



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 9/11/2008

GAIN Report Number: IN8107

India

Tree Nuts

Annual

2008

Approved by:

Holly Higgins
U.S. Embassy

Prepared by:

Amit Aradhey

Report Highlights:

Post forecasts India's almond imports for marketing year (MY) 2008/09 (September/August) at a record 41,500 tons (in-shell basis), nearly 4 percent higher than last year's imports, due to strong domestic demand and expected lower prices on a record U.S. almond crop. India's walnut production for MY 2008/09 (October/September) is forecast to rebound to 37,000 tons (kernel weight basis) due to the cyclical nature of the crop. Exports are forecast higher at 17,500 tons on higher domestic supplies and the favorable exchange rate of the Indian rupee vis-à-vis U.S. dollar.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
New Delhi [IN1]
[IN]

TABLE OF CONTENTS

SECTION I: ALMONDS.....	3
TABLE 1: COMMODITY, ALMOND, PSD TABLE.....	3
PRODUCTION.....	3
CONSUMPTION.....	3
PRICE.....	4
TRADE.....	4
TRADE POLICY & MARKETING OPPORTUNITIES.....	5
SECTION II: WALNUTS	6
TABLE 2: COMMODITY, WALNUT, PSD TABLE	6
PRODUCTION.....	6
CONSUMPTION.....	7
PRICES	7
TRADE.....	8
TRADE POLICY	8
SECTION III: OTHER STATISTICAL TABLES.....	9
TABLE 3: COMMODITY, ALMOND, PRICES TABLE	9
TABLE 4: WHOLESALE ALMOND KERNEL PRICES (RS/KG), DELHI MARKET.....	9
TABLE 5: COMMODITY, ALMOND, IMPORT TRADE MATRIX.....	10
TABLE 6: COMMODITY, WALNUT, PRICE TABLE	11
TABLE 7: WALNUT PRICES.....	11
TABLE 8: COMMODITY, WALNUT, EXPORT TRADE MATRIX	12
TABLE 9: ALMOND AND WALNUT TARIFFS.....	13

SECTION I: ALMONDS

Table 1: Commodity, Almond, PSD Table

Almonds, Shelled Basis India	2007		2008		2009			
	2007/2008		2008/2009		2009/2010			
	Market Year Begin: Aug 2007		Market Year Begin: Aug 2008		Market Year Begin: Aug 2009			
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Jan		
		Data		Data			Data	
Area Planted	19000	19000	19000	19000	19000	19000	19000	(HA)
Area Harvested	17000	17000	17000	17000	17000	17000	17000	(HA)
Bearing Trees	1120	1120	1120	1140	1140	1140	1150	(1000 TREES)
Non-Bearing Trees	240	240	240	220	220	220	210	(1000 TREES)
Total Trees	1360	1360	1360	1360	1360	1360	1360	(1000 TREES)
Beginning Stocks	8940	8730	8940	9840	9730	9940	10140	(MT)
Production	1000	1000	1000	1200	1200	1200	1100	(MT)
Imports	34000	34000	40000	34500	34500	41500	43500	(MT)
Total Supply	43940	43730	49940	45540	45430	52640	54740	(MT)
Exports	0	0	0	0	0	0	0	(MT)
Domestic Consumption	34100	34000	40000	36000	36000	42500	45000	(MT)
Ending Stocks	9840	9730	9940	9540	9430	10140	9740	(MT)
Total Distribution	43940	43730	49940	45540	45430	52640	54740	(MT)

Production

Assuming normal weather, India's MY 2008/09 (September/August) almond production is estimated at 1,200 tons (kernel weight basis), while MY 2009/10 almond production is forecast lower at 1,100 tons due to a downswing in the production cycle. Yields of almonds in India are low; ranging from 1,000-1,500 nuts/tree/year; shelling rates vary from 20 to 30 percent for hard shell varieties and 40 percent for thin-shelled varieties.

Consumption

Almond consumption in MY 2008/09 is revised higher to 42,500 tons as compared to the earlier estimate of 36,000 tons due to expected lower price of almonds relative to other nuts¹ and continued strong domestic demand. However, consumption prospects will be marginally tempered by the ongoing high inflation in the country². Consumption in MY 2009/10 is forecast to increase by about 6 percent to 45,000 tons assuming a steady growth in domestic demand and a normal U.S. almond crop. Post's MY 2007/08 consumption estimate has been revised higher to a record 40,000 ton on strong off-take with relatively cheaper prices for almonds compared to other competing nuts.

India's almond consumption has grown steadily over the last few years due to a strong and growing economy, attractive prices of almonds compared to other nuts, growing nutritional &

¹ Due to the forecast for a record U.S. almond crop and consequent increase in supply, the domestic prices of almonds are likely to stay competitive to other nuts.

² The annual rate of inflation, calculated on point to point basis, stood at 12.34 percent (Provisional) for the week ended 23/08/2008 (over 25/08/2007) as compared to 12.40 percent (Provisional) for the previous week. The annual rate of inflation stood at 3.94 percent as on 25/08/2007 i.e. a year ago.

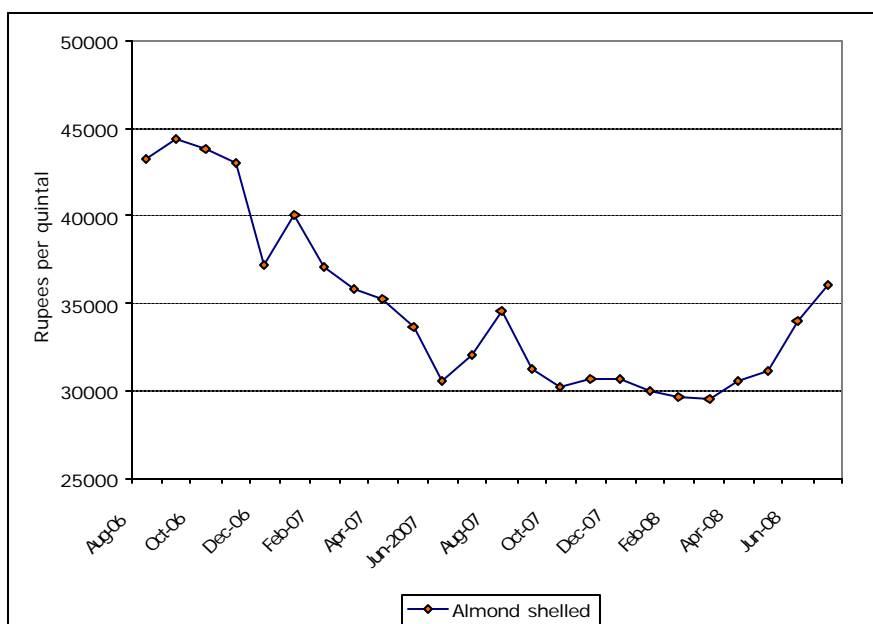
health awareness about almonds among the expanding middle class population and steady demand from confectionary, cosmetic and health care product companies.

Almonds are one of the most preferred nuts in India, traditionally considered as 'high in energy' and recommended for children, recuperating patients and physically active people (e.g. sportsman). Californian non-pareil almond variety is most price competitive vis-à-vis almonds from other origins (Table 4). Consumers have a preference for this variety on account of its bigger size, uniform 'eye' shape and sweetness. However, other varieties like Mamra/Qumi (an Iranian variety) are traditionally preferred in regions of Rajasthan and Gujarat; and enjoys high price premium over other varieties. Most of the almonds are sold to the consumers in 'loose' form, by weight. Roughly 5 percent of all almonds sold are processed and sold in consumer packs at the retail levels.

Price

Domestic almond prices in MY 2007/08 ruled significantly lower as compared to last year on large early season supplies from the U.S. (Chart 1). The prices of almond during the festive season of September 2007 to January 2008 were 27 percent lower than the corresponding period of last year.

Chart 1: Average Wholesale Prices of Almonds (shelled) in Delhi Wholesale Market



Source: Economic Times

Prices during MY 2008/09 are expected to rule stable through November on festival demand, but may decline after the festival season.

Trade

Post forecasts India's almond imports for MY 2008/09 at a record 41,500 tons (in-shell basis), nearly 4 percent higher than last year's imports, due to record crop prospects in the U.S. and consequent likely lower export prices for U.S. almonds in India. Imports in MY 2009/10 are forecast to grow by about 5 percent to 43,500 tons assuming a normal U.S. almond crop and a stable value of Indian rupee vis-à-vis U.S. dollar. Based on information

from market sources, Post's MY 2007/08 import estimate has been raised to a record 40,000 tons from an earlier estimate of 34,000 tons largely due to relatively lower prices and resultant strong consumer off take of almonds vis-à-vis other competing nuts.

Indian market demand for almonds is almost entirely met through imports, with the U.S. having a major share of 85 percent of the total import market. The other major suppliers are Australia, Afghanistan, Iran, and Syria. Imports from the U.S. and Australia are mostly nonpareils, in-shell and are shelled locally while imports from other origins are mostly shelled almonds.

Trade Policy & Marketing Opportunities

There are no quantitative restrictions on imports of almonds from U.S. (refer table 9 for the import duty). India's Plant Quarantine Order 2003 and as amended in 2006 requires phosphine fumigation at origin and its official endorsement in the phytosanitary certificate for U.S. almonds.

India is the third largest export market for California almonds after Spain and Germany. There exists marketing opportunities in southern states of India. With increased health awareness among the expanding middle class population, almonds are finding a place in daily diets as healthy snack. With the Indian economy expected to grow at 8 to 9 percent per annum, there are strong opportunities for further expansion of exports of California almonds to India.

SECTION II: WALNUTS

Table 2: Commodity, Walnut, PSD Table

Walnuts, Inshell Basis India	2007		2008		2009			
	2007/2008		2008/2009		2009/2010			
	Market Year Begin: Aug 2007		Market Year Begin: Aug 2008		Market Year Begin: Aug 2009			
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Jan		
		Data		Data			Data	
Area Planted	36600	36600	36600	36600	36600		36600	(HA)
Area Harvested	30800	30800	30800	30800	30800		30800	(HA)
Bearing Trees	1350	1350	1350	1380	1380		1400	(1000 TREES)
Non-Bearing Trees	250	250	250	220	220		200	(1000 TREES)
Total Trees	1600	1600	1600	1600	1600		1600	(1000 TREES)
Beginning Stocks	3000	2200	3000	2200	2200		1820	(MT)
Production	34000	34000	33000	37000	37000		36000	(MT)
Imports	0	0	0	0	0		0	(MT)
Total Supply	37000	36200	36000	39200	39200		37820	(MT)
Exports	14500	15000	14680	17000	17500		16500	(MT)
Domestic Consumption	20300	19000	19000	20500	20000		20000	(MT)
Ending Stocks	2200	2200	2320	1700	1700		1320	(MT)
Total Distribution	37000	36200	36000	39200	39200		37820	(MT)

Note: The PSD is based on discussions with local traders

Production

Post forecasts India's walnut production for MY 2008/09 (October/September) at 37,000 tons (kernel weight basis) compared to 33,000 tons during last year. The walnut crop has cyclical production with year to year (between 'high' and 'low' production years) ranging from 5 to 20 percent depending on the weather. The higher production during MY 2008/09 is supported by favorable weather conditions, good flower/fruit setting and no reports of major incidence of pest and disease. Assuming normal weather and growing conditions, MY 2009/10 walnut production is marginally revised down to 36,000 tons due to the expected down swing in production cycle. MY 2007/08 walnut production is revised down by 3 percent to 33,000 tons due to reports of higher than anticipated fruit shedding in late season heavy monsoon rains.

Walnut production in India is mostly confined to Jammu & Kashmir; while Himachal Pradesh and Uttarakhand have relatively lower crops. Walnut area and production has stagnated largely due to non-adoption of high yielding varieties and poor orchard management. Yields are low, ranging from 18-50 kg/tree/year with the nut sizes varying from 24-32 mm. Indian walnuts are classified as hard, medium or thin shell (Kaghazi) and the average shelling rate is 40 percent. The end of August through September is the typical harvest season with market arrivals peaking in late October.

Consumption

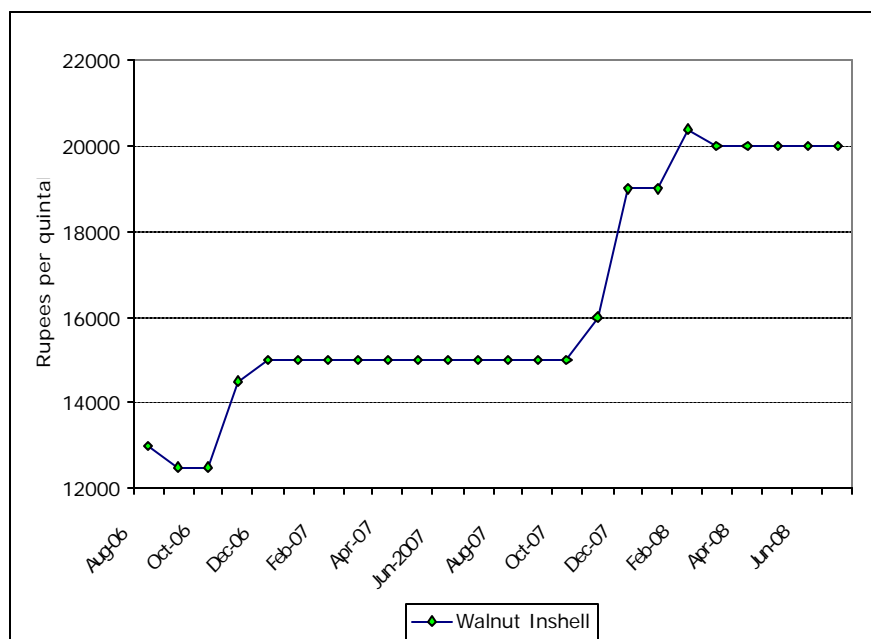
Walnut consumption in MY 2008/09 is forecast at 20,000 tons as compared to 19,000 tons in MY 2007/08, largely due to improved supplies. Due to relatively tight supplies, MY 2009/10 consumption is forecast at 20,000 tons, similar to previous year. Normally 40 to 45 percent of the production is consumed domestically, of which nearly half is consumed during the festive season (September-January).

Major processing facilities³ for walnuts are available in state of Jammu and Kashmir. Typically, most of the walnuts are consumed in raw form for snacking purposes. About 10 percent of the domestic consumption is accounted by the confectionary and ice-cream industry. Around 2-3 percent of walnuts (normally rancid nuts) are used for oil extraction to be utilized by soap and cosmetic manufacturers. Market sources report that smaller consumer vacuum packs and growing awareness about health benefits of walnuts is encouraging year round consumption.

Prices

Domestic prices during MY 2007/08 were relatively firm due to short domestic supplies and good export demand. Fears of a low walnut crop fueled early season price increases (November – February), but the prices have remain stable from March onwards (Chart 2). The price of walnuts during festive season was 21 percent higher than in the corresponding period of last year.

Chart 2: Average Wholesale Prices of Walnuts (Inshell) in Delhi Wholesale Market



Source: Economic Times

Prices during MY 2008/09 are expected to remain stable on expected higher domestic supplies.

³ Mostly shelling and vacuum packing.

Trade

Walnut exports during MY 2008/09 are forecast at 17,500 tons, 19 percent higher than last year, due to improved domestic supplies and likely strong overseas demand. The recent recovery in the value of U.S. dollar vis-à-vis Indian rupees will further support export prospects. Exports in MY 2009/10 are forecast lower at 16,500 tons on expected tight domestic supplies.

Based on information from market sources, MY 2007/08 exports have been revised down to 14,680 tons, largely due to strengthening of the value of Indian rupee vis-à-vis U.S. dollars. The major export destinations in MY 2007/08 were the E.U., Egypt and Middle-East countries (Table 8). More than 95 percent of the walnuts are exported as kernels (40 percent light halves; 40 percent amber halves/light broken; and the balance as amber halves) in vacuum packs. Market sources report that U.S. (California), Moldavia, Ukraine and China are major competitors to the Indian walnuts in the E.U. market due to pricing and geographical advantage.

Trade Policy

Walnuts, like most other dry fruits and nuts, are allowed to be imported without restriction under the Open General License (OGL), subject to an effective import duty of 30.9 percent (see tariff table 9) except for origins from the South Asian Association for Regional Cooperation (SAARC) countries and Afghanistan. Given the strong domestic production and high tariffs, opportunities for imports are negligible. There are no restrictions on exports of walnuts. Most of the walnuts are shelled or vacuum packed, transported inland through rail/roads and shipped in containers for the foreign market. Traditionally, Indian walnuts have a good market in E.U. and Middle East countries due to flavor, good quality and natural production⁴.

⁴ Indian walnuts are typically grown in rocky terrains under rainfed condition and not as contiguous plantations, and cultivated with very limited use of fertilizers/pesticides.

SECTION III: OTHER STATISTICAL TABLES

Table 3: Commodity, Almond, Prices Table

Prices Table			
Country	India		
Commodity	Almonds, Shelled Basis		
Prices in	Rupees	per uom	100 Kg
Year	2007	2008	% Change
Jan	40033	30000	-25
Feb	37000	29680	-20
Mar	35800	29500	-18
Apr	35200	30567	-13
May	33667	31100	-8
Jun	30567	34000	+11
Jul	32000	36100	+13
Aug	34575	36400	+5
Sep	31267		-100
Oct	30267		-100
Nov	30675		-100
Dec	30700		-100
Exchange Rate	Rs 44.26	Local Currency/US \$	
Date of Quote	09/03/2008	MM/DD/YYYY	

Source: Economic Times (Average week-end prices in the Delhi Wholesale Market).

Table 4: Wholesale Almond Kernel Prices (Rs/Kg), Delhi Market

Type (Origin)	MY 2007/08	MY 2006/07	MY 2005/06
Californian Almonds	350-410	305-438	362-500
Mamra Almonds (Iran)	750-1000	650-800	750-900
Qumi Almonds (Iran)	350-400	350-550	450-500
Gulbandi Almonds (Afghan)	265-300	315-380	380-450

Source: Trade sources

Table 5: Commodity, Almond, Import Trade Matrix

Import Trade Matrix			
Country	India		
Commodity	Almonds, Shelled Basis		
Time Period	Sept/Aug	Units:	Metric Tons
Imports for:	2006		2007
U.S.	26577	U.S.	33875
'Others'		'Others'	
Australia	2859	Australia	3233
Pakistan	1711	Afghanistan	1116
Iran	990	Iran	795
Syria	789	Pakistan	376
Afghanistan	485	Syria	582
Total for 'Others'	6834		6102
Others not Listed	151		23
Grand Total	33562		40000

Source: Estimates derived from official GOI sources (2006/07), trade sources (2007/08) and California Almond Board Statistics (2006/07 and 2007/08).

Table 6: Commodity, Walnut, Price Table

Prices Table			
Country	India		
Commodity	Walnuts, Inshell Basis		
Prices in	Rupees	per uom	100 Kg
Year	2007	2008	% Change
Jan	15000	19000	+27
Feb	15000	20400	+36
Mar	15000	20000	+33
Apr	15000	20000	+33
May	15000	20000	+33
Jun	15000	20000	+33
Jul	15000	20000	+33
Aug	15000	20333	+36
Sep	15000		-100
Oct	15000		-100
Nov	16000		-100
Dec	19000		-100
Exchange Rate	Rs 44.26	Local Currency/US\$	
Date of Quote	09/03/2008	MM/DD/YYYY	

Source: Economic Times (Average week-end prices in the Delhi Wholesale Market).

Table 7: Walnut Prices

PRICE	UNITS	2007/08	2006/07	2005/06
Wholesale Price of FAQ Walnut in Kashmir	(Rs/Kg)	85-100	60-75	65-90
Export Price (C&F Europe)				
1. Light Halves	US\$/MT	6500-8500	6000-6800	6200-6800
2. Light Broken/Amber Halves	US\$/MT	5500-7000	5000-5800	4000-5800
3. Amber Broken	US\$/MT	4500-6000	4100-4800	4000-5000

Source: Market Sources

Table 8: Commodity, Walnut, Export Trade Matrix

Export Trade Matrix			
Country	India		
Commodity	Walnuts, Inshell Basis		
Time Period	April-March	Units:	Metric Tons
Exports for:	2006		2007
U.S.	0	U.S.	1305
'Others'		'Others'	
Spain	1978	Spain	2508
France	1704	France	2025
Egypt	1146	Netherland	1675
UK	1083	Egypt	1212
Germany	1061	Germany	1138
Netherland	693	U.K.	1095
Denmark	590	Greece	622
UAE	505	UAE	602
Greece	482	Denmark	272
Kuwait	438	Kuwait	188
Total for 'Others'	9680		11337
Others not Listed	2411		2038
Grand Total	12090		14680

Note: MY 2006 refers to Indian Fiscal Year (IFY) 2006/07 (April-March) as most exports happen during October through March.

Source: MY 2006 - Export figures from DGCIS, Ministry of Commerce.
MY 2007 - Provisional Trade Estimates

Table 9: Almond and Walnut Tariffs

Commodity Code	Description	Import Policy	Basic Duty/2	Education Cess	Total Applicable Duty /5
HC 0802.11	Almonds Inshell	OGL /1	Rs 35/kg	Exempted /3	Rs 35/kg
HC 0802.12	Almond Kernel	OGL /1	Rs 65/kg	2+1%	Rs. 66.95/kg
HC 0802.31	Walnut Inshell	OGL /1	30/20% /4	2+1%	30.9/20.6% /4
HC 0802.32	Walnut Shelled	OGL /1	30/20% /4	2+1%	30.9/20.6% /4

Notes on Tariff:

/1: OGL (Open General License) – no quantitative restrictions.

/2: Under the Indo Afghan Preferential Trade Agreement, a tariff concession of 50 percent is applied on the basic import duty for these goods if imported from Afghanistan.

/3: Almonds in-shell are exempted from the education cess.

/4: Preferential duty for SAARC countries (Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan).

/5: Method for computing Total applicable duty:

A: CIF Value of Good

B: Basic Duty = Basic Duty Rate * A

C: Education Cess (EC) = EC Rate * B

Total Applicable Duty = B+C