



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 4/20/2000

GAIN Report #CH0608

China, Peoples Republic of

Product Brief

Hazelnut Opportunities in China

2000

Approved by:

Samuel Wong

U.S. Consulate Guangzhou (Canton)

Drafted by:

John D. Rutledge

Report Highlights:

The China market holds great potential for U.S. hazelnuts. Local importers/distributors and consumers are already familiar with the product, but with greater marketing efforts consumption could increase. Although imports have been declining over the last few years, some importers believe sales will improve this year.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Guangzhou [CH3], CH

Introduction

The China market holds great potential for U.S. hazelnuts. Local importers/distributors and consumers are already familiar with the product, but with greater marketing efforts consumption could increase. Although imports have been declining over the last few years, some importers believe sales will improve this year. China's official import statistics for the first two months of the year 2000 appear to support these expectations. The quantity of China's official in shell hazelnut imports during January and February 2000 was much higher than that of the same period the year before, 102 tons versus 20 tons.

Consumption

Hazelnuts in China generally are either consumed as a snack or used as an ingredient in confectionary products. Their sales are greatest in the north, because of their similarity with chestnuts which are popular among northern consumers. In the north, as with chestnuts, street vendors during the winter roast hazelnuts in large woks and sell the roasted nuts to passers by. As a snack, hazelnuts' greatest competition in the local market comes from other natural snack foods such as pistachios, almonds, and raisins. When sold as a snack whether in small consumer packs or on the street, the nuts are usually in shell.

Hazelnuts in the south are not popular. Based on one snack packing company's experience, only five percent of their hazelnut consumer pack sales are in the south. A local distributor says that 70 to 80 percent of his hazelnut sales are to northern customers. Distributors say that southerners do not eat many hazelnuts, because they think the nuts are tasteless and cracking the shell is too troublesome. Hazelnut snack pack sales are much lower than for either almonds or pistachios. One local packer claims that his company only sells one hazelnut pack for every hundred pistachio packs.

Some confectionary manufacturers in China use hazelnuts in their products, mainly as a filler in chocolate bars. The Mars and Cadbury corporations in their respective Beijing factories each produce a hazelnut chocolate bar. Other hazelnut confectionary products also are made in China. One Guangdong manufacturer produces chocolate covered hazelnuts. In China, companies using hazelnuts are mostly Sino-overseas joint ventures or overseas wholly-owned entities who usually purchase their hazelnuts through distributors and do not import directly. To accommodate these users' needs, many distributors own or have arrangements with local factories to crack the hazelnuts and ground the contents. Most of China's major chocolate confectionary manufacturers are located in and around the major cities of Beijing, Shanghai, Tianjin, and Shenzhen. Shenzhen Le Conte Foodstuff Company Limited, a Sino-Hong Kong joint venture and one of the major candy bar producers in China, uses Turkish nuts for products which contain hazelnuts.

Although the bakery industry in China has dramatically grown over the last several years, hazelnuts are rarely used as a bakery product ingredient unlike in many Western countries.

Product Comparison

Local hazelnut distributors have noticed a difference between hazelnuts from various sources and hold strong opinions about them, particularly those from the U.S. and Turkey. Even though U.S. hazelnuts continue to maintain a substantial presence in the market relative to Turkish origin ones, local distributors say that Turkish hazelnuts are more readily accepted by local consumers. Cited reasons include: U.S. hazelnut shells tend to be thicker than Turkish ones and Turkish hazelnuts tend to be more meatier than U.S. ones.

Pricewise, at the present time, local distributors say that U.S. hazelnuts are a thousand RMB (\$121) per ton more expensive than Turkish nuts. The exchange rate between the U.S. Dollar and the RMB is \$1.00 equals 8.27 RMB.

Trade Situation

China's imports of hazelnuts and filberts over the last several years has been much larger than its exports. Both direct and indirect trade figures show this pattern, except during 1999. During this period, China's official exports of shelled hazelnuts and filberts were larger than Hong Kong re-exports in terms of both value and quantity. Over the last few years, the U.S. has been the leading source of China's in shell hazelnut imports as indicated by both China's official import statistics and Hong Kong re-export numbers. For shelled hazelnut imports, according to China's official statistics, Turkey has generally been the main supplier. China's in shell imports since 1997 have usually been much larger than shelled imports. The limited exports of Chinese hazelnuts and filberts mainly go to Hong Kong and Taiwan.

Hong Kong re-exports of hazelnuts to China over the last few years have always been higher than official Chinese imports, but the situation for shelled hazelnuts changed in 1999. According to 1999 trade data, official imports of shelled hazelnuts were larger than Hong Kong re-exports. Official imports for that year cite Turkey as the leading source, while Hong Kong re-export numbers indicate the U.S.

Direct and indirect hazelnut imports in recent years have been generally lower in terms of value and quantity compared to 1997.

Trade Regulations and Tariffs

China's import tariffs for hazelnuts are high, 30 percent based on the value of the imported nuts. When the Value Added Tax is included, the effective duty is approximately 50 percent of the value. Since China and the United States recently signed an agreement on the former's entry into the World Trade Organization, China's import tariffs are expected to come down sometime in the next few years. These reductions should cover hazelnuts.

Marketing

When developing a marketing strategy for exporting hazelnuts to China, though most of the product's consumers live in the northern part of the country, the initial regional focus should be on southern China and Guangdong province in particular. Guangdong is the home to most of China's domestic snack packers and bulk nut importers. Many of these companies have experience with handling the product and nationwide distribution which includes northern China. The snack packers are interested in more information about the product to help them devise domestic marketing strategies and would appreciate any assistance similar to the types given by the California Pistachio Commission and the Californian Almond Board. Such assistance over the years by these organizations have helped to build packer loyalty towards their U.S. suppliers.

Current imported hazelnut distributors in China also suggest education and ideas about other uses of hazelnuts. At the present time, uses as a snack and candy bar filler are well known. However, they say that to increase local sales, the distributors need knowledge about other ways to use the product.

After establishing a business relationship with an importer/distributor, a joint marketing program that targets confectionary manufacturers could be beneficial. Although some of the overseas invested candy producers use hazelnuts as an ingredient in a few of their products, most of the domestic producers do not use any hazelnuts. Activities from similar programs include product usage seminars and buyer incentive programs. One local distributor has suggested a seminar on proper storage and handling, because he believes poor practices on the part of some of his customers has contributed to their decline in hazelnut orders over the last couple of years. In addition, participation in local consumer and wholesale trade exhibitions such as the Shenzhen Food Show which is held every November/December and the Chengdu Confectionary and Alcohol Show which is held every March could boost sales.

At the present time, Turkish producers have started paying more attention to the market. Their hazelnut promotion organization participated in the 1999 HOFEX show in Hong Kong. The organization at that show had no product on display, but distributed literature on their nuts and a list of Turkish exporters.

China's Official Imports (Value: '000 U.S. Dollars, Quantity: Metric Tons) Hazelnuts or Filberts, In Shell (HS 0802.2100)								
Origin	1996		1997		1998		1999	
	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
United States	155	625	528	2,011	862	1,306	571	499
Australia	0	0	0	0	0	0	1	1
Malaysia	0	0	29	89	7	23	0	0
Thailand	32	100	16	41	146	193	0	0
India	0	0	12	75	2	14	0	0
South Korea	0	0	3	5	0	0	0	0
Hong Kong	0	0	2	12	5	2	0	0
Iran	0	0	2	5	0	0	109	70
Philippines	3	6	2	5	14	55	0	0
Turkey	0	0	0	0	45	8	13	12
Taiwan	27	119	0	0	0	0	0	0
Others	0	0	0	1	3	1	0	0
TOTAL	217	849	593	2,244	1,084	1,602	694	582

Source: China's Customs Statistics

China's Official Imports (Value: '000 U.S. Dollars, Quantity: Metric Tons) Hazelnuts or Filberts, Shelled (HS 0802.2200)								
Origin	1996		1997		1998		1999	
	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
Turkey	227	100	34	37	89	51	261	56
United States	5	1	14	21	155	42	9	37
Great Britain	0	0	1	0	11	1	51	8
Singapore	0	0	0	0	0	0	0	0
Japan	0	0	0	0	0	0	0	0
Taiwan	3	12	0	0	0	0	0	0
Italy	0	0	0	0	0	0	0	0
Australia	64	36	0	0	108	15	6	1
Others	1	0	0	0	2	5	0	0
TOTAL	300	149	48	58	365	114	327	102

Source: China's Customs Statistics

Hong Kong Re-exports to China (Value: '000 U.S. Dollars, Quantity: Metric Tons) Hazelnuts or Filberts, In Shell (HS 0802.2100)								
Origin	1996		1997		1998		1999	
	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
United States	69	41	3,337	1,893	1,526	821	1,015	494
Turkey	247	128	555	243	0	0	0	0
Canada	0	0	44	20	0	0	0	0
France	0	0	51	22	0	0	0	0
Italy	0	0	44	23	22	15	0	0
Iran	0	0	16	13	65	40	0	0
Pakistan	0	0	83	23	55	10	0	0
Others	0	0	0	0	1	1	0	0
TOTAL	316	169	4,129	2,237	1,669	887	1,015	494

Source: Hong Kong Customs Data, Hong Kong Department of Census

Hong Kong Re-exports to China (Value: '000 U.S. Dollars, Quantity: Metric Tons) Hazelnuts or Filberts, Shelled (HS 0802.2200)								
Origin	1996		1997		1998		1999	
	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
United States	66	38	1,113	623	411	217	25	10
Turkey	829	281	0	0	38	5	0	0
France	0	0	0	0	0	0	0	0
Italy	0	0	58	10	0	0	0	0
Netherlands	50	20	0	0	0	0	0	0
Iran	0	0	0	0	25	20	0	0
Malaysia	0	0	0	0	7	1	0	0
Singapore	0	0	0	0	4	1	0	0
Australia	0	0	0	0	3	1	0	0
Others	16	8	99	22	2	0	0	0
TOTAL	961	347	1,270	655	490	245	25	10

Source: Hong Kong Customs Data, Hong Kong Department of Census

China's Official Exports (Value: U.S. Dollars, Quantity: Metric Tons) Hazelnuts or Filberts, In Shell (HS 0802.2100)	

Destination	1996		1997		1998		1999	
	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
Hong Kong	7	3	28	10	4	10	0	0
Macau	0	0	1	0	0	0	0	0
Japan	0	0	0	0	0	0	1	0
Great Britain	0	0	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0
TOTAL	7	3	29	10	4	10	1	0

Source: China's Customs Statistics

China's Official Exports (Value: U.S. Dollars, Quantity: Metric Tons) Hazelnuts or Filberts, Shelled (HS 0802.2200)								
Destination	1996		1997		1998		1999	
	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
Hong Kong	138	48	131	94	66	48	31	29
Iran	11	10	0	0	0	0	0	0
Macau	16	5	13	11	0	0	0	0
South Korea	31	36	2	0	0	0	0	0
Thailand	0	0	0	0	0	0	0	0
U.A.E.	22	20	22	20	0	0	0	0
Taiwan	17	9	27	15	68	38	29	18
France	0	0	0	0	3	7	0	0
Tadzhikistan	0	0	0	0	9	22	0	0
Canada	42	38	0	0	0	0	0	0
Australia	0	0	20	8	0	0	4	3
Others	0	0	0	0	0	0	0	0
TOTAL	277	166	215	148	146	115	64	50

Source: China's Customs Statistics

China's Official Tariff Rates on Hazelnuts and Filberts					
HS Code	Product	Prefer. Rate 1/	General Rate 2/	VAT Tax 3/	Effective Rate 4/
0802.2100.1	Hazelnuts or Filberts, in Shell, Fresh	30	70	13	47
0802.2100.9	Hazelnuts or Filberts, in Shell, Dried	30	70	17	52

0802.2200.1	Hazelnuts or Filberts, Shelled, Fresh	30	70	13	47
0802.2200.9	Hazelnuts or Filberts, Shelled, Dried	30	70	17	52

Source: People's Republic of China Import/Export Management Measures, 1999 Edition

Notes:

- 1/ Preferential rate refers to the tariff rate charged against all products from countries with whom China has exchanged most favored nation trading status (i.e. U.S.A.).
- 2/ The General tariff rate refers to the tariff rate charged against all products from countries with whom China has not exchanged most favored nation trading status.
- 3/ VAT: Value Added Tax. This tax is assessed on all imports entering China. It is assessed against the combined value of the imported products plus the tariff duty charges.
- 4/ The Effective tariff rate is the Preferential rate plus the Value Added Tax.