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Report Name: China's Nuts and Dried Fruits Market Update

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Prepared By: ATO Beijing Staff and Victoria Dokken

Approved By: Chris Frederick

Report Highlights:

Thanks to consumers' growing preference for healthy food and earlier successful marketing of nuts and dried fruit products across the country, China's consumption and demand for nuts and dried fruit has exploded over the past few years. To continue this growth, new product innovations, packaging, and flavor concepts for nuts and dried fruit are needed.

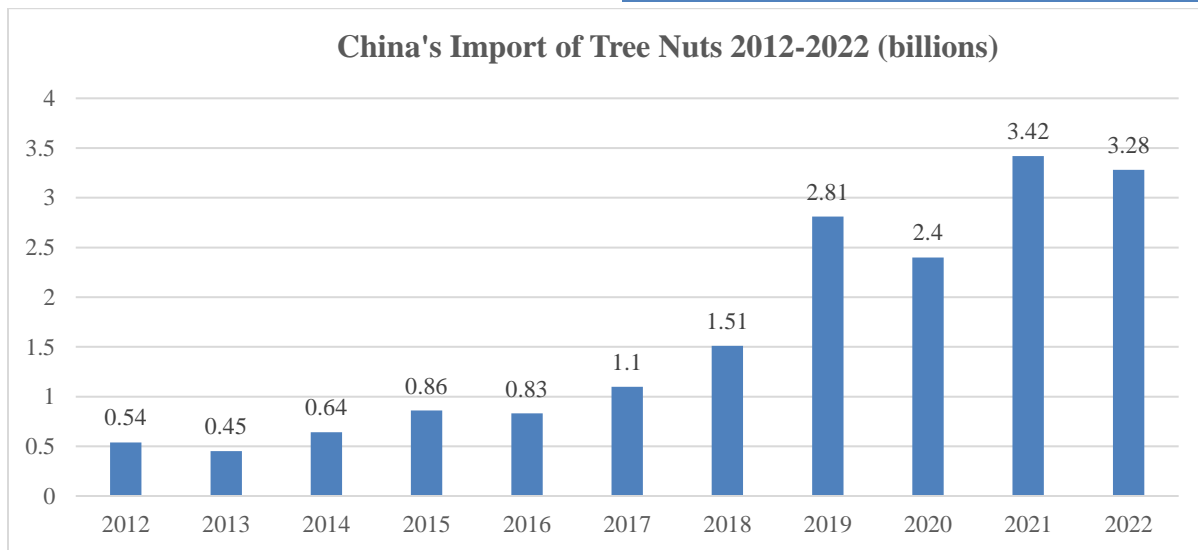
Market Updates

In China, popular nuts and dried fruit include, but are not limited to, almonds, pistachios, pecans, walnuts, macadamia nuts, hazelnuts, dried cranberries, raisins, and dried blueberries. Recently, consumers have sought dried fruit and nuts because of their perceived health benefits, their versatile applications in food manufacturing, and their rich texture and appearance. In China, the "nuts market" segment includes tree nuts and dried fruit.

Statistics from different sources¹²³ indicate that the nuts industry has grown robustly over the past decade. Along with strong consumption and sales between 2012 and 2022, imports of nuts expanded substantially from \$0.5 billion in 2012 to \$3.3 billion in 2022, with record imports in 2021 of \$3.5 billion.

TREE NUTS & DRIED FRUITS MARKET SNAPSHOT

- The nuts market reached \$40 billion in 2022, accounting for about 20 percent of the total snack food market, competing with candy/chocolate and biscuits/pastry for the number one sector.
- The compound annual growth rate for the nuts market was above 10 percent between 2011-2022, making it a leading manufacturing industry in China.
- The tree nut market size reached \$8 billion in 2022, remaining far behind seed nuts at \$32 billion.
- Imports of tree nuts reached \$3.28 billion in 2022.



Source: CFNA International Nuts Conference, August 2023, Hangzhou, China

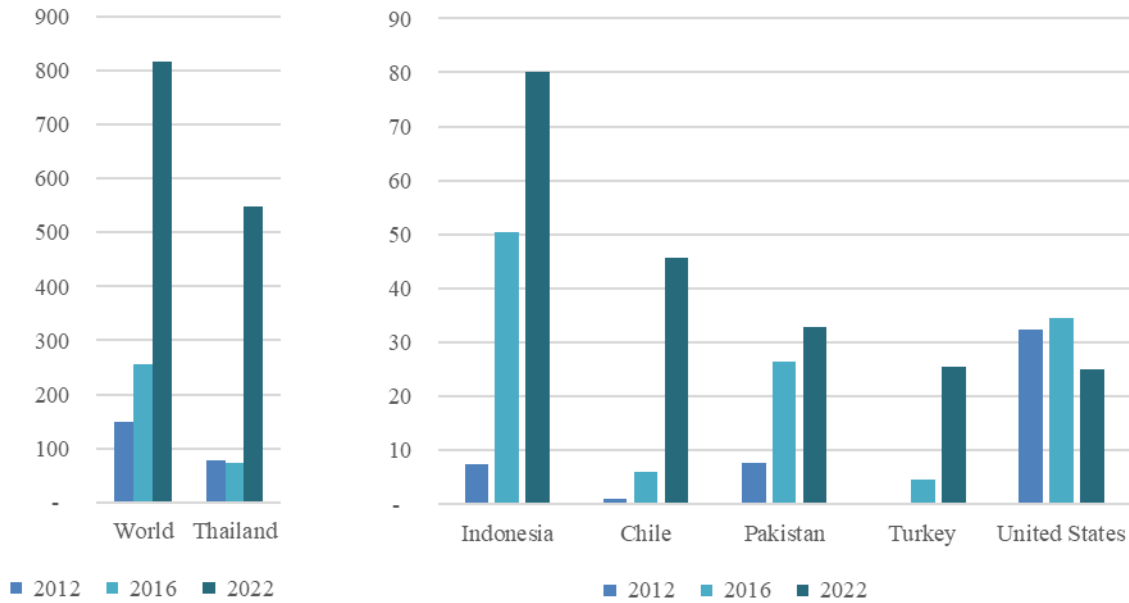
¹ China's Nuts Industry Research Report 2019, by IResearch, http://pdf.dfcfw.com/pdf/H3_AP201912241372524634_1.pdf

² An In-depth Research and Development Forecast on China's Nuts Market 2023-2030, by Insight and Info Consulting Ltd., <https://www.chinabaogao.com/baogao/202202/572187.html>

³ Increasing Competition in the Nuts Industry June 6, 2023, China Food Newspaper, <http://www.cnfood.cn/article?id=1665684553140899841>

Imports of dried fruit also increased substantially over the past ten years, increasing from an initial \$215 million in 2012 to \$946 million in 2022, a 340 percent increase.

China's Imports of Dried Fruit 2012-2022 (Millions)



Source: Trade Data Monitor

Mixed Nuts Sub-Sector Overview

The Popularization of Daily Nuts

The concept of Daily Nuts originated from a product that was initially launched in 2016 by Wolong, a snack food manufacturer based in Qingdao. Although it is called Daily Nuts, it is a mixture of nuts and dried fruit, such as almonds, pistachios, dried blueberries, and dried cranberries. It is usually in small packs of 15-20 grams, perfect for nutrition supplements and at-work snacks.

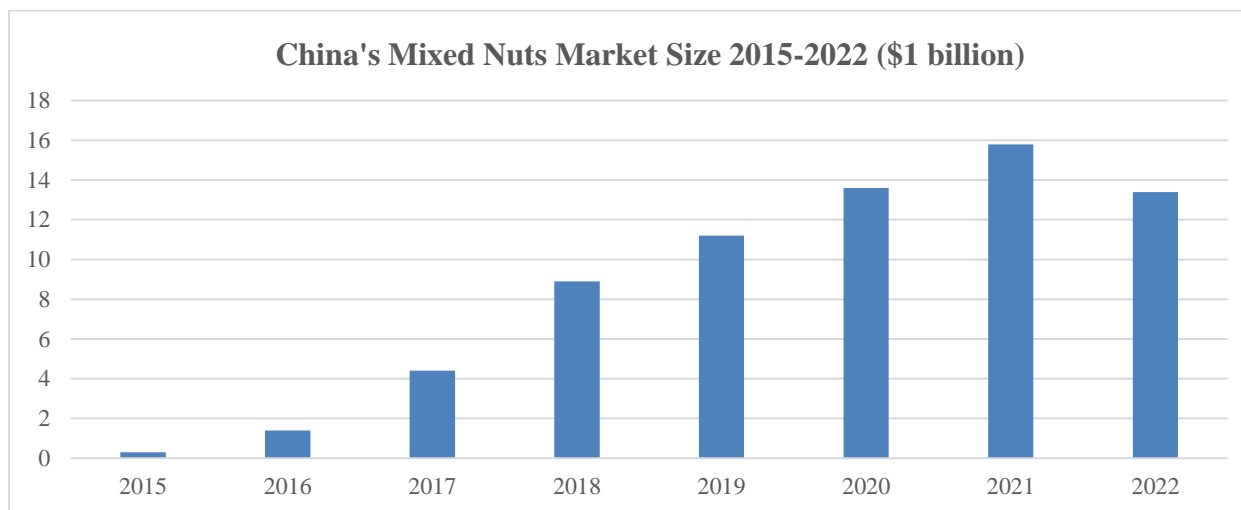


Unlike traditional roasted nuts, Daily Nuts target younger and higher-end consumers. Almost all the nuts and dried fruit used in daily nuts are imported to meet consumers' high-quality expectations. While the raw ingredients are imported, the roasting, processing, and packaging occur domestically.

Due to the strong marketing behind Daily Nuts, focusing on the nutritional benefits and portability of the product, the market exploded. Due to the quick expansion of Daily Nuts across China, Alibaba's Tmall

Research Institute created a new sub-sector called mixed nuts (which includes nuts and dried fruit) in 2017, and daily nuts were regarded as a representative of the sub-sector.

Following the launch of Daily Nuts in 2016, the market size of mixed nuts and dried fruit grew from \$1.4 billion in 2016 to \$15.8 billion in 2021, a 1,029 percent growth.



Source: Industry Depth - Insight 2023: China Mixed Nuts Industry Market Size and Competitive Landscape Analysis, by Shenzhen Qianzhan Intelligence Research Institute

Consolidation of the Mixed Nuts Sub-Sector

The booming sub-sector has led to market consolidation. Initially, more than 300 brands began selling daily nuts products in China. Big retailers such as Fresh Hippo, an affiliate of Alibaba, and Bian Li Feng, a nationwide franchised convenience store, even created their own daily nuts style private label products. However, recently smaller processors have begun manufacturing for bigger ones. In 2022, the combined market share of the top five brands, Three Squirrels, Haomusi, Wolong, Chacha, and Bestore, amounted to 38 percent; it is estimated that by 2028, the top five brands will expand their combined market share to 54 percent.

Market Share of Top Five Mixed Nuts and Dried Fruit Manufactures in China (%)

	Chacha	Three Squirrels	Wolong	Bestore	Haomusi
2022	9.9	8.7	7.3	6	5.8

Source: Industry Depth - Insight 2023: China Nuts and Mixed Nuts Industry Market Size and Competitive Landscape Analysis, by Shenzhen Qianzhan Intelligence Research Institute

Growing Online Sales

The main category of consumers of mixed nuts and dried fruit are those aged 20 to 45, which directly corresponds to those consumers who most often utilize e-commerce channels. As a result, most of the sales for mixed nuts occur online. In 2022, 47 percent of all snack food sales occurred online. According

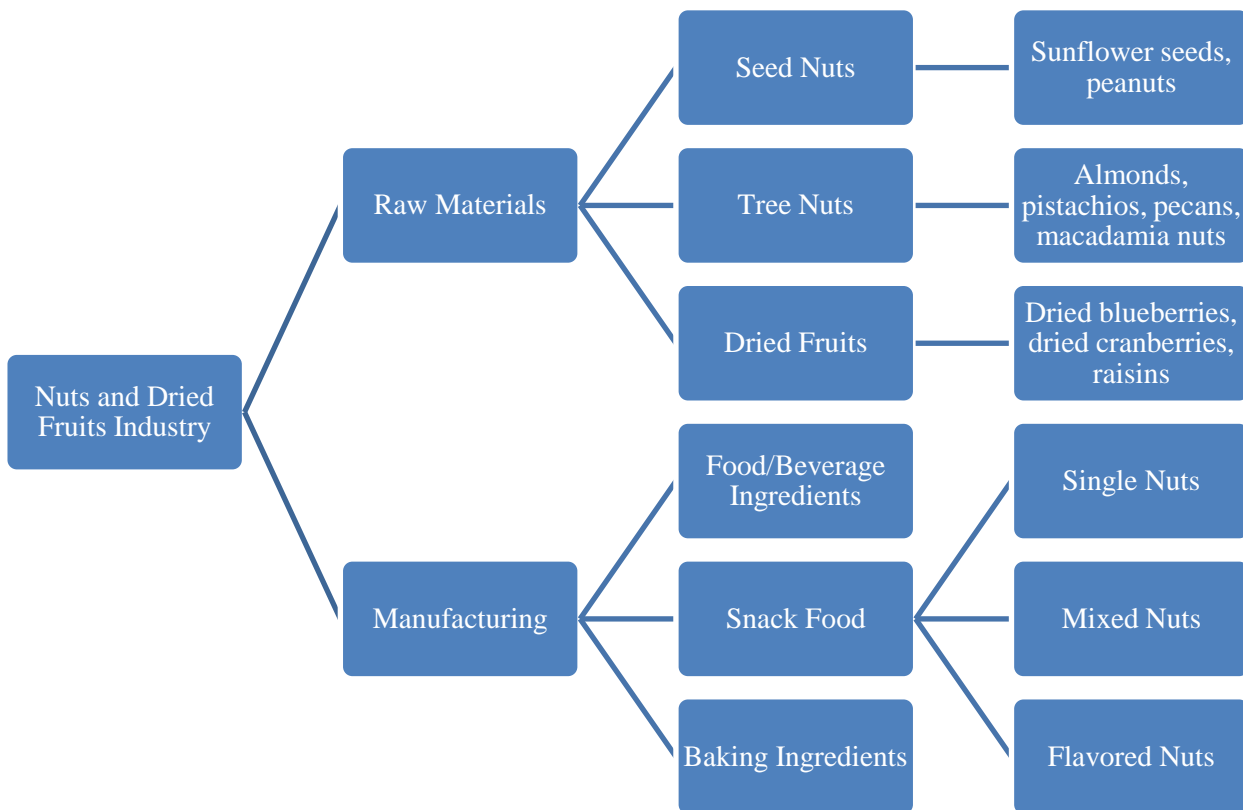
to CFNA, in the first half of 2023, online sales of food products increased by 8.9 percent year-on-year. Additionally, new online livestreaming retailers, such as Douyin (Tiktok) and Kuaishou, are taking increasing market share from traditional offline retailers.

Applications of Mixed Nuts in Food Manufacturing

Tree nuts and dried fruits are typically used for three purposes: snack food, baking ingredients, and food/beverage ingredients. Although the applications of baking ingredients and food/beverage ingredients have been developing in recent years, the snack food sector has achieved impressive growth.

The snack food sector includes three sub-sectors, namely single nuts, mixed nuts, and flavored nuts. The single nut sub-sector hosts traditional sunflower seeds, peanuts, hazelnuts, and imported tree nuts, which have become increasingly popular over the last two decades. Mixed nuts, as described in the daily nuts section above, are comprised of products with both nuts and dried fruit. Flavored nuts refer to nut products that are typically roasted, shelled, and then flavored to meet consumers’ personal flavor preferences. Typical flavors include but are not limited to salty, spicy, coconut, mustard and others.

Overview of Nuts and Dried Fruit Utilization



Source: ATO Beijing

Future Market Trends and Influences

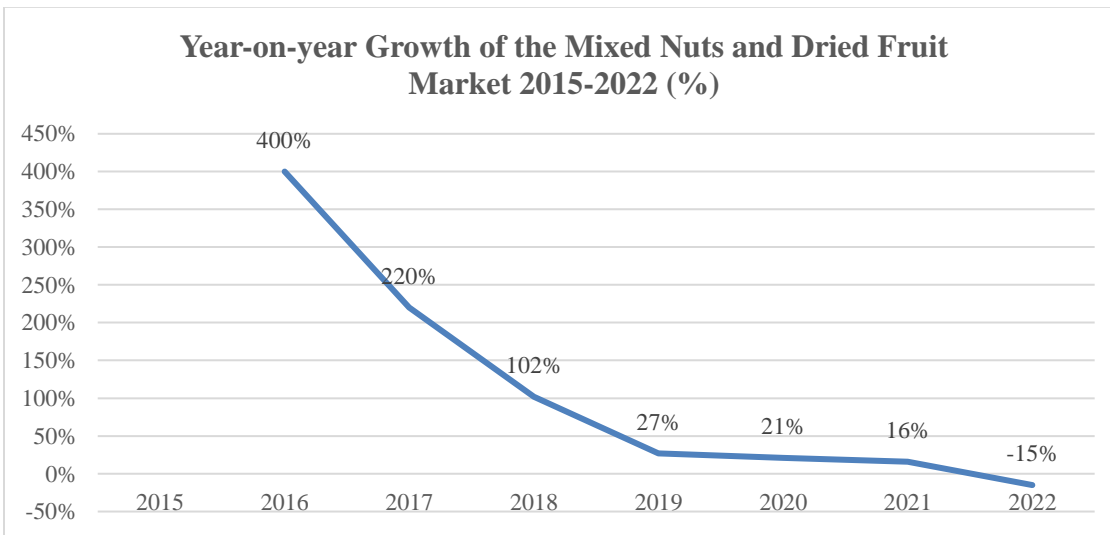
Sluggish Economic Recovery

In 2022, strict COVID-19 zero-tolerance regulations impacted China's economy. According to Tmall statistics, online sales of mixed nuts and dried fruit were nearly zero due to reduced logistics capacity. Offline, traditional sales fared even worse due to the same reduction in logistics capacity and frequent store closures. The economy was expected to rebound after lifting all COVID restrictions, but growth has remained sluggish.

The overall reduction in spending means consumers are reducing purchases of non-essentials such as snack foods. In recent conversations with retail contacts, we learned that local consumers spending on snack food is only around 60 percent of pre-COVID levels. Although online food purchases increased by 8.9 percent in the first half of 2023, this is thought to be due to the increased sales of lower-cost products. The purchases of nuts and dried fruits, which consist of primarily imported raw ingredients and are more expensive, will continue to be impacted by China's sluggish economic recovery.

Declining Growth of Daily Nuts

In the past few years, tree nuts and dried fruit sales were largely equal to sales of daily nuts products. While Daily Nuts initially led to an explosion in the market, the market is largely saturated. Thus, the market is calling for innovations in the nuts and dried fruit sector to spur growth.



Source: Industry Depth - Insight 2023: China Nuts and Mixed Nuts Industry Market Size and Competitive Landscape Analysis, by Shenzhen Qianzhan Intelligence Research Institute

Booming international and domestic supplies

China relies on imports of a range of nuts to meet its strong domestic demand. International supplies impact import volumes considerably. For example, with the production of U.S. almonds reaching a

historic high in 2020/2021, the price fell substantially, which in turn led to increased exports to China. Increased international production may continue to lower global tree nut prices, making exports competitive.

However, due to growing domestic supplies, imports of certain nuts and dried fruit are expected to decline. China is the largest producer of walnuts and peanuts globally and has a growing production of macadamia nuts, raisins, and blueberries.



Over the past ten years, growing demand for nuts and dried fruit has pushed domestic production to record highs. According to CFNA, China's total nut production in 2023 is 44 percent higher than five years ago.

Growing domestic production has also decreased prices for dried fruit. For example, in August 2023, the domestic price for raisins was roughly half that of Chile and a quarter of that of the United States.

Other Promising Products

Aside from products used for mixed or daily nuts, other dried fruit products are seeing market growth. For instance, local consumers perceive dried prunes as a good source of dietary fiber, translating into increased sales.

Additionally, growing consumer health consciousness and the still-to-be-explored versatility of nuts and dried fruit in the food manufacturing sector will likely spur market growth. While the previous high growth rates were not sustainable, mild but steady growth is expected.

New Product Development

With the saturation of the market for daily nuts, food researchers and developers are making every effort to develop a product with the market power of daily nuts. Potential new uses of nuts and dried fruit could include:

- In a beverage
 - Example: Six Walnuts bottled drink, a walnut milk beverage, saw high sales upon its launch due to improved taste and brand image.
- In the food manufacturing sector
 - New processed and value-added products such as sliced, diced, minced nuts, or sugared, pureed, marinated fruit, could be used to meet different food manufacturing requirements or demands.
 - China's expanding food manufacturing industry is calling for more varieties of processed ingredients, offering new market opportunities.

- Identifying and capitalizing on these market opportunities will require more collaboration between suppliers and R&D departments of Chinese food manufacturers in testing and educating the market.
- In chain coffee and milk tea shops
 - Recently, nuts, and dried fruit consumption have increasingly been used for beverages at chain coffee and milk tea shops across China.
 - This demand comes from two usages: one is a small pack of nuts and dried fruit consumed alongside coffee or milk tea, and the other is used as ingredients for baking and pastries in coffee or milk tea shops.
 - Neither of these uses is new, but the demand and consumption have grown substantially in line with the rapid expansion of coffee and milk tea shops.

For more information, please contact ATO Beijing:

USDA Agricultural Trade Office in Beijing
U.S. Embassy, Beijing, No. 55 An Jia Lou Road
Chaoyang District, Beijing
China, 100600
Tel.: 86-10-8531-3950
Fax: 86-10-8531-3974
Email: atobeijing@usda.gov

Attachments:

No Attachments.