

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## **China - Peoples Republic of**

### **Tree Nuts Annual**

**2015**

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**Report Highlights:**

China is the world's largest producer and consumer of walnuts. Post forecasts China's MY 2015/16 in-shell walnut production at one million metric tons, an increase of 11 percent over MY 2014/15, due to favorable weather conditions in major producing areas, and increased new bearings. Similarly, shelled almond production is forecast at 10,000 metric tons, up 5 percent from the previous year. Tree nut imports are expected to fall in the wake of China's economic slowdown.

**Commodities:**

Almonds, Shelled Basis

Pistachios, Inshell Basis

Walnuts, Inshell Basis

**Production:***Walnuts*

Post forecasts China's in-shell walnut production will increase to one million metric tons (MT) in the marketing year (MY) 2015/16 (September-August), up by 11 percent from the previous year. Major walnut producing provinces including Yunnan, Xinjiang, Shaanxi, Shanxi, and Hebei are all anticipating another bumper crop as a result of favorable weather conditions during the winter and spring. New bearings across China also help contribute to the production gains.

Over the past few years, walnut acreage has expanded quickly in major producing areas in southwestern province of Yunnan and western provinces such as Xinjiang, Shaanxi, and Shanxi. More new plantings have begun bearing (it takes about four years for walnut trees to bear fruit and 10 years to reach their full production). Post estimates that China's walnut acreage at 2.6 million hectares in MY 2015/16, up from 2.5 million hectares in MY 2014/15.

Although walnut acreage has expanded, the productivity of Chinese walnut industry remains low. Most walnuts are planted in western plateau or mountainous areas where land is dry and irrigation is lacking. Labor costs are increasing along with the average of the growers. Corporate-based operations have emerged in some places, yet they are quite small in size as it is difficult and expensive to acquire land transfers from individual farmers who still receive good returns by growing walnuts. In addition, mechanization for scale farming is not applicable on mountain slopes. In the absence of adequate management and inputs, walnut yields remain at low levels.

*Almonds*

Post forecasts China's almond production (shelled basis) in MY 2015/16 (August-July) at 10,000 MT, up five percent from the previous year, as a result of favorable growing conditions and increased bearings in Xinjiang. Almond acreage has increased over the past few years and is now forecast to reach 69,333 hectares in MY 2015/16. While almond acreage is expected to stabilize at current level, almond yields are very low in Xinjiang due to lack of proper management and input.

*Pistachios*

Although China's pistachio acreage is estimated at 2,600 hectares in MY 2015/16 (September-August), low yields have led to limited production, which is currently estimated at 200 MT in MY 2015/16. Pistachios are primarily planted in Xinjiang where water is insufficient and temperature may drop to very low degrees during the winter.

*Other nuts*

China's macadamia nut production (in-shell basis) is estimated at 4,800 MT on a total crop area of around 38,800 hectares. The private sector has invested in large scale macadamia nut production in the province. The production volume is expected to boost in about five years after new plantings begin bearing fruit. However, Yunnan macadamia nut production is faced with the challenge of potential low temperature as these macadamia nuts are planted on high latitude mountain slopes. Mechanization is not applicable on the slopes either, which may result in low productivity.

Hazelnut production (in-shell basis) is estimated at 12,000 MT in MY 2015/16 (August-July) on acreage of 40,000 hectares in China. Chinese hazelnuts, mostly wild species, are grown in northeastern provinces.

**Prices:**

The walnut harvest of MY 2015/16 (September-August) has just begun in China and in-shell walnuts are currently sold at around RMB 28 (\$4.4) per kilo at farm gate in Yunnan province, a decrease of nearly 20 percent from the previous season. China's walnut price reached its peak in MY 2012/13 and has since begun to decline following rapid increases in domestic production and imports. However, growing walnuts remains quite profitable. In Fenyang of Shanxi province, for example, walnut production cost (not including labor) is estimated at around \$1,172 per hectare and average yields are reported at 2.25 MT per hectare.

The farm gate prices for in-shell almonds were quoted at RMB 20-30 (\$3.1-4.7) per kilo in Xinjiang in MY 2015/16 (August-July), down nearly 15 percent from the previous year, as a result of increased production.

**Consumption:**

The pace of growth of China's economy has impacted purchases of tree nuts from state-owned enterprises as cost cutting reduced gift giving and banquets where tree nuts were a popular item. Also, the buying interest in nut products, which many people consider as snack food, has been negatively impacted by negative economic conditions.

**Trade:**

China's walnut imports are expected to decrease in MY 2015/16 (September-August), given greater local supplies. The bumper harvest of local walnuts has led to lower prices, which will impose pressure on China's walnut imports. The United States is the single largest walnut supplier to China. In addition, traders still have stocks from the previous season and not inclined to place new orders.

China's imports of almonds and pistachios are also likely to fall in the wake of sluggish economic growth. This slower economic growth reduces consumer's interest in purchasing non-essential food items like tree nuts. Additionally, importers and processors must contend with currency devaluation making imported tree nuts more expensive.

China's in-shell based walnut exports are expected to increase to 18,000 MT in MY 2015/16, given lower prices of domestic supplies. Most China's walnut exports are shelled products. When purchase prices of domestic-produced walnuts were high in the past few years, Chinese processors would import

US-origin in-shell walnuts and processed them into shelled products for re-export to markets like Japan and United Kingdom.

**Policy:**

China publishes a National Food Safety Standard on Nuts and Seeds Food (GB19300-2014), which came into force on May 24, 2015. You may find more information at: [GB19300-2014](#)

The China-Australia Free Trade Agreement (FTA) was signed on June 17, 2015 and will cut the import tariff for Australia-origin tree nuts to zero in five years. Australia is currently China’s the second largest supplier of macadamia nuts after South Africa.

Starting January 1, 2015, China has specified the HS code for pecans at 0802909040. Previously, pecans were classified in “other nuts” under HS code 0802909090. At the request of the domestic industry, China temporarily lowered import tariffs for pecans and macadamia nuts for one year beginning January 1st. Refer to table 3 for detailed tariff rate and value added tax on tree nuts.

**Table 3. Tree Nut Import Tariff and VAT Rates in 2015**

HS Code	Description	2015		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	19.0%	13.0%	34.47%
0802.6200*	Macadamia nuts, shelled	19.0%	13.0%	34.47%
0802.9090.40*	Pecans, whether or not shelled	10.0%	13.0%	24.30%
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 in 2015.

**Marketing:**

**Whole sale market**

In south China, 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 tree nuts in baked goods. The numbers of bakeries continued increase in the first-second tier cities, and spread of modern supermarket chains with their own bakeries have proved another outlet for tree nut marketing.