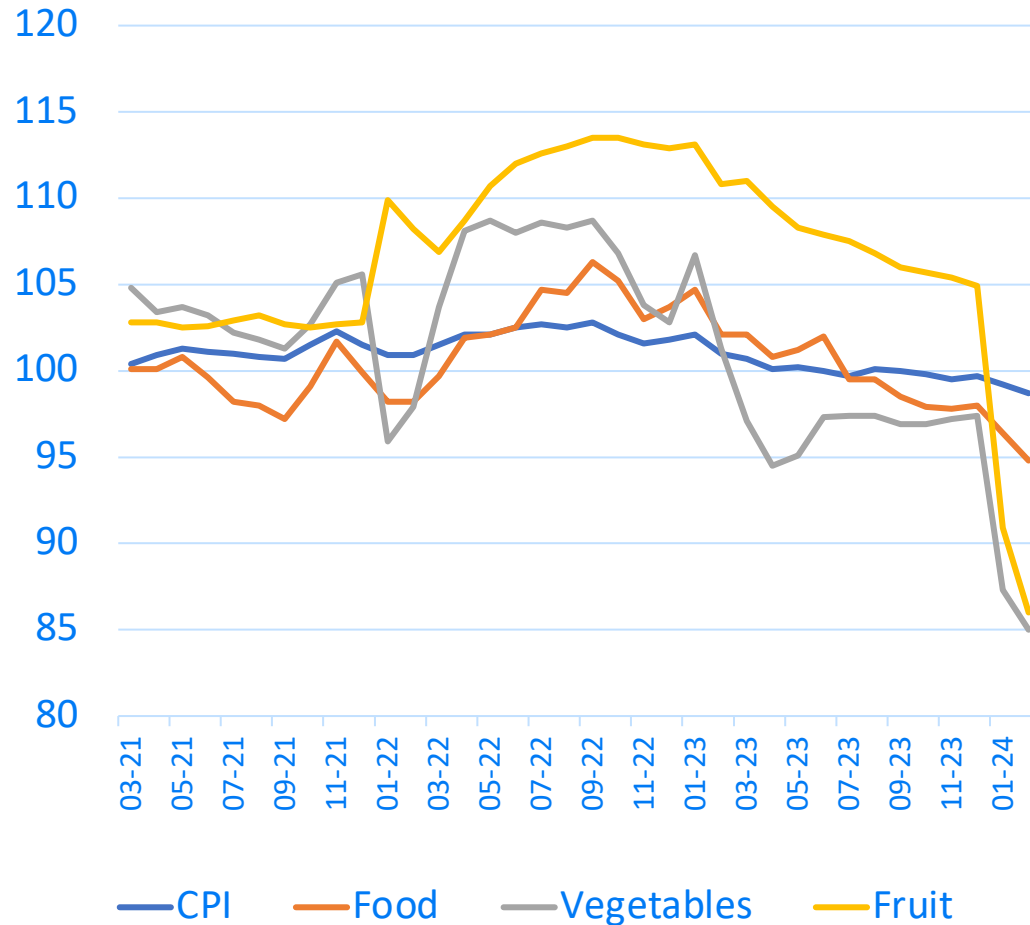




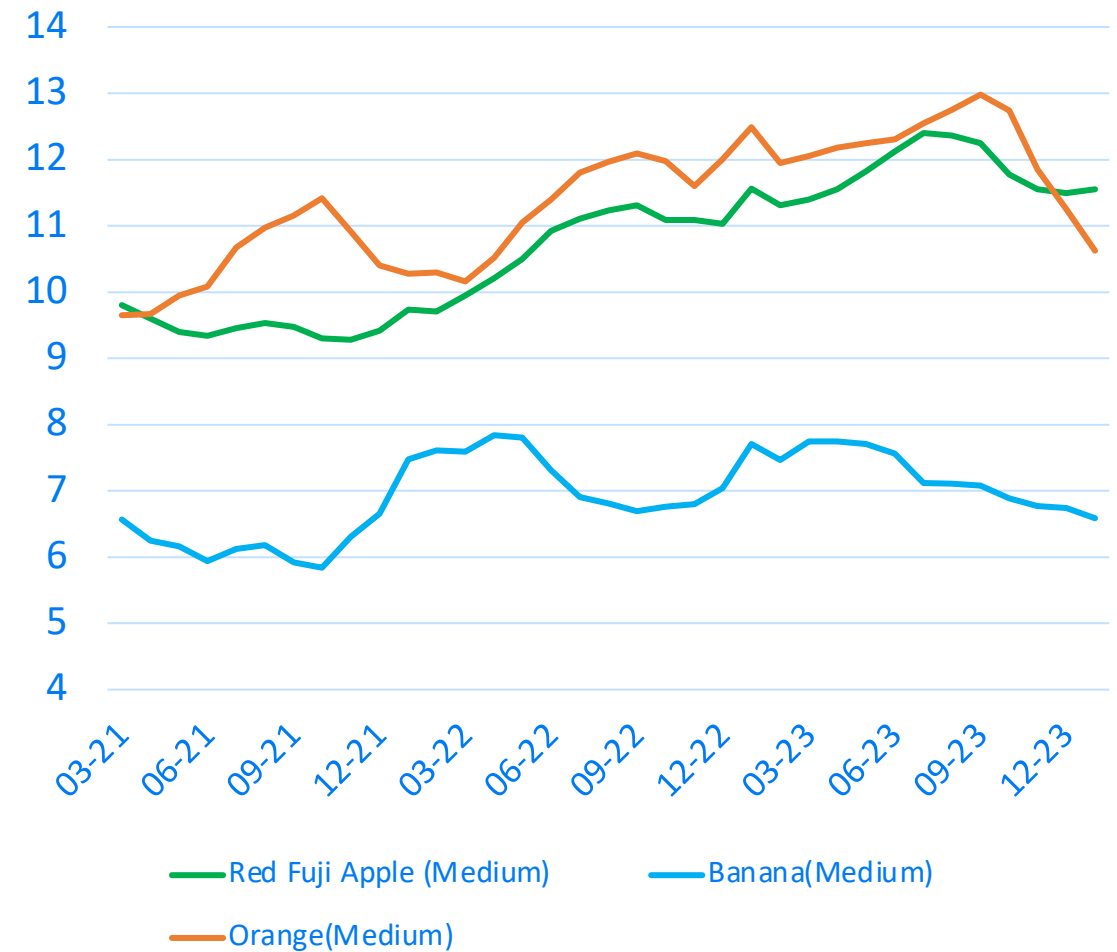
Deflation Driven by Lower Food Prices... Likely Temporary

China is dipping into deflation driven by food prices.

CPI Indices (YoY by Month)



Rural Market Fruit Prices (Yuan/kg)

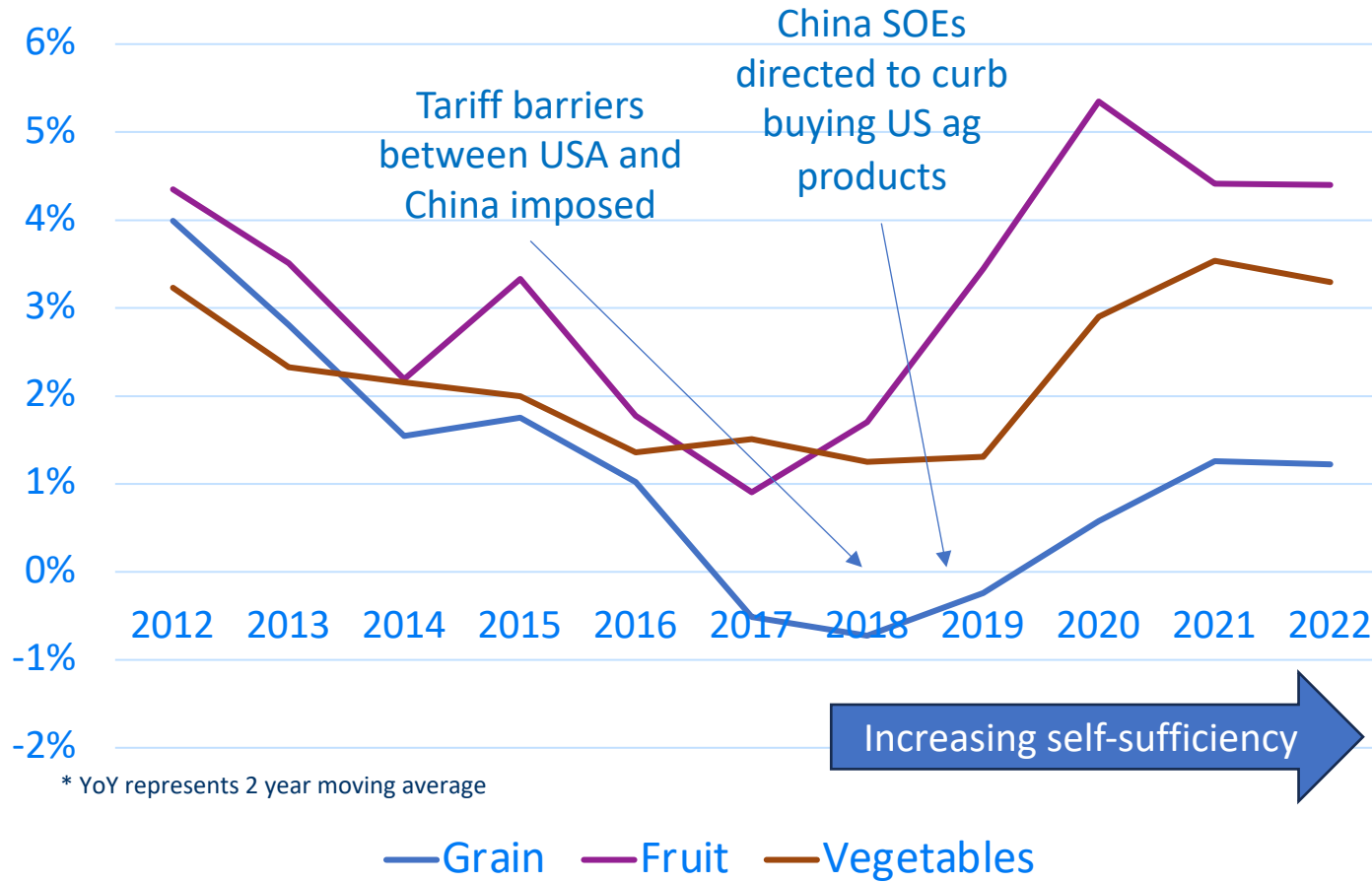




Trade Tensions → Greater Chinese Self Sufficiency

Trade tensions and tariff barriers prompted China to become more self-sufficient. Increased domestic productivity also played a role.

China: Key Agricultural Production (YoY)*



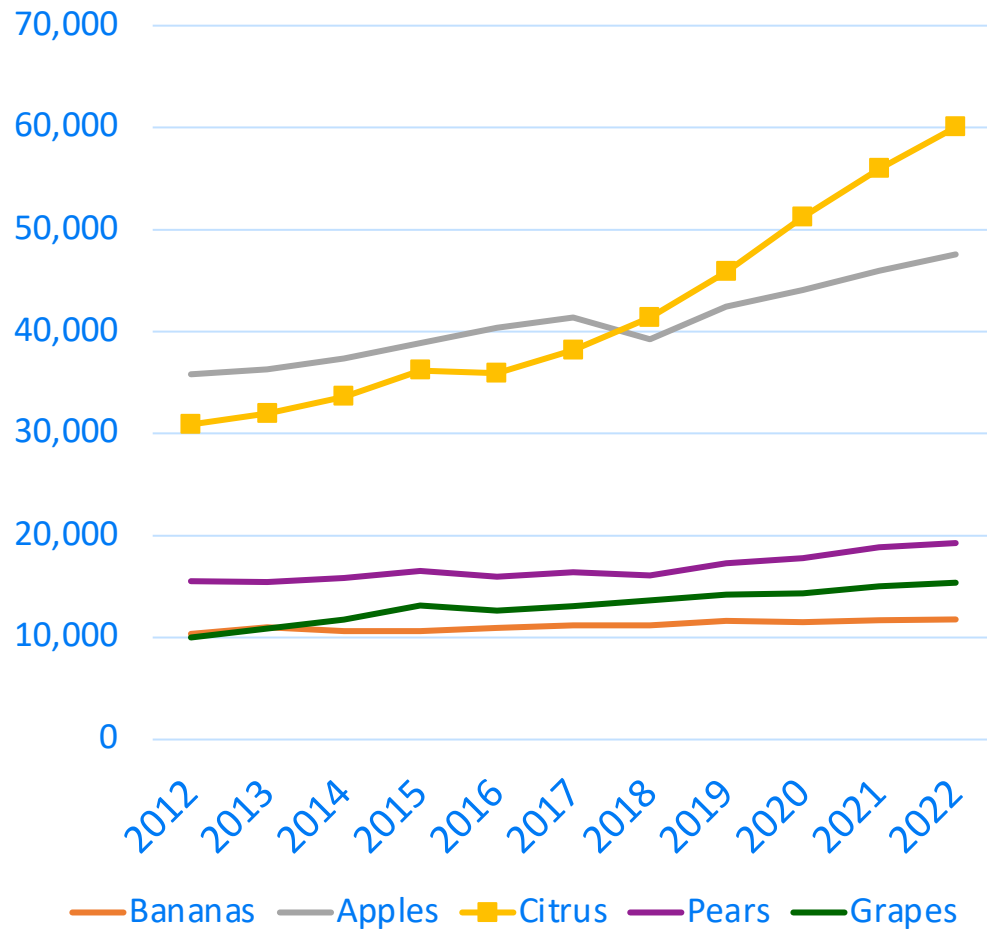
- 🌿 Trump increased tariffs on Chinese imports from 3% to 12%.
- 🌿 Beijing responded by raising tariffs up to 25% on U.S. imports, including many agri-food products.
- 🌿 Huge impact on U.S. Midwest and Deep South farmers.
- 🌿 USDA est. that tariffs cost \$25.7b in 2018 and 2019.
- 🌿 China responded (unsurprisingly) by diversifying imports and increasing self-sufficiency.



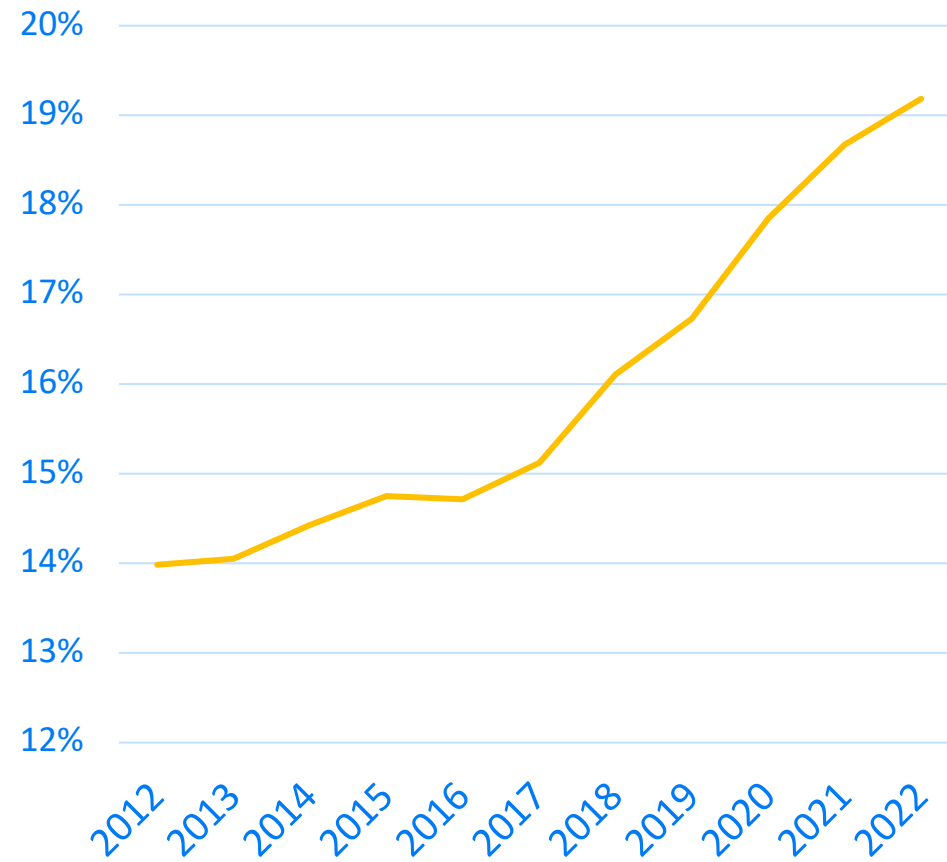
Domestic Citrus Production Has Grown Very Strongly

Domestic citrus production has grown 31% vs pre-COVID while share of total fruit production has grown 2.5% during the same period.

China Fruit Production: 000s MT



Citrus' Share of Total Fruit Production

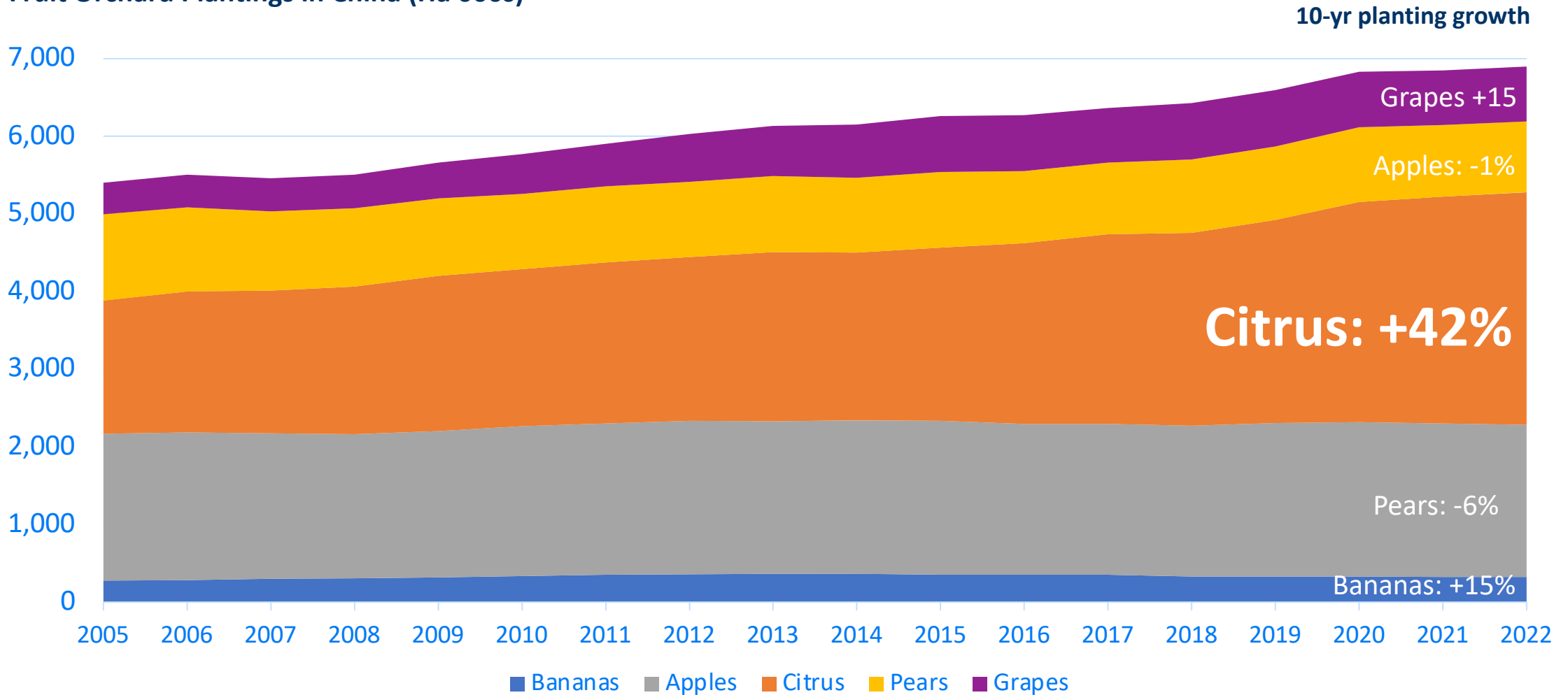




New Plantings Means Domestic Production Will Increase

Citrus production continues to grow rapidly with new supply coming on stream.

Fruit Orchard Plantings in China (Ha 000s)

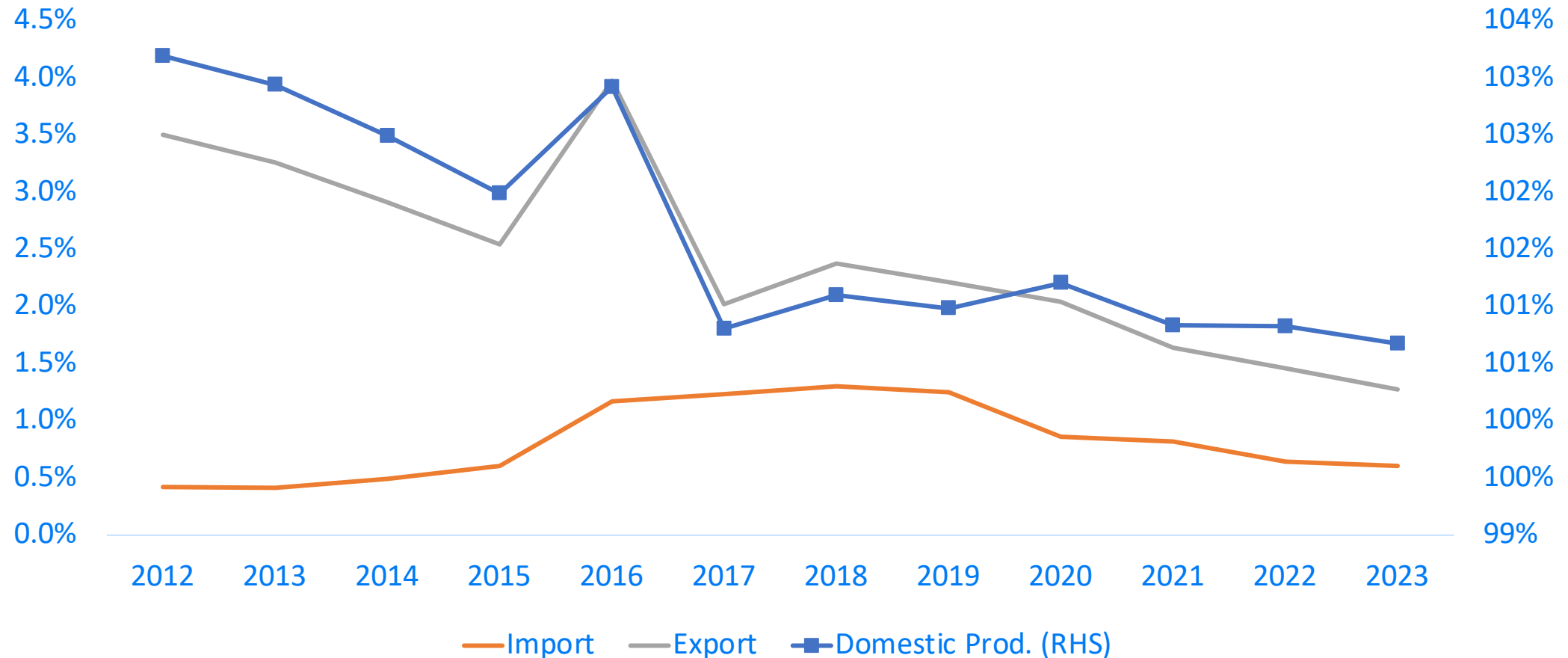




China's Citrus Balance Sheet Trend will Continue

While citrus consumption is increasing – relative import and export levels are falling. Meaning a relatively more domestically focused market.

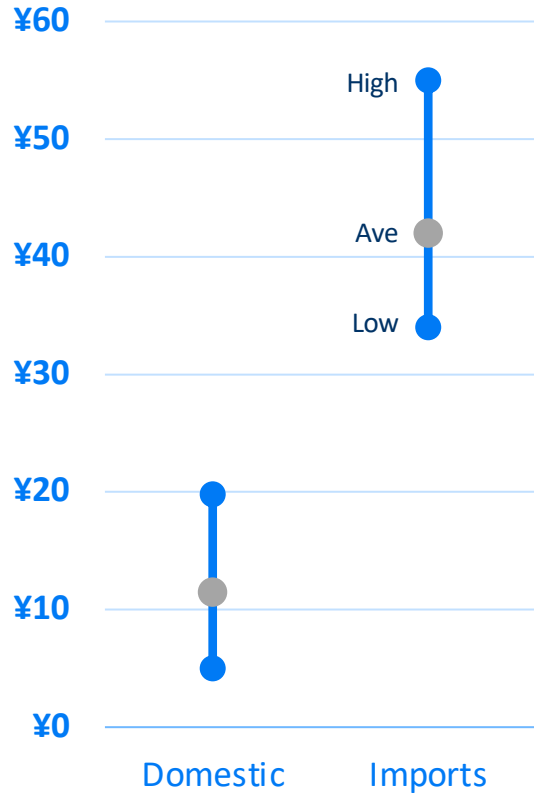
China: Domestic Citrus Production vs Trade



China: Domestic Retail

Domestic market prices are spread very widely.

Citrus Prices (Yuan)



Citrus Prices (AUD)

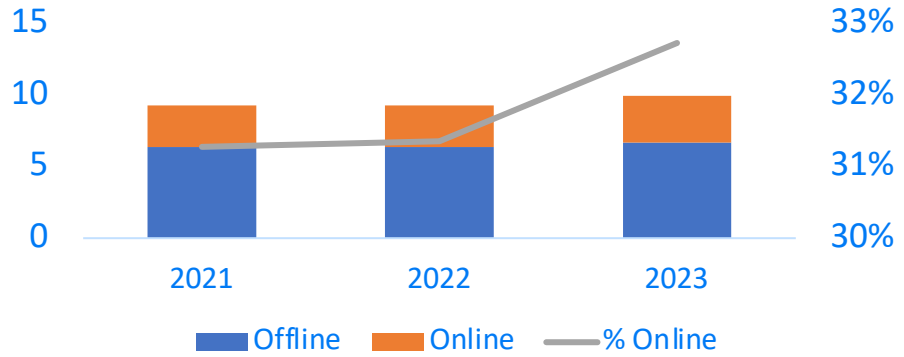


Specialty Fruit Store in Shenzhen
3 catty (1.8kg) for ¥10 (A\$1.20/kg)

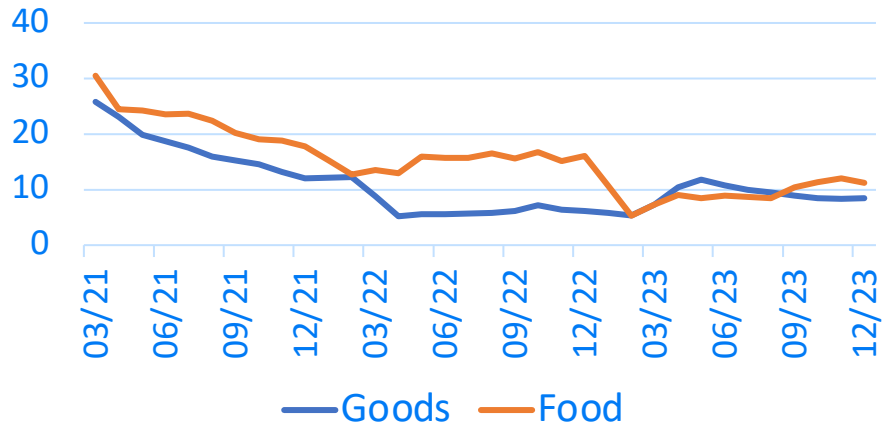
China Retail Sales

Online sales strong albeit growth in declining and reverting to pre-COVID levels

China Retail Sales (Off vs Online)



Online Sales Growth



Source: NBSC, Estimates by FreshAlytics

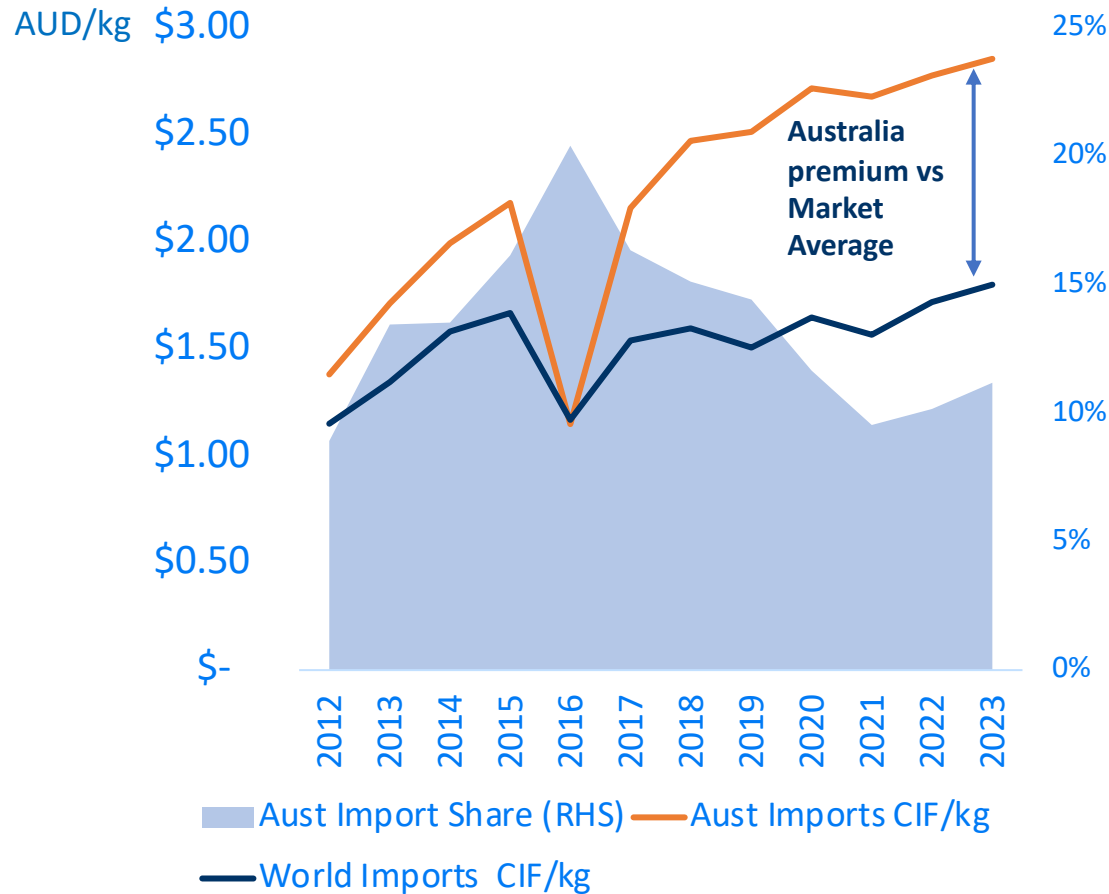




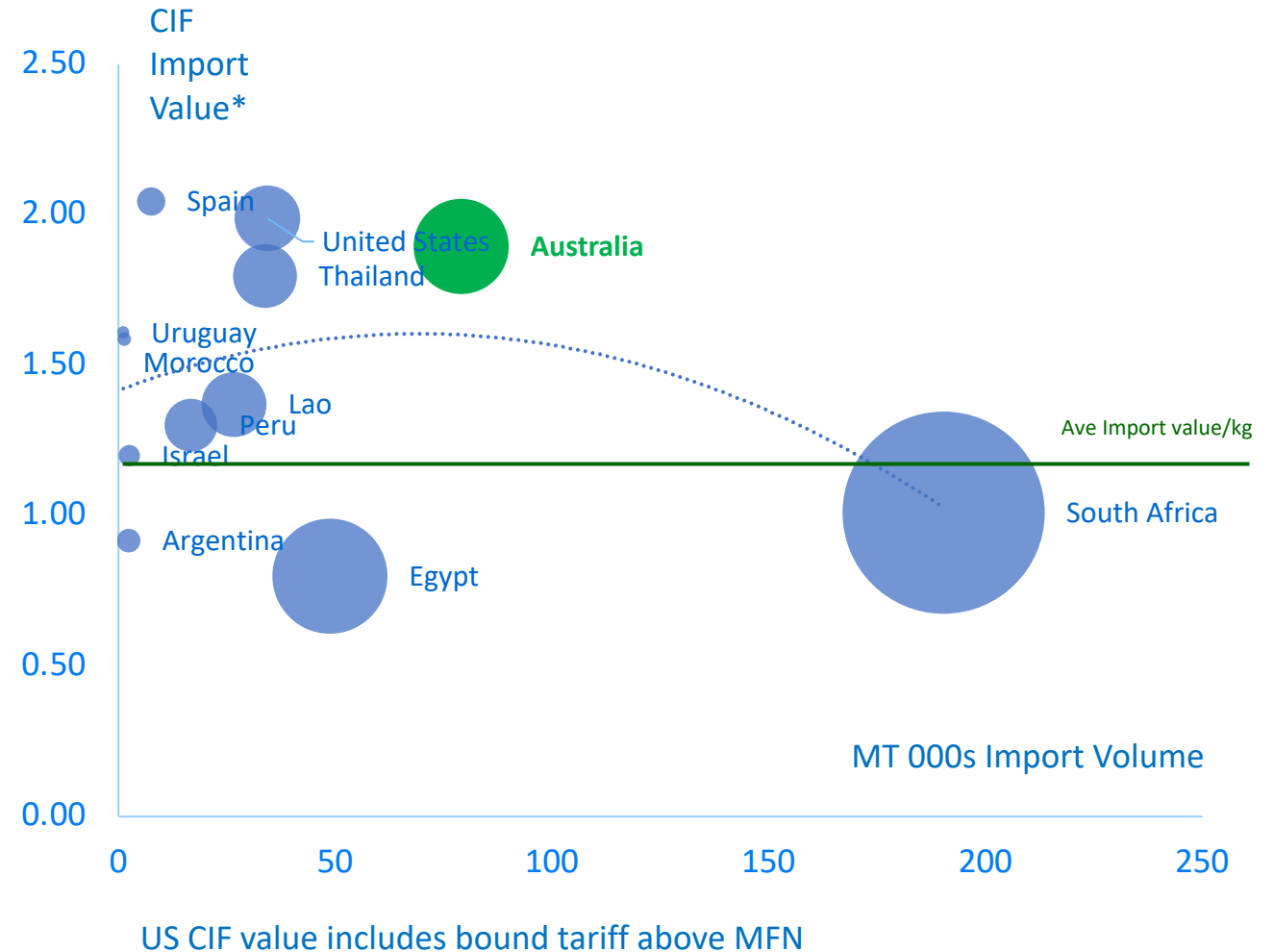
Australian Citrus Commands a Strong Price Premium

The premium is influenced positively by product mix in addition to quality-related factors. Australia's declining productivity and high production costs will crimp exports.

China Citrus Imports



China Citrus Supply Curve

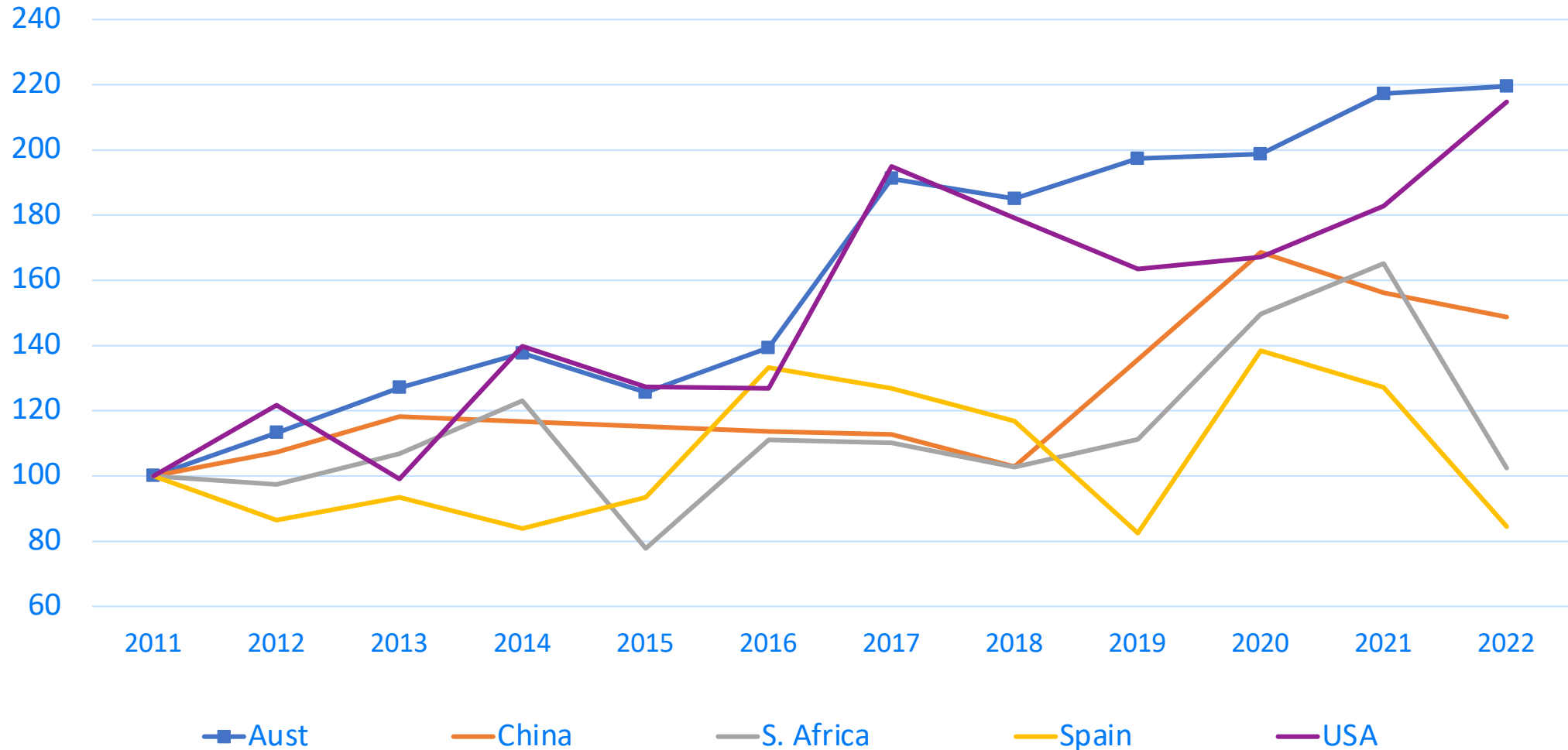




Productivity Gains Required for Australia to be Competitive

Cost increases in Australia have outpaced much of the rest of the world while other Southern Hemisphere producers (i.e. South Africa) have remained relatively flat (post covid).

Citrus Producer Price Index (Local Currency) 2011 = 100





Australian Citrus Congress 2024

