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**Report Highlights:**

FAS China forecasts commercial production of in-shell walnuts to remain unchanged from the previous year at 1.4 MMT in MY 2023/24. Cold winter temperatures in Xinjiang damaged the almond crop this year. FAS China forecasts almond production will drop sharply to 5,000 MT. Despite a slowed economy, solid demand and abundant global supplies of almonds and pistachios will encourage increased imports of these commodities. At the same time, retaliatory tariffs have reduced the market share of U.S. almonds and pistachios in China. There is demand for a limited volume of imported walnuts to supply a niche market.

## **Production**

### *Walnuts*

FAS China forecasts commercial production of in-shell walnuts at 1.4 MMT in MY 2023/24 (September-August), unchanged from the previous year. Despite unusually cold temperatures in winter 2022, walnut production in Xinjiang, the leading producer, will remain at the same level of last year, according to local trade sources. In Yunnan, the second largest producer, traders reported that heat damage between April and May 2023 will reduce walnut production mildly. A severe frost also occurred in April in Shanxi, Shaanxi, and Henan during walnut pollination, which negatively impacted the crop, leading to a 10-20 percent production decline in these minor walnut producing provinces, according to local traders. However, media reported that walnut production will increase significantly in southwestern China, especially Chongqing municipality, offsetting crop losses elsewhere.

The walnut acreage is stable for now but will possibly decline in the future because of over production. Industry sources indicate that the country's actual walnut production is much larger than the commercial production because high labor costs in some areas, especially in the high mountains in Yunnan, leave many walnuts unharvested. In addition, traders report that farmers harvest walnuts from older trees in northern China. In Hebei province, for example, producers will crush the walnuts into oil for their own consumption rather than selling the crop. In addition, walnut farmers harvest around 10 percent of Chinese walnuts prematurely and sell them fresh (without the drying process) at various local markets.

Walnut quality varies from place to place due to a variety of reasons as well as the level of attention that growers give them. Currently, walnuts are planted in 21 provinces, and each province plants its own varieties, none of which are comparable with the U.S. and Chilean varieties such as Chandler that are favored because of organoleptic properties such as their light (kernel) color and no bitter taste. In addition, many farmers do not take particular care of their walnut plants, most of which sit on mountain/hill slopes, given poor market returns. However, Xinjiang walnut growers have improved varieties that produce higher quality walnuts and grow walnuts on level fields that allow them to use mechanized farming to reduce labor costs and increase yields. Taking advantage of its geographic location, Xinjiang walnuts are the main source of Chinese exports.

### *Almonds*

FAS China forecasts China's production of shelled almonds to fall dramatically to 5,000 MT in MY 2023/24 (August-July) due to extremely cold temperature in Shache county of Xinjiang in January that damaged a large number of plants, according to local contacts. Cold temperatures in winter and spring have always been a challenge to almond production in Shache. Adverse weather has wiped out the almond crop twice before in Shache. Under normal weather conditions, Shache produces around 50,000 MT of almonds (shelled basis) a year. The Xinjiang almond yield remains low, largely because of less productive varieties. As a result, Shache almonds are mostly consumed within Xinjiang. Shache almonds growers produce more than 95 percent of Chinese almonds. The acreage has remained quite stable at

around 60,000 hectares. Farmers in Henan province have reportedly planted some 530 hectares of almonds, but most plantings have not begun bearing and their performance remains to be seen.

### *Pistachios*

China's pistachio production is very limited. An industry report estimates the production at a mere 300 MT in MY 2023/24 (September-August). Farmers in Xinjiang province have reportedly planted around 1,300 hectares of pistachios to experiment with pistachio production in the province. It will probably take a while before farmers identify appropriate varieties and locations for pistachio production, if any.

### *Other Nuts-Macadamia Nut, Hazelnut, and Pecan*

FAS China forecasts MY 2023/24 (September-August) production of inshell macadamia nuts at 57,000 MT, an increase of 36 percent from the previous year, according to a report by a major macadamia grower and processor in Yunnan. The production of macadamia nuts has doubled over the past five years in China, which is now the world's third largest producer, according to statistics released by the International Nuts and Dried Fruit Council (INC). After a few years of rapid expansion, the planting area of macadamia nuts is stable at around 309,000 hectares. Yunnan province produced the most macadamia nuts in China, followed by Guangxi and Guangdong. Industry sources in Yunnan expect the country's macadamia production to continue increasing in years to come as more plantings begin bearing.

FAS China forecasts China's production of hybrid hazelnuts (in-shell basis) at 60,000 MT in MY 2023/24 (September-August), an increase of 3 percent from the revised number in the previous year. An industry contact noted that the acreage of hybrid hazelnuts, currently estimated at 126,600 hectares, has increased quickly over the past 7-8 years in Liaoning, Jilin, Heilongjiang, Shandong, Inner Mongolia, and Hebei provinces. China is likely to see moderate increases in hazelnut production in the next few years as new plantings gradually start bearing fruit. However, crop yield remains quite low as some of the first hazelnut growers used inappropriate varieties when they first started planting. China also produces wild hazelnuts, and the annual production is quite stable at around 40,000 MT (in-shell basis). Wild hazelnuts grow mainly in Liaoning province, with smaller areas spreading in Jilin and Heilongjiang provinces.

FAS China forecasts China's production of in-shell pecans at 4,300 MT in MY 2023/24 (September-August) based on an industry report. Various sources have provided different pecan production numbers in China. Reports indicate that farmers in 8 provinces, led by Yunnan, Anhui, and Jiangsu, have planted around 83,000 hectares of pecans. Most plantings, however, have not begun bearing.

### **Price**

Walnut harvest just commenced in Yunnan in September 2023. Yunnan is the second largest producer next to Xinjiang, where harvest activities will begin soon. The farmgate price for mixed grade walnuts (in-shell basis) are quoted at RMB 13 (\$1.8) per kilo, slightly higher from a year ago, according to

Yunnan traders who noted that walnut prices have dropped so much in recent years that some farmers will not even bother to harvest their walnuts.

The world tree nut prices, except for pistachios, started to decline in 2022, largely because of weak market demand globally. The downward trend in prices of most tree nuts continued in the first half of 2023 and have almost reached five-year lows, except for macadamia nuts, according to a report presented at a recent tree nut conference. Traders predict that tree nut prices are most likely to stay at low levels in the remainder of this marketing year, due to abundant supplies.

## **Consumption**

Increased consumption and more application of tree nuts in food processing will help tree nut consumption grow moderately in MY 2023/24. The rapid growth in tree nut consumption in recent years slowed during the pandemic. The anticipated rebound in consumption has not occurred after the removal of COVID restrictions in December 2022, largely because of weak economic performance. However, industry sources predict that nuts in meals, innovative nut products, and improved cost-effectiveness will be the three driving forces behind future consumption growth. For example, wasabi flavored macadamia nuts have greatly increased the consumption of this nut variety in China.

Snacking remains the major consumption pattern for most tree nut varieties, but food producers are using increasing quantities of nuts, especially low-priced ones, in a wide range of food products. Plant based drinks that use tree nuts as primary ingredients are gaining popularity. In addition to traditional walnut milk, “daily nut milk,” which contains milk and various nuts, has gained in popularity among younger consumers. While food processors are actively seeking new applications of tree nuts in the culinary and baking sectors, processed products, such as nut oil for food consumption and skin care lotion, have become a new trend.

The concept of tree nuts being a healthy and nutritional food keeps expanding among Chinese consumers, especially those in urban areas. However, industry reports indicate that per capita consumption of nuts in China is generally low and mainly seed nuts. The Chinese Food Guide Pagoda 2022 recommends between 25 grams and 35 grams of daily intake of beans and nuts, which food scientist have translated to 16-25 grams of nuts. However, daily consumption of nuts is around 10.3 grams in China, according to a presentation by a senior Ministry of Commerce official in August. On September 17, 2023, the China Nutrition Society released a *White Paper on Nutrition, Health, and Nut Intake of Chinese Residents* aimed to help consumers understand the health benefits of nuts and provide a scientific basis for mass education and the development of the nut industry.

## **Policy**

Several U.S. products, including tree nuts, are still subject to a 15-percent retaliatory Section 232 tariff on top of MFN tariffs, despite being exempt from a 30-percent retaliatory Section 301 tariff on U.S. agricultural products since March 2020 (see GAIN report [CH2020-0017](#)). The following table provides a detailed breakdown of import tariffs and value added tax (VAT) on various nut products.

**Table 1. China: Tree Nut Import Tariff and Value-Added Tax (VAT) in 2023**

HS Code	Description	Tariff (%)				VAT (%)
		MFN	U.S. (as of March 2020*)	Australia	Chile	
0801.2100	Brazil nuts, inshell	7	22	0	0	9
0801.2200	Brazil nuts, shelled	7	22	0	0	9
0801.3100	Cashew nuts, in-shell	7	22	0	0	9
0801.3200	Cashew nuts, shelled	7	22	0	0	9
0802.1100	Almonds, in-shell	10	25	0	0	9
0802.1200	Almonds, shelled	10	25	0	0	9
0802.2100	Hazelnuts/Filberts, in-shell	25	40	0	0	9
0802.2200	Hazelnuts/Filberts, shelled	10	25	0	0	9
0802.3100	Walnuts, in-shell	25	40	0	0	9
0802.3200	Walnuts, shelled	20	35	0	0	9
0802.5100	Pistachios, in-shell	5	20	0	0	9
0802.5200	Pistachios, shelled	5	20	0	0	9
0802.6190	Macadamia nuts, in-shell	12	27	0	0	9
0802.6200	Macadamia nuts, shelled	12	27	0	0	9
0802.9990.30	Pecans, inshell or shelled	7	22	0	0	9
2008.1910	Walnut kernels, in airtight containers	5	5	0	0	13
2008.1920	Other nuts, in airtight containers	5	5	0	0	13
2008.1999.30	Prepared/preserved nuts and other seeds, nes	5	5	0	0	13

**Source:** China Customs

**Note:** \*Actual rate (includes MFN and China's Section 232 retaliatory tariffs) if Section 301 tariffs are exempted upon approval.

The General Administration of Customs of the People's Republic of China (GACC) published a protocol on inspection and quarantine requirements for almonds from Spain, officially granting access to Spanish almonds to the China market on April 20, 2023. INC statistics indicate that Spain is currently the world's second largest almond producer, estimating Spain's MY 2023/24 production (shelled basis) at 128,000 MT. Spain exports its almonds mainly to EU countries such as France, Germany, and Italy.

All overseas tree nut manufacturers, processors, and storage facilities must register with the [CIFER](#) system before exporting food products, including tree nuts to the PRC, in accordance with Decree 248 (see GAIN report [CH2021-0045](#)). Decree 248 went into force on January 1, 2022.

China has published the final version of the *General Quality Standard for Nut and Seed Food*, which took effect on August 1, 2023 (refer to GAIN report [CH2023-0106](#)). This is a recommended standard

that provides terms and definitions, classification, inspection methods and rules, as well as labeling, packaging, transportation, and storage requirements for nut and seed products.

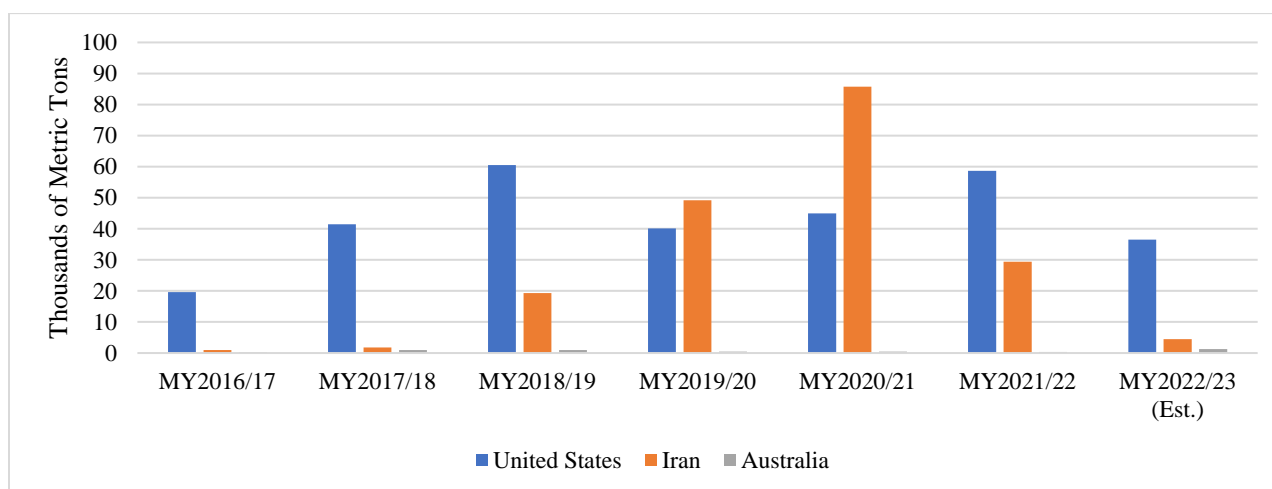
## Trade

### Imports

China is a major importer of tree nuts and it relies heavily on the world market for supply of many varieties, especially almonds, pistachios, and pecans. Despite challenges such as a slowed economy and a strong U.S. dollar, industry contacts expect China’s overall imports of tree nuts to increase moderately in MY 2023/24, especially shelled products, driven by solid demand for healthy food products. In addition, global tree nut supplies, including production and stocks, will improve for most varieties in MY 2023/24, according to industry forecasts.

MY 2023/24 (September-August) imports of both raw and roasted pistachios will be higher from the previous year’s level on solid demand for this popular product pronounced as “happy nut” in Chinese, as well as greatly improved world supplies. Both the United States and Iran are expecting a dramatic rebound in production in MY 2023/24, according to industry forecasts. The top two global suppliers lost a large portion of their pistachio crops in the previous year due to bad weather. It is worth noting that China’s imports of raw pistachios started to decline in MY 2021/22 but roasted pistachio imports have maintained rapid growth for five years. Industry sources estimate that the import volume of roasted products has now exceeded that of raw pistachios. The roasted products fall under a different tariff line that is not subject to Section 232 retaliatory tariffs (see Policy). The retaliatory tariffs against U.S. products have negatively impacted the imports of U.S. pistachios (see Chart 1 below). Starting in MY 2019/20 tariffs resulted in a cost savings for Iranian pistachios. While U.S. pistachios still have a significant market share, tariffs continue to weigh on U.S. export growth.

**Chart 1. China: Imports of Pistachios (Inshell Basis) from Major Partners**

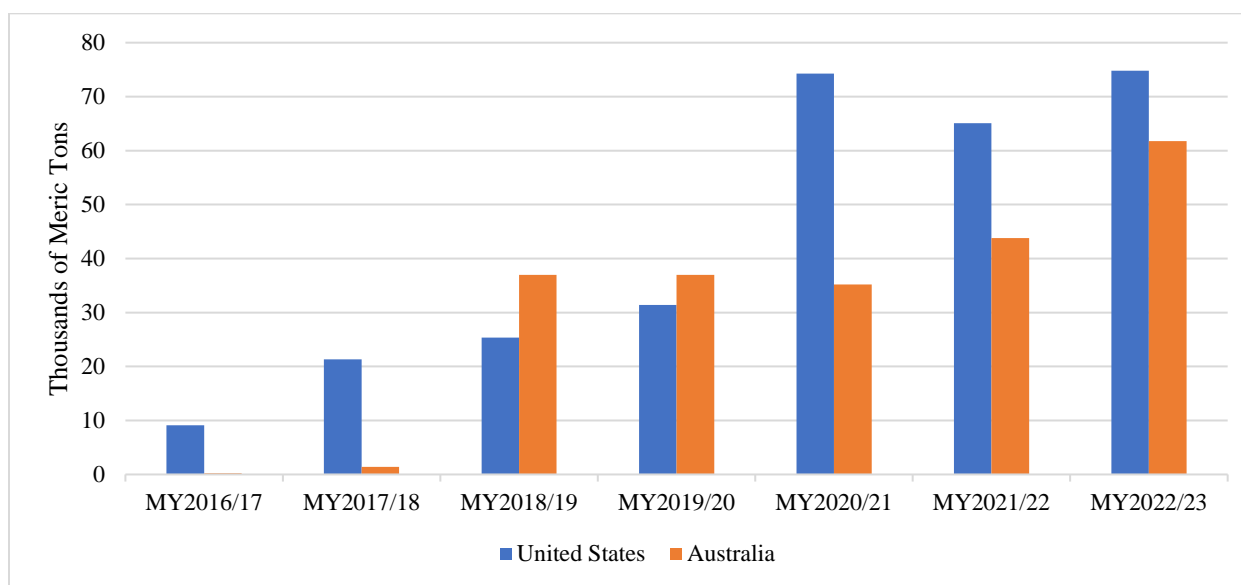


**Source:** Trade Data Monitor, LLC

**Note:** Marketing Year (MY) for pistachios begins in September and ends in August.

China’s almond imports, shelled basis, will continue to increase in MY 2023/24 (August-July) because of abundant world supplies, lower prices, and dramatically reduced domestic production. Despite an estimated 43-percent reduction in the 2023 Australian crop, bumper harvests in California and Spain will likely improve world almond supplies. In addition, industry sources suggest that almond prices have declined since 2021, encouraging Chinese importers to buy more. Lastly, China opened its market to almonds from Spain, currently the second largest producer in the world, which may stimulate fresh almond imports. The United States remained the largest supplier of almonds to the Chinese market, but its market share has declined due to retaliatory tariffs (see Chart 2 below). The share of Australian almonds is quickly catching up, taking advantage of an existing bilateral free trade agreement.

**Chart 2. China: Almond Imports (Shelled Basis) from Major Partners (in MT)**



**Source:** Trade Data Monitor, LLC

**Note:** Marketing Year (MY) for almonds begins in August and ends in July.

China’s imports of macadamia nuts will likely increase in MY 2023/24 (September-August) from strong demand for this popular nut, despite improved domestic production. As a result of significant decreases in price, the country’s imports of macadamia nuts soared by more than 40 percent in MY 2022/23, with Australia and South Africa being the two leading suppliers to this market.

China’s walnut imports keep declining in the wake of increased domestic production. Chinese importers buy small quantities of inshell walnuts from Chile and shelled walnuts from the United States to accommodate the demand of high-end market for taste and color.

## *Exports*

China is becoming a tree nut exporter, mostly of walnuts, as domestic production and food processing capacity improves. The devaluated local currency will also help boost the country's nut exports in the short run. FAS China does expect China to export more walnuts in MY 2023/24 (September-August). As a result of increased domestic supplies, China's walnut exports started to take off in MY 2020/21 and has kept increasing ever since. The main export markets (both inshell and shelled) lie in the Middle East, notably the United Arab Emirates, and Central Asia (e.g., Kyrgyzstan). The Russian market is also a strong market for shelled products.

China's exports of macadamia nuts have been increasing steadily in recent years, although volume remains relatively low. Australia and the United States are currently the top two buyers of Chinese shelled macadamia nuts.

## **Marketing**

China's per capita disposable income increased by over 5 percent in the first half of 2023 according to PRC statistics and consumption levels are following a similar trend. In the post-COVID environment, the food and beverage industry has emerged as the leading growth sector for Chinese consumption. Specifically, China's snack food market is leading the growth. Key trends related to the growth of the snack food industry in 2023 include clean label products, nutritional snacks, diverse flavors, and convenient packaging. "Clean label" generally refers to products made with fewer ingredients, while ensuring the ingredients used are simple and well known. Examples are foods that are purely natural, low in sugar, low in fat, organic, free from food preservatives, and/or contain fewer additives. Nutritional snacks tout specific benefits such as rich in protein, vitamins, or fiber, and have a similar appeal. Diverse flavors and convenience packaging tend to entice the younger generation.

Although different consumer groups have varying product preferences, nutritional value is by far the top factor influencing Chinese food and beverage purchases in the post-COVID environment. The best-selling items across all distribution channels are mixed nuts with dried fruit, small packages for individual consumption, and nuts with shells that are easy to crack. Specifically, China's tree nut market has experienced significant growth. The market size has increased from \$1.3 billion in 2005 to \$6.2 billion in 2022. One tree nut snack category called "Daily Nuts," which contains mixed nuts and dried fruits portioned in small bags, has become extremely popular. The "Daily Nuts" market size grew from \$44 million to \$1.5 billion in just 5 years.

Tree nuts serve not only as a source of personal enjoyment but are also commonly shared in different settings, including tourism, urban camping, and family gatherings. Tree nuts are also a popular gift item.



## **Consumers**

The rising middle class has emerged as the dominant social group in China with the urbanization that has occurred in recent decades. The primary consumers of tree nuts are individuals who belong to the middle-class or higher, young professionals employed in white-collar jobs, households with a greater amount of disposable income, and seniors residing in first and second tier cities.

The trend of including “Daily Nuts” in everyday consumption in first tier cities (e.g., Beijing, Shanghai, Guangzhou, and Shenzhen) is increasing. It has become common for white-collar workers to order a cup of coffee along with a pack of nuts for breakfast. However, in smaller cities, the idea of consuming daily nuts is still in its early stages. Nuts are typically consumed during festivals, gatherings, or given as gifts in these regions. As urbanization and industrialization continue to boost income levels in these lower-tier cities, there is a significant potential for growth in snack consumption. Tree nuts are expected to play a major role in driving this growth.

## **Market Players Competition & Sales Channels**

A series of city lockdowns in 2022 negatively impacted China’s economy and consumption patterns, leading to a 15 percent decline in the entire tree nut market size. Despite this setback, the market remains highly competitive, with over 300 snack food entities actively producing “Daily Nuts” and more players continuing to enter this lucrative market.

The competition in the tree nut market continues to be fierce. The combined market share of the top five companies is over 12 percent. The top five companies are the following: Three Squirrels from Anhui Province, Huatai Foods (with the brand Cha Cha) also from Anhui Province, Be & Cherry from Zhejiang Province, Bestore from Hubei Province, and Wolong from Shandong Province.

Nuts are available for purchase through various channels, including offline retail outlets and e-commerce platforms. Traditional channels include wholesale, supermarkets, and wet markets. Snack specialty stores, supermarkets, community grocery stores, and convenient shops all carry tree nuts. E-commerce platforms have experienced tremendous growth in the past three years, partly due to the profound impact of COVID on consumer purchasing behavior. China accounts for over 50 percent of global online sales. Hybrid sales channels (i.e., online-to-offline) have become integral to building brand awareness for snack food companies looking to gain market share and diversify their clientele.

## **New Trends**

The demand for healthy foods has also led to an increasing demand for plant-based products. Nut-based drinks are increasing in popularity. In addition, there are several innovative products in the market, including nut chips, which are often consumed as a yogurt topping. This new product caters to the growing interest in plant-based alternatives and offers a unique twist to traditional yogurt consumption.

Yogurt drink mixed with nuts, a new drink found in the market, serves as the inspiration for this delightful addition. Made from a blend of fresh avocado, pecan chips, provide a crunchy texture and

rich flavor when sprinkled over yogurt. Targeting the young generation and those focused on well-being fitness in affluent regions, this new product satisfies both taste and health preferences.

**Attachments:**

No Attachments