

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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Voluntary - Public

**Date:** 12/22/2010

**GAIN Report Number:** CH106014

## **China - Peoples Republic of**

**Post:** Guangzhou

### **2010 South China tree nuts marketing snapshot**

**Report Categories:**

Market Development Reports

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**Report Highlights:**

## General Information:

### Editable tree Nuts Marketing Snapshot Report

**Overview:** With the increasing number of middle-class health consciousness consumers, demand for healthy tree nuts is on the rise. In addition to the expansion in large metropolitan areas, tree nut consumption in many smaller emerging cities are also growing in tandem with increased disposable incomes.

#### Tree nuts at a glance

- **U.S. exports to China and Hong Kong:** \$736 million in 2009, up 83%
- **U.S. exports to China:** \$144 million, up 65%
- **Popular items:** pistachios, almonds, pecans, walnuts, hazelnuts
- **Processing areas:** Jiangmen, Heshan, Foshan
- **Wholesale Markets:** Yide Lu & Haizhu Nan Lu, Guangzhou, Guangdong

In 2009, the United States exported a total of \$736 million worth value of editable tree nuts to Hong Kong and Mainland China ports, up 83 percent from the previous year. Among this, the direct shipment to China was \$144 million, up 65 percent from the previous year.

The quality of U.S. tree nut products (such as almonds, pistachios, walnuts, hazelnuts and pecans) is generally well acknowledged by many Chinese nut traders and processors. Therefore, the demand growth continued in the year of 2010. Up to Oct 2010, the total exports from the States to China and Hong Kong reached \$422 million.

**Distribution:** Distribution channels for most tree nuts are through wholesale markets and retailers. The majority of U.S. nuts are transshipped via Hong Kong into Mainland China ports before arriving to either 1) large processors (who review the cargo, test, clean, season, roast, grade, repack, store and distribute domestically to retail outlets) or 2) a distributor who delivers the nuts to a smaller sized processor which then ships to a wholesaler that sells the product to smaller retailer.

Southern consumers prefer natural and slightly salty taste nuts; while in the East region (such as Zhejiang and Jiangsu), consumers prefer sweeter tastes for processed pecans and almonds. Though South China traders purchase bulk hazelnuts, consumption is mostly in the northern provinces and in Beijing.

#### **Best consumption season – Chinese Spring Festival**

The highest sales season for high-value U.S. tree nut products spans September through March, when most Chinese celebrate Mid-Autumn Festival and the China Lunar New Year Festival. In the past, high valued imported tree nut products fell into the gift category before they could be considered a choice snack for the average Chinese consumer. However, recently tree nuts are widely marketed in retail outlets in many large and mid-sized cities. Nuts are displayed as snacks in hotels and even included in wedding give-aways to distinguished guests.

Educational seminars and application demonstrations workshops geared towards the processing industry should remain a top priority to U.S. producer groups to expand consumption avenues and mitigate fears of flooding the market with excessive supplies. Mass media and professionals may help expand the consumer base and strengthen the healthy and nutritious image of U.S. tree nuts products.

### **New investors transform pricing scheme**

Amidst rising incomes amongst many consumers and an overall increase in prosperity, price still plays a determinant role in food purchasing decisions. Chinese processors and traders are leery about price fluctuations and as a result, most of imported nut traders hedge against these fluctuations purchasing strategies. The appreciation of Chinese currency has improved market conditions and high profitability in the imported nut trade has attracted many new market entrants. Some have purchased large volumes of nuts at lower prices and have stored these as reserves, hedging against possible price hikes in the coming year.

However if supplies surpass the demand, the price may drop dramatically. Experienced buyers will wait and observe the price situation, as few dare to place orders too early. In 2010, the imported nut market in South China now likens a free-market commodity exchange.

### **Value-added products is a new tendency**

Tree nut products have traditionally been consumed as in-shell snacks. However, recently, value-added products such as ingredients in bakery, confectionary and food service sectors are also in high demand. Shelled nuts are also eaten freshly and processed into different products such as juice, syrups, oils and powders. Some formats include sliced, diced and even added to breakfast cereals.

### **Almonds**

In 2010, the China/Hong Kong market became the top destination for U.S. California almonds in the 2009/2010 season. California produces almost 80 percent of almonds, followed by Spain, Australia and Turkey. Active advertising promotions by pop stars and continuous educational seminars by Almond Board of California have helped U.S. almonds gain the confidence of Chinese snack consumers. In addition to being a high source of protein, almonds have also been marketed as good sources of vitamin-E, B6, dietary fiber and antioxidants. The popular varieties include Nonpareil, Camel and Butte. New varieties such as Monterey and Padre have also gained ground recently.

### **Pistachios:**

Most pistachios are consumed as in-shell snacks; however, the number of baked and confectionary products that use pistachios are quickly growing. Due to educational and promotional efforts, many consumers believe U.S. natural, non-bleached pistachios are of healthier profile. Retail packaged Wonderful pistachios enjoy high reputation in the market. However, because Iran offers significantly lower prices, many Chinese traders are hesitating between quality versus price as factor for determining upcoming purchases. Therefore, U.S. pistachio demand remains unpredictable at this moment.

### **Pecans:**

United States produces around 80 to 95 percent of the world's pecans. Georgia, Texas, New Mexico, Arizona, and Oklahoma are the most important pecan-growing areas. It is said that pecans contain half as much as omega-6 as walnuts. Pecan are also rich in protein and unsaturated fats. Pecan consumption in the States rank third behind almonds and English walnuts. The harvest time is in mid-October. The timing for promoting U.S. pecans in China is perfect, as Chinese Lunar New Year is the peak season for sales. In 2009, U.S. exported 32,614 metric tons of unshelled, in-shell pecans valued at \$109 million, and the top transshipment destination was Hong Kong. The States also exported 16,246 metric tons shelled pecans valued at \$104 million with China as the top buyer in quantity. Processors in Guangdong and Zhejiang prefer to place direct orders with U.S. growers, to avoid packers' fees and other middlemen fees. However, most of the shipments still go to Hong Kong first.

### **Walnuts:**

The United States is the world's largest exporter of walnuts. Other suppliers include China, Turkey, Chile, and Brazil. Hong Kong is mainly known for import-export trade. Walnuts are considered to be a herb in traditional Chinese medicine and are sometimes used as a soup ingredient. Though domestic supply is

sufficient, for snack use, Chinese consumers prefer California walnuts because the taste is considerably less bitter. Representatives of the California Walnuts Commission are trying to promote U.S. walnuts as a healthy food rich in heart-protective monounsaturated fats and omega-3 essential fatty acids. Walnuts also promote blood vessel function as well as improve cholesterol profile in persons with Type 2 Diabetes.

**Hazelnuts:**

Hazelnuts are cholesterol free and a good source of dietary fiber, manganese, potassium, copper, thiamine, vitamin B6 and vitamin E, foliate and antioxidants. They are mostly sold unshelled. Some were diced, sliced or ground kernels, as paste or as oil. The popular shelled variety is Barcelona and unshelled Ennis. U.S. hazelnuts are harvested late August to October. Turkey still dominates China's imports of shelled hazelnuts. Most hazelnuts are consumed in the North, where the temperature is much lower in winter. In 2009, Hong Kong was the largest importer for US hazelnuts; however the majority of these shipments were later transshipped destined for the South China food processing sector.