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GAIN Report

Global Agricultural Information Network

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POLICY

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China - Peoples Republic of

Tree Nuts Annual

2014

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Report Highlights:

Post forecasts China's in-shell walnut production to increase by 15 percent to 900,000 MT in MY2014/15. The increase is the result of a bumper harvest in major producing regions and new bearings across China. In China's almond growing region of Xinjiang province, shelled almond production is forecast at 9,500 MT, up 12 percent from the previous year. Imports of almonds and pistachios are expected to increase based on strong demand, but walnut imports may drop due to higher prices and increased domestic supplies.

Production:

Walnuts

Post forecasts China in-shell walnut production will increase to 900,000 metric tons (MT) in MY 2014/15 (September-August), up by 15 percent. Favorable growing conditions in major producing provinces including Yunnan, Xinjiang, Shanxi and Shaanxi led to bumper harvests. The anticipated increases are also attributed to new bearings in many producing regions. As a result of these new bearings, the MY 2013/14 crop was revised upward to 780,000 MT.

Walnut acreage is increasing in the major walnut producing provinces of Yunnan and Xinjiang, but the rate of expansion has slowed because of limited land for plantings. However, walnut acreage is increasing in non-traditional producing provinces such as Guangxi, Gansu, Shandong, Liaoning, and Qinghai. Post estimates China's walnut crop acreage at 2.5 million hectares, up from 2.3 million hectares in MY 2013/14.

China's walnut industry has developed rapidly in recent years. Factors driving the expansion of walnut acreage are positive market returns and government support policies (see Policy). On the other hand, walnut yields are very low due to lack of adequate farm management and the use of low-quality varieties.

A recent government land reform program allows for land transfers from farmers to companies. This reform enabled companies to acquire larger plots of land for walnut production and encouraged more companies to enter the walnut production business. However, even with the land transfer program many of these corporate-based production operations remain small, ranging from a few dozen hectares to a few hundred hectares. Additionally, many farmers choose not to transfer their land as planting walnuts remains quite profitable.

Almonds

Post forecasts China's almond production (shelled basis) in MY 2014/15 (August-July) at 9,000 MT, up 12 percent from the previous year, primarily because of increased bearings and favorable growing conditions. Additionally, encouraged by local governments, almond acreage has increased over the past few years and is now forecast to reach 66,700 hectares in MY 2014/15. Despite increased bearings, almond yields remain low and uneven due to poor farm management in Kashi, located in southern Xinjiang, the dominant almond producing county in China.

Pistachios

China's pistachio production is estimated at 200 MT in MY 2014/15 (August-July), unchanged from the previous year. Pistachio production is centered in Xinjiang with plantings covering 2,600 hectares.

Other nuts

China's macadamia nut production is estimated at 4,200 MT from a total crop area of approximately 36,000 hectares. Encouraged by the Yunnan provincial government, private companies have invested in large scale macadamia nut production in the province. However this new production will not be realized for about five years when the new plantings begin bearing. In addition, limited pecan production is also reported in Yunnan province.

Prices

In MY 2013/14, walnuts were sold at RMB 36-38 (\$5.9-6.2) per kilo from orchards in Yunnan. However, in MY 2014/2015 walnut farm gate prices were quoted lower at RMB 34 (\$5.5) per kilo because of increased supplies as a result of bumper harvests across China.

The farm gate prices for in-shell almonds were quoted at RMB 25-35 (\$4.1-5.7) per kilo in Xinjiang during MY2013/14 with prices expected to remain largely unchanged in the current marketing year.

Consumption:

Overall consumption of tree nuts is on the rise as people's income increases and dietary habits change. Tree nut consumption is mainly concentrated in three areas: Beijing-Tianjin and Bohai bay, Yangtze River Delta, and Pearl River Delta. Nut consumption in the second and third tier cities is also growing, but not as quickly as the first tier cities. In northern China, people prefer salty taste nut products while in the Shanghai-Jiangsu-Zhejiang region, consumers prefer nuts with a sweet flavor. Consumers in southern China prefer nuts with a light or natural flavor.

A government campaign to cut public spending has reduced the institutional gift buying by government agencies and state-owned enterprises for products including tree nuts. However, the increasing consumption among the general public is likely to offset the declines in these types of purchases. The increasing prices of certain imported nuts will likely impact the buying decisions of the price-sensitive consumers who may shift to other nut products. However, the rapid development of E-commerce has effectively extended the nut consumption season, which normally is between September and March.

Trade:

China's imports of almonds and pistachios will continue to increase in MY 2014/15, supported by strong demand. The United States will remain China's single largest supplier of both in-shell and shelled almonds and the second leading supplier of pistachios behind Iran. For nuts such as walnuts, import volume is likely to drop because of high import prices and increased domestic supplies. In MY 2014/15, the United States is forecast to be China's largest supplier of in-shell walnuts while Kyrgyzstan will be China's largest supplier of shelled walnuts, followed by the United States.

Although tree nut imports take place throughout the year, the heaviest shipment flow occurs during October-December, right before the consumption peak during the Chinese New Year, which normally falls in January or February.

China exports both domestically-produced and imported shelled walnuts to Japan and the European Union.

Policy:

China's National Development Plan for Advantageous and Specialty Economic Forests was announced in June, 2014. This national development plan identifies walnuts as one of the "five advantageous economic forests" (others include oil tea, chestnut, Chinese date, and kernel-used apricot). Since walnuts are included in the plan the government will provide policy support but details and impacts of this special treatment remain to be seen.

Furthermore, China plans to develop woody oil crops such as walnuts in an effort to reduce its reliance on imported edible oil and oilseeds. In 2013, 66 percent of China's edible oil consumption relied on imports. Previously, in China's 2010 No.1 document, the annual policy guideline on agriculture, the central government encouraged the development of walnuts. Recently, the central government allocated RMB 370 million (\$60 million) in support for walnut-related projects. Also, central and local governments have allocated a total of RMB 1.2 billion (\$195 million) for the construction of walnut demonstration farms over the past three years. Post believes these government efforts will continue to aid in the expansion of walnut crop acreage.

Other support for walnuts includes setting up a special walnut committee as part of the China Economic Forest Association in January 2014. The committee was formed to coordinate walnut development and provide technical service/support to the industry.

While local governments no longer provide free walnut seedlings to farmers, they do provide farmers with assistance with orchard management. In the Longnan region of Gansu province, for example, the local government has hired technicians and extension workers to help train walnut growers on grafting for better varieties. The Longnan government also provides subsidies to walnut growers to buy grafting seedlings.

Tree Nut Tariff and VAT Rates for 2014

HS Code	Description	2014		Effective Rate
		Tariff	VAT	
0801.2100	Brazil nuts, in shell	10.0%	13%	24.30%
0801.2200	Brazil nuts, shelled	10.0%	13%	24.30%
0801.3100*	Cashew nuts, in-shell	10.0%	13.0%	24.30%
0801.3200	Cashew nuts, shelled	10.0%	13.0%	24.30%
0802.1100*	Almonds, in-shell	10.0%	13.0%	24.30%
0802.1200	Almonds, shelled	10.0%	13.0%	24.30%
0802.2100	Hzaelnuts/Filberts, in-shell	25.0%	13.0%	41.25%
0802.2200	Hazelnuts/Filberts, shelled	10.0%	13.0%	24.30%
0802.3100	Walnuts, in-shell	25.0%	13.0%	41.25%
0802.3200	Walnuts, shelled	20.0%	13.0%	35.60%
0802.5100*	Pistachios, in-shell	5.0%	13.0%	18.65%
0802.5200*	Pistachios, shelled	5.0%	13.0%	18.65%
0802.6190	Macadamia nuts, in-shell	24.0%	13.0%	40.12%
0802.6200	Macadamia nuts, shelled	24.0%	13.0%	40.12%
0802.9090.90	Other nuts, fresh or dried, whether or not shelled or peeled	24.0%	13.0%	40.12%
2008.1910	Walnut kernels, in airtight containers	20.0%	17.0%	40.40%
2008.1920	Other nuts, in airtight containers	13.0%	17.0%	28.70%

Source: China Customs

*Temporary tariff for 2014.

Note: In-shell and shelled pistachios used HS Code 08025000 before 2011. In 2012, pistachios are classified into in-shell and shelled and their HS Codes were also changed to 08025100 and 08025200.

HS Coding system does not specify pecans, which are normally classified into “other nuts” under HS Code 0802909090.

Marketing:

South China’s Tree Nut Market Analysis

The Pearl River Delta region has historically been China’s trade hub for both imported and domestic tree nuts. The region boasts a mature distribution network that utilizes its numerous delta tributaries, which have allowed traders, processors, and packers, easy access to domestic and imported tree nuts.

Market demand has increased in tandem with local consumers’ understanding of the nutritional benefits associated with tree nut consumption. The development of the processing industry has greatly contributed to the strengthening of overall demand. Pearl River Delta’s wholesalers, distributors, retailers, importers and processors have worked interdependently for over 40 years and are well positioned to meet the growing demand for tree nuts.

Distribution Channels

Retail market

Nut quality, appearance, and packaging all impact retail sales. Higher-end packaging and larger sized tree nut kernels are used in gift sets and occupy larger market share in first tier cities, like Beijing, Shanghai and Shenzhen. Conversely, simple lower quality kernels in smaller sizes are mostly favored by households in second or third tier cities.

Local tree nut brands are growing stronger in the retail sector such as Tianhong (Rainbow), Kaixin (Happy Nut), Fujin, and Fengye (Maple). Additionally, large retail giants are offering their own private labels to compete against established brands.

Whole sale market

Yidelu market in Guangzhou is the largest dried fruit and tree nut market in the world. Nuts account for 30 percent of the total goods sold in this market and can be found in many arrangements such as roasted or salted, shelled and in-shell, loose or packaged. Most popular nuts in this market are U.S. almonds and walnuts, Iranian pistachios, and Turkish hazelnuts.

Bakeries

Increased disposable incomes and awareness of a healthy life-style have helped drive the use of imported tree nuts in baked goods. Since 2008, the use of imported tree nuts in the bakery sector increased 10-20 percent a year.