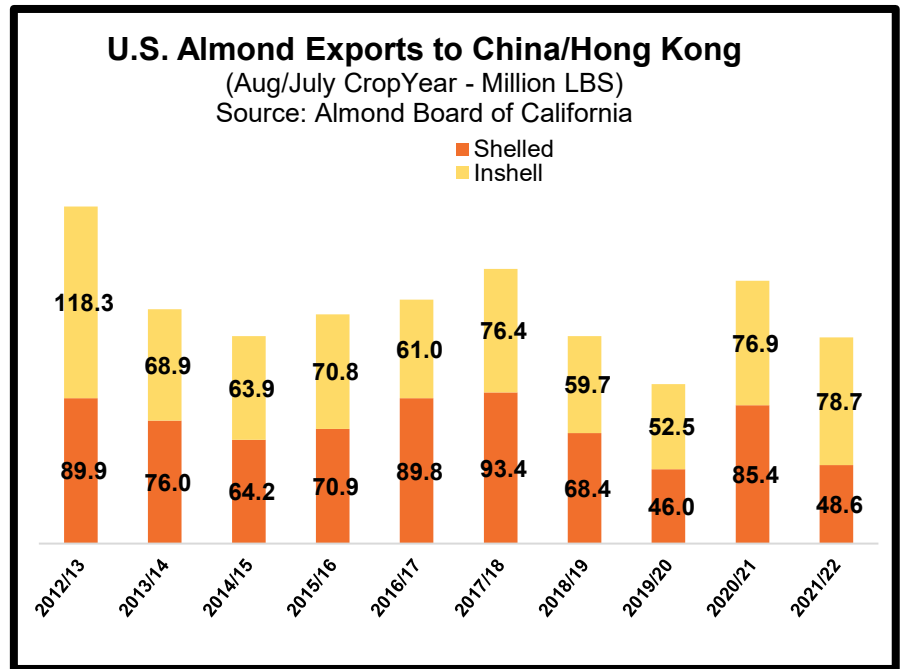


Market Profile: China/Hong Kong



Trade

- China is California almond's #3 export market in FY 21/22 (August-July) with shipments totaling almost 128 million lbs.
- Shipments to China/Hong Kong in FY 21/22 decreased by 22% compared to the previous year, due to ongoing logistical challenges, China's strict zero tolerance policy on Covid-19, and uncertainties related to China's new facility registration requirements that went into effect on January 1, 2022.
- While overall shipments to China/Hong Kong are lower, direct shipments to mainland China are trending higher.



Market Overview

- ABC has invested in market development activities in China for more than 20 years, with \$5 million marketing spend for FY 2022/23.
- Rapid urbanization and increasing consumption power in emerging city markets are spurring food retail development and increasing demand for high quality, nutritious food.
- ABC has a representative office located in Shanghai.
- Strong e-commerce channels are an opportunity for almonds to enter China at a reduced duty rate.

Key Issues

Summary of China's retaliatory duties on CA almonds:		MFN rate	232 retaliatory duties	301 retaliatory duties	New US aggregate level	Current US rate including 301 waiver
8021100	Almonds in shell	10%	15%	30%	55%	25%
8021200	Shelled almonds	10%	15%	30%	55%	25%
20081920	Preserved almonds in cans, regardless of preserve and/or processed method	5%	0%	10%	15%	5%
20081999	Processed or preserved almond without vinegar, not in cans.	5%	0%	25%	30%	5%

- In April 2018, China implemented retaliatory duties on various U.S. products including almonds in response to U.S. Section 232 duties on imported steel and aluminum and Section 301 duties related to USTR's investigation of China's forced technology transfers and other market distorting practices.
- At that time, China's tariffs on US origin almonds increased from 10% to 55%.
- After the U.S.-China Phase One Agreement went into effect in February 2020, China implemented a waiver process on its Section 301 retaliatory duties bringing the tariff on inshell and shelled almonds to an effective level of 25%.
- There is no waiver in place for China's Section 232 retaliatory duties of 15%.
- Australia's FTA with China reduced tariffs on imports of Australian almonds to 0% putting California almonds at a disadvantage.
- In several Free Trade Zones, imports could be entered for further processing and either re-exported or after transformation be imported into China at a lower duty. However, these measures were discontinued at the end of 2021.
- As part of the U.S.-China Phase One Agreement, China implemented an import protocol to allow imports of pelletized/cubed almond hulls. ABC continues to work with China's Ministry of Agriculture to include almond hulls in its official Feed Ingredients Catalog, with the objective of full market access for these products by November 2022.
- China's new facility registration law, Decree 248, for all overseas food processors that export to China went into effect on January 1, 2022 and is managed by China's General Administration of Customs (GACC).
- Decree 248's Article 7, designated 14 food categories as "medium risk-products" (including raw nuts and seeds) and required that the foreign countries' competent authorities provide lists of these processors to GACC in order to allow these facilities to continue shipping products to China.
- US handlers shipping raw almonds (080211 or 080212) must first register via FDA's Export Listing Module (ELM). Then the firm should directly register on GACC's cifer.singlewindow.cn portal their facility and any food products they plan to ship to China in the future. FDA has access to the CIFER portal and is required to confirm any "change requests" made by the US firm, but final review and approvals of their accounts are made by GACC authorities in Beijing.
- The firms will need to mark all packages with their GACC approval numbers and these numbers will also be needed by Chinese importers to clear customs. Chinese importers will also ask for the specific HS and CIQ codes linked to the products registered under each facility. Companies should NOT export products until their HS and CIQ codes have been approved by GACC otherwise there could be delays in clearing these consignments upon arrival in China.
- For those U.S. processors of roasted or packaged almonds for retail sale, they can self-register using the cifer.singlewindow.cn portal. After receipt of the application, GACC will review and assign an approval number to the facility that will also be needed for customs clearance.
- According to Decree 248's Article 15, U.S. food processors are required to include either their FDA Establishment Identifier (FEI) and/or GACC approval number on packaging for future shipments to China.