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China, Peoples Republic of

Tree Nuts

Yunnan Walnut Situation

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Approved by:

Suzanne Hale

U.S. Embassy

Prepared by:

Alexander Kameny

Report Highlights:

Walnut demand in China is growing rapidly. Opportunities for U.S. walnut exports to China are expected in the future. Yunnan is making great efforts to expand walnut production.

Includes PSD changes: No

Includes Trade Matrix: No

Unscheduled Report

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Summary

Demand for walnuts in China is growing rapidly. Last year during the Mid-Autumn Moon Festival (September) walnut demand was so large that the domestic walnut supply was depleted. A well-established state trading company (The Yunnan Native Produce Import Export Company) reported that they were considering importing walnuts and would be interested in contacting with U.S. walnut producers to find out about prices and logistics.

Due to problems with preserving freshness and taste, most Chinese consumers are not accustomed to consuming fresh walnuts. However, Chinese consumers who live in walnut production regions prefer fresh walnuts to processed walnuts, indicating that the market for fresh walnuts in other parts of China could grow as transportation, and storage technology and techniques improve.

In Yunnan a large effort has been undertaken to expand walnut tree planted area and production. However, growers' efforts to expand area frequently have been thwarted by cold weather and drought. Although it is clear that annual goals for expanding planted area have not been met, it is unclear how much walnut tree area has actually expanded. A major campaign to increase area was launched in 1997, and these new trees should begin bearing nuts in 2002.

[Note: USD 1=RMB 8.27, 1 Hectare=15 Mu]

Production

Yunnan province's walnuts are considered by Chinese to be the best in China and account for approximately 22 percent of China's walnut production. There are three main types of walnuts produced in Yunnan: the thin-shelled, large and dark paohetao, which accounts for the majority of production volume; the thick-shelled, small and light-colored tiehetao, which accounts for a smaller percentage of production volume; and the jiamianhetao, which accounts for only a small part of production volume. In 1999, walnut tree planted area was 300,000 ha and production volume reached 60,000 MT. Abnormally low temperatures and drought negatively affected 1999 production. In 2000 production is forecast to reach the same level as in 1999. Since 1997, local government has been allocating fundings to add 50,000 ha per year to walnut tree planted area. However, many of the newly planted seedlings have died because of drought, low temperatures and poor management, indicating that new walnut tree area is not growing by 50,000 ha per year. Despite problems with seedling survival, Forestry Bureau officials forecast that Yunnan's annual walnut production will reach 100,000 MT within the next 3-5 yrs. Production in Dali prefecture, which produces 20 percent of Yunnan's walnuts, has not increased in 7 years. Yields in the area are approximately 255 kg per ha, given 150 trees per ha. Efforts to increase walnut area are proceeding slowly due to problems with cold weather and drought. Dali's current walnut area is 40,000 ha and its goal is to increase area to 67,000 ha by 2002.

Yunnan's walnut trees grow in the mountains, frequently on steep slopes. Approximately 180 trees can be grown on 1 ha, however the number varies depending on the slope and the condition of the land. Typically, newly planted trees take 5-8 years to begin bearing nuts. Yunnan walnut groves are not

irrigated. New northern walnut varieties which are drought and cold resistant are being bred with local varieties and extended in Yunnan in the hope that they will grow better in the increasingly dry and cooler conditions. These hybrid varieties also have more attractive shells than the local paohetao.

Production Costs

Production costs for walnuts in Yunnan average 2700 RMB per ha, given 180 trees per ha at a cost of 15 RMB per tree. In Dali, officials estimated that production costs, excluding water, were 200 RMB per mu (3000 RMB per ha) based on a cost of 6 RMB per tree. However, costs can vary greatly depending on terrain. Seedlings cost 3-5 RMB each. Walnut farmers typically have 1 mu of walnut area. However, some Dali farmers have 1 ha of land with only 45-75 trees per ha. Farmer land holdings and trees per ha vary greatly depending on terrain and region. Walnut production costs and seedling prices in North China are likely lower due to the flatter terrain.

Development Assistance

The government encourages farmers to grow walnut trees in Yunnan. Walnut tree development assistance programs are not funded or carried out at the provincial level, but at the prefectural and county levels. They have become numerous due to the economic benefit that walnut production has brought to poor areas. In many areas walnut tree growing is viewed as a poverty alleviation tool. Assistance takes the form of tax incentives, free water, training, direct subsidies and no interest loans on seedlings, fertilizers and plastic. During the past few years in 7 of Dali prefecture's 11 counties, a subsidy of 40 RMB per mu for new walnut tree area has been offered to farmers. However, 2000 will be the last year of this subsidy program.

Consumption

Walnut consumption is growing in China as incomes increase and alternatives to traditional snack foods become popular. Walnuts are also being used in bakery products. This was especially noticeable in Kunming where there was a bakery shop every half kilometer. Most Chinese are accustomed to consuming processed walnuts that have been heavily flavored, and many are not even aware that fresh walnuts can be consumed. This is due to the problem of preserving walnut freshness in China. Transporting fresh walnuts across the country is difficult, slow and expensive, so most Chinese have never had access to fresh walnuts. This is not true in walnut producing regions, such as Yunnan, where consumers prefer fresh walnuts and the majority of walnuts are consumed fresh.

Prices and Procurement

Last year's walnut procurement price to farmers in Yunnan was 6 RMB per kg (inshell), according to the Forestry Bureau. The retail price was 7-8 RMB per kg. These prices have stayed relatively constant over the last few years. Farmers usually can sell all of the walnuts that they produce. In Dali, officials reported that the procurement price for average quality nuts (inshell) was 8 RMB per kg and for high quality nuts the price was 15 RMB per kg. Farmers sold shelled walnuts for 25 RMB per kg. Walnuts are procured by private traders.

Distribution

Walnuts are transported from mountains to roads by horse. From the roads they are taken to nearby cities on truck, where they are packaged or processed. Trains distribute the walnuts to cities in other parts of China. The transportation system is slow and undeveloped, and Yunnan officials estimated that to transport fresh walnuts from Dali to Shanghai would take at least ten days.

Trade

Yunnan exports walnuts to the Middle East and some to Japan. Walnuts produced in Shaanxi and Hebei are exported to Europe. In 1999, Yunnan exported 700-800 MT of shelled walnuts. In 2000 Yunnan will export 500-600 MT of shelled walnuts. Domestic market sales account for two-thirds of Yunnan's walnut harvest, and that share is growing as domestic demand expands. Small, light colored tie walnuts with a low oil content were procured for 31,000-32,000 RMB per shelled MT (production small) in 1999. Large, dark colored pao walnuts with a high oil content were procured for 26,000 RMB per shelled MT. However, towards the end of the 1999 walnut season, domestic procurement prices grew to 40,000 RMB per shelled MT due to strong demand. According to the Yunnan Native Produce Trading Company (Tuxu), last year domestic walnut prices were frequently higher than export prices. Tuxu representatives are considering importing walnuts and are interested in talking with U.S. walnut commodity groups.

Trends

Walnut trees are being planted in some areas to prevent soil erosion on steep hills. This practice is still not widespread, but it may become more popular as China's campaign to control erosion is further implemented. In many areas farmers will no longer be permitted to grow field crops on steep slopes, which will damage their incomes. However, by replacing field crops on steep slopes with walnut trees, farmers would be able to continue earning agricultural income from their land. This may make planting walnut trees an attractive erosion control measure to policy makers concerned with farmer livelihood.