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Report Highlights:

China's inshell walnut production is forecast to increase by 27 percent in marketing year (MY) 2022/23, largely because of a production rebound in western China. Despite uncertainties over an economic slowdown and ongoing COVID restrictions, China's almond imports are expected to pick up in MY 2022/23, given increased supplies and competitive prices. Almond imports are expected to be dominated by the United States and Australia. Walnut imports from the United States are expected to further decline on competition from Chile and domestic production. Pistachio imports will be lower due to reduced supplies in Iran.

Production

Walnuts

China's commercial production of inshell walnuts is forecast to increase by 27 percent on year to 1.4 million metric tons (MMT) in MY 2022/23 (September-August). Industry sources note that the increase is due to a production rebound in the Xinjiang Uygur Autonomous Region (Xinjiang province), the country's largest walnut growing area. In MY 2021/22, a severe spring frost in Xinjiang cut the province's walnut production by around 20 percent.

Walnut production in other major growing areas, including Yunnan province, is expected to improve under favorable growing conditions. Industry sources indicate that the country's actual walnut production is much higher than commercial production as a large portion of walnuts is grown in mountainous regions in Yunnan province where high labor costs and low market prices make harvesting cost prohibitive (see Price). In the coming years, China's commercial walnut production may continue to increase, but growth is price dependent.

In MY 2022/23, China's walnut quality is expected to be above average in Xinjiang. Large-scale walnut orchards in Xinjiang are located on flatlands, which make crop management and harvest less costly. In addition, compared to Yunnan walnut varieties (which were first planted decades ago), Xinjiang walnut varieties feature a thin shell, large size, and light kernel color. In the mountainous areas of Yunnan province, walnut quality is inconsistent as farmers have not invested in production practices to improve quality or yields, such as the application of fertilizers. Additionally, Yunnan farmers do not rely on walnuts as their sole source of income making further investment less appealing. In general, most walnut varieties planted in China carry a bitter taste. Post has not heard of any new varieties that compete with imported counterparts, such as Chandler, being developed or planted.

Almonds

China's shelled almond production is forecast at 52,000 MT in MY 2022/23 (August-July), an increase of nearly 24 percent on year, according to contacts in Xinjiang. The production gains are driven by favorable growing conditions in Shache county of Xinjiang province which produces more than 95 percent of the country's total almonds. In MY 2021/22, Shache harvested a smaller crop due to a spring frost, which lowered production.

Almond acreage is currently estimated at 60,200 hectares in MY 2022/23, a decrease of 4 percent from the previous year, as local contacts indicate that farmers are removing some low yielding orchards. On the other hand, other recently grafted trees have reached the peak production phase, which is expected to support greater production in MY 2022/23. In general, the Xinjiang almond yield is low compared to overseas competitors as the almond varieties planted have lower yields.

Pistachios

China's pistachio production is limited and still in the experimental stages. Currently, a few private companies are experimenting with pistachio production but have not been successful in bringing production to commercial scale. Challenges include disease control and lack of expertise in pistachio production.

Other nuts-Macadamia, Hazelnut, and Pecan

Many Chinese companies are actively involved in the production of other tree nuts, notably macadamia nuts, hazelnuts, and pecans. The inshell macadamia nut production is forecast to increase by more than 50 percent on year to 50,000 MT in MY 2022/23, according to data released by the International Nut and Dried Fruit Council (INC). Meanwhile, China is forecast to produce an additional 10,000 MT of shelled macadamia nuts in MY 2022/23, up 4 percent from the previous year. Industry sources suggest that the increases of both inshell and shelled macadamia nuts are largely because of new bearings in Yunnan and Guangxi provinces in southern China where many macadamia nuts have been planted in recent years. It is projected that China's macadamia nut production will increase by 5-10 percent each year in the next 10 years or so, and the country will soon become the world largest producer of macadamia nuts. Despite the increases in production, Chinese macadamia industry continues to face challenges such as lack of uniform varieties, inconsistent quality, and lack of sophisticated crop management.

China's production of hybrid hazelnuts is forecast at around 55,000 MT in MY 2022/23 (September-August), unchanged from the revised number in MY 2021/22, according to an industry contact who noted that although northeast China experienced low temperature and excessive rain during nut development, the anticipated crop loss will be offset by new bearing acreage. Hybrid hazelnuts have been planted recently in northeastern and northern provinces and the acreage is currently estimated at 112,000 hectares. The production of hybrid hazelnuts is expected to increase quickly in years to come as more plants start bearing fruit. China also produces wild hazelnuts (smaller size), mainly in Liaoning province, and the production is estimated at 35,000 MT in MY 2022/23, down 14 percent from the revised number of 41,000 MT in the previous year.

Pecan production (inshell) is forecast at 6,000 MT in MY 2022/23 (September-August), an increase of 50 percent from the previous year, according to an industry report. Pecan production is expected to increase in the foreseeable future as more pecan trees begin to bear fruit. Pecans have been planted in Anhui, Yunnan, and Jiangsu provinces in recent years, most of which have not begun bearing. The pecan acreage is estimated at 85,000 hectares in MY 2022/23, an increase of 6 percent from the previous year, according to the report.

Price

The farm gate price for inshell walnuts (#185 variety) is currently quoted at RMB 14 per kilogram (U.S. \$1.96) (1 kilogram = 2.2 U.S. pounds) in Xinjiang, a decrease of 15 percent from the same period of last year due to increased supplies, according to local traders. In Yunnan, inshell walnuts are currently sold at RMB 12 per kilogram (U.S. \$1.68), an increase of 8 percent on year. Traders in Yunnan have to offer a higher price, otherwise farmers will not hire workers to harvest the walnuts. It is estimated that the labor cost for harvesting one kilogram of fresh walnuts (in hull) is nearly RMB 1.6-2.0 (U.S. \$0.22-0.28), and the fresh walnuts (in hull) are priced at RMB 2.4 (U.S. \$0.34) per kilogram.

Consumption

Tree nut consumption has been on the rise in recent years. Industry reports indicate that tree nuts are among the fastest growing snacks largely because of consumers perception of these products providing additional health benefits. Due to the COVID-19 pandemic, per capita consumption of nut products dropped to 3.7 kilograms in 2020 (from 3.8 kilograms in 2019, based on the China Statistical Yearbook). Meanwhile, the pandemic has increased consumer awareness of consuming healthy food products, including tree nuts. Industry analysts indicate that China's nut consumption will recover if COVID-related control measures ease in the future.

In China, tree nuts are generally consumed as snacks. The term 'daily nuts' in China refers to a prepackaged product containing mixed nuts and dried fruit. This product has contributed to the strong growth in tree nut consumption over the past five years. Tree nuts are also used in food processing as ingredients. For example, almond powder, paste, and sliced almonds are widely found in food and beverage products. Food manufacturers also include tree nuts in chocolate, nut bars, and biscuits/cookies. In the food service sector, tree nuts are included in breakfast cereals, salads, yogurt toppings, and in traditional Chinese cuisine. However, imported tree nut products usage by food processors and food manufactures remains small. These manufacturers prefer to use low-quality tree nuts to control costs and compete in a sector with slim profit margins.

According to one of China's largest e-commerce platforms, sales of snack foods reached RMB 10.9 billion (U.S. \$1.53 billion) in 2021, with a growth rate of 10 percent. Tree nuts were the second highest ranked snack products (with bakery products taking the lead). In MY 2022/23, an economic slowdown is expected to negatively impact consumption of imported tree nut products as consumers increasingly become more price sensitive, opt for lower quality and competitively priced domestic products. For example, in the first half of 2022, one of China's top tree nut snack companies closed nearly 200 stores and reported a 22 percent decline in sales revenue.

Marketing

Industry sources report that consumers are increasingly interested in plant-based food products including plant-based nut milk. These trends typically target the wellbeing, fitness, and younger generation market

groups. Other new products introduced in China in the last few years include tree nuts as toppings for yogurt products and tree nuts in pre-portioned containers.

Policy

The tariff exclusion process introduced by the State Council Tariff Commission (SCTC) in March 2020 (see GAIN report [CH2020-0017](#)) remains in effect. The program allows importers to apply for tariff exclusions from China’s Section 301 retaliatory tariffs on U.S. products, including U.S. tree nuts. However, U.S. tree nuts (inshell or shelled) are still subject to China’s Section 232 retaliatory tariffs which stand at 15 percent in addition to MFN duties. See table below for detailed import tariffs, as well as value-added tax (VAT), with major trading partners.

Table 1. China: Tree Nut Import Tariff and Value-added Tax (VAT) in 2022

HS Code	Description	Tariff (%)				VAT (%)
		MFN	U.S. as of March 2020*	Australia	Chile	
0801.2100	Brazil nuts, in shell	7	22	0	0	9
0801.2200	Brazil nuts, shelled	7	22	0	0	9
0801.3100	Cashew nuts, inshell	7	22	0	0	9
0801.3200	Cashew nuts, shelled	7	22	0	0	9
0802.1100	Almonds, inshell	10	25	0	0	9
0802.1200	Almonds, shelled	10	25	0	0	9
0802.2100	Hazelnuts/Filberts, inshell	25	40	0	0	9
0802.2200	Hazelnuts/Filberts, shelled	10	25	0	0	9
0802.3100	Walnuts, inshell	25	40	0	0	9
0802.3200	Walnuts, shelled	20	35	0	0	9
0802.5100	Pistachios, inshell	5	20	0	0	9
0802.5200	Pistachios, shelled	5	20	0	0	9
0802.6190	Macadamia nuts, inshell	12	27	0	0	9
0802.6200	Macadamia nuts, shelled	12	27	0	0	9
0802.9990.30**	Pecans, whether or not shelled	7	22	0	0	9
2008.1910	Walnut kernels, in airtight containers	5	7.5	0	0	13
2008.1920	Other nuts, in airtight containers	5	15	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.

** China has changed the HS Code for pecans, whether or not shelled, to 0802999030 from 0802909040 as of January 1, 2022.

The Regulations on the Registration and Administration of Overseas Producers of Imported Food (GACC Decree 248) entered into force on January 1, 2022. Decree 248 requires that all overseas food (except food additive) manufacturers, processors, and storage facilities be registered with GACC before exporting food products to China. Tree nuts are governed by Decree 248 which requires the competent authority of the exporting country to recommend a list of facilities to be registered by GACC (refer to [CH2021-0045](#) for more details about Decree 248 and [CH2022-0101](#) for updated guidance on registration process).

Please review these reports carefully. Recently, tree nut companies have noted increasing difficulties associated with registering products under Decree 248.

In November 2021, the State Administration for Market Regulation issued the draft General Standard for Nut and Seed Food for domestic comment ([CH2021-0142](#)). This standard, once finalized, will replace the existing General Standard for Roasted Seeds and Nuts (GB/T 22165-2008) which defines the terms and definitions of nuts and seeds and specifies the classification, technical requirements, inspection methods and rules, as well as labeling, packaging, transportation, and storage requirements. The deadline for comments ended on December 8, 2021, and the final version and its implementation date has not been made public.

Trade

Imports

Despite uncertainties over an economic slowdown and ongoing COVID restrictions, China's almond imports are expected to pick up in MY 2022/23 (August-July) given increased supplies and competitive prices, compared to MY 2021/22. Even with a lower 2022 crop projected, the industry is expecting larger total supplies because of carry-in stocks. China's imports dropped significantly in MY 2021/22 as logistical challenges and COVID restrictions impacted demand. The United States remains the largest supplier of almonds to China. Australian almond imports are catching up, taking advantage of zero import tariffs under a bilateral free trade agreement.

China's pistachio imports are likely to further decline in MY 2022/23 (September-August), largely because of reduced supplies in Iran, who used to be the largest pistachio supplier. It is projected that Iran's pistachio production will fall significantly again in 2022 which will impact trade. According to industry contacts, in MY 2021/22, a bad crop, coupled with extremely low stocks caused Iran's pistachio exports to China to decline by 65 percent. Despite a smaller crop in 2022, the United States, currently the largest pistachio supplier to China, will likely maintain its total supply level in MY 2022/23 because of large ending stocks.

China's walnut imports will further decline in MY 2022/23 (September-August) in anticipation of a bumper harvest of domestic walnuts. Chile has overtaken the United States as the largest walnut supplier, largely because of a bilateral free trade agreement that allows Chilean walnuts to enter the China market at zero tariffs.

Exports

As local production keeps increasing, China's walnut exports has been on the rise in recent years. In MY 2022/23, this trend is expected to continue. Because of their low prices, Chinese walnuts, both inshell and shelled, are exported to dozens of markets, but mainly to Middle East and Central Asian countries, notably the United Arab Emirates, Kazakhstan, Turkey, Kyrgyzstan, and Pakistan. In 2022, there were no exports to the United States. Due to color and taste disadvantage, Chinese walnuts cannot compete with U.S. walnut products in the European market. The China Chamber of Commerce (CNFA) is drafting an industry standard on Chinese walnut kernels that aims at helping improve the quality and export of Chinese shelled walnuts to the world market.

Chinese macadamia nut exports have increased recently because of improved domestic production. However, inconsistent quality remains a challenge to Chinese exporters of macadamia nuts.

The Uyghur Forced Labor Prevention Act (UFLPA) was signed by President Biden on December 23, 2021, and became effective on June 21, 2022. The UFLPA creates a rebuttable presumption that goods entering the United States from the PRC, produced wholly or in part, in Xinjiang are made with forced labor, as well as certain goods made by entities elsewhere in the PRC that use forced labor by members of persecuted groups from Xinjiang. For additional information on the UFLPA, including operational guidance for U.S. importers, please see <https://www.cbp.gov/trade/forced-labor/UFLPA>

Attachments:

No Attachments