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Tree Nuts

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Report Highlights:
Post forecasts India's almond imports for the marketing year (MY) 2007/08 (September/August) at 34,000 tons (in-shell basis), 7 percent higher than last year's record 31,850 tons, on expected lower prices due to the bumper U.S. crop and strong Indian demand. Walnut production in MY 2007/08 (October-September) is forecast lower at 34,000 tons due to the cyclical nature of the crop. Walnut exports are forecast lower at 15,000 tons on tight supplies and the strong value of Indian rupee vis-à-vis other currencies.

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

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SECTION I: ALMONDS

Table 1: Commodity, Almond, PSD Table

PSD Table									
Country	India								
Commodity	Almonds, Shelled Basis						(HA) (1000 TREES) (MT)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		09/2006	09/2006		09/2007	09/2007		09/2008	09/2008
Area Planted	19000	19000	19000	0	19000	19000	0	0	19000
Area Harvested	17000	17000	17000	0	17000	17000	0	0	17000
Bearing Trees	1150	1150	1150	0	1150	1120	0	0	1140
Non-Bearing Trees	210	210	210	0	210	240	0	0	220
Total Trees	1360	1360	1360	0	1360	1360	0	0	1360
Beginning Stocks	6660	6660	6680	0	7270	8730	0	7520	9730
Production	1200	1200	1200	0	1250	1000	0	0	1200
Imports	27410	27410	31850	0	28000	34000	0	0	34500
Total Supply	**35270**	**35270**	**39730**	**0**	**36520**	**43730**	**0**	**7520**	**45430**
Exports	0	0	0	0	0	0	0	0	0
Domestic Consumption	28000	28000	31000	0	29000	34000	0	0	36000
Ending Stocks	7270	7270	8730	0	7520	9730	0	0	9430
Total Distribution	**35270**	**35270**	**39730**	**0**	**36520**	**43730**	**0**	**0**	**45430**

Production

Assuming normal weather in the major growing region of Kashmir, India's small almond crop is forecast at 1,100 tons (kernel weight basis) for marketing year (MY) 2007/08 (September/August) and is estimated at 1,200 tons in MY 2008/09. Most local almonds are consumed in the production region itself. Yields are low ranging from 1,000-1,500 nuts/tree/year; shelling rates are 20-25 percent (hard shell varieties) to 40 percent (thin-shelled varieties).

Consumption

Almond consumption in MY 2007/08 is forecast to increase by about 10 percent to 34,000 tons on expected lower prices of almonds[1] vis-à-vis prices of other nuts, and continued strong domestic demand. Consumption is forecast to grow to 36,000 tons in MY 2008/09 due to expected continued strong domestic demand and the large U.S. almond crop. Post's MY 2006/07 consumption estimate has been revised higher to 31,000 tons on strong off-take due to relatively lower prices (see Table 3).

[1] Due to the expected bumper US almond crop, US export prices and resultant domestic prices for almonds are expected to be relatively lower than last year.

Almonds are one of the most preferred nuts in India. It is considered a 'high energy' food, and especially good for children, recuperating patients, and physically active people. Almond consumption over the past few years has grown steadily, propelled by a strong economy, an expanding middle class, growing consumer health awareness, and attractive prices.

India's consumption of almonds is almost entirely met through imports, with the United States enjoying an 84 percent share of the import market. Consequently, domestic market prices are strongly influenced by U.S. prices. Domestic almond prices in MY 2006/07 were under pressure from the beginning of the season due to increased supplies and declining export prices from the U.S., reaching the lowest in the month of July (see Table 3). Prices started firming up in August due to the upcoming festival season demand, but are more than 20 percent lower than last year's price during the same period. Market sources report that prices will remain relatively stable through November on festival demand, but are expected to decline after the festival season.

Californian non-pariel variety almonds are most price competitive vis-à-vis almonds from other origins (see Table 4). Consumers have also an expressed preference for the n*on-pariel* variety for its bigger size, uniform "eye" shape, good color and sweetness. Some business communities traditionally prefer an Iranian variety, known as 'Mamra', which enjoys a price premium over other nuts in the market. North India consumes the major share of almonds, followed by west India, south India and east India.

Almonds are consumed as whole nuts and/or used in local desserts, sweets, and confectionary products. Consumption peaks during the September-January festival period. Some lower quality almond kernels are processed for oil by cosmetic/health care product companies.

Trade

Post forecasts India's almond imports for marketing year 2007/08 at 34,000 tons (in-shell basis), nearly 7 percent higher than last year's record imports of 31,850 tons, due to record crop prospects in the U.S. and likely lower prices. The expected continued strong value of the Indian rupee vis-à-vis the U.S. dollar would also support higher imports. Imports in MY 2008/09 are forecast to grow to 36,000 tons assuming a continued large crop and consequent reasonable export prices in the United States.

Post's MY 2006/07 import estimate is raised to a record 31,850 tons on relatively lower prices and resultant strong consumer off take. The strong appreciation in the value of the Indian Rupee vis-à-vis the U.S. dollar since January 2007 has also supported additional imports.

The U.S. typically has an 80-85 percent share in the Indian almond import market. The other major suppliers are Afghanistan, Iran, Australia, Chile and Syria. Imports from Afghanistan have not shown any significant growth in the last few years despite the tariff concession (50 percent of the applicable basic duty) granted under the Indo-Afghan Preferential Trade Agreement (see IN3040). Imports from Iran have also declined on lower supplies. Chile and Syria are emerging as small but growing suppliers of almonds to India. Imports from the United States and Australia are mostly nonpareils, in-shell and are shelled locally. Imports from other origins are mostly in the form of kernels.

Trade Policy & Marketing Opportunities

Although almonds are the leading agricultural export item from the United States, high tariffs (see table 9) constrain import growth opportunities. With the growing Indian economy and

expanding middle class, market sources assess India's import potential for U.S. almonds at 40,000 tons if tariff levels were brought down to more reasonable (rs. 15-20/kg) levels. Post strongly supports the U.S. almond industry's efforts in India, which focus on promoting year-around consumption of almonds by highlighting their nutritional benefits. Industry sources suggest increased market promotional activities, particularly in southern and eastern states, could help expand the consumer base and market potential in the coming years.

SECTION II: WALNUTS

Table 2: Commodity, Walnut, PSD Table

PSD Table									
Country	India								
Commodity	Walnuts, Inshell Basis						(HA) (1000 TREES) (MT)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008
Area Planted	36600	36600	36600	0	36600	36600	0	0	36600
Area Harvested	30800	30800	30800	0	30880	30800	0	0	30800
Bearing Trees	1345	1345	1345	0	1360	1350	0	0	1380
Non-Bearing Trees	250	250	250	0	235	250	0	0	220
Total Trees	1595	1595	1595	0	1595	1600	0	0	1600
Beginning Stocks	1900	1900	3100	0	2500	2200	0	2200	2200
Production	36000	36000	36000	0	36500	34000	0	0	37000
Imports	0	0	0	0	0	0	0	0	0
Total Supply	**37900**	**37900**	**39100**	**0**	**39000**	**36200**	**0**	**2200**	**39200**
Exports	16500	16500	18000	0	17500	15000	0	0	17500
Domestic Consumption	18900	18900	18900	0	19300	19000	0	0	20000
Ending Stocks	2500	2500	2200	0	2200	2200	0	0	1700
Total Distribution	**37900**	**37900**	**39100**	**0**	**39000**	**36200**	**0**	**0**	**39200**

Note: The PSD is based on discussions with local traders.

Production

Post forecasts India's walnut[2] production for MY 2007/08 (October/September) at 34,000 tons (kernel weight basis), slightly lower than last year's record crop of 36,000 tons. Production will be supported by favorable growing conditions. Rains in February/March provided optimum moisture for trees reaching the flowering/fruit setting stage; backup monsoon rains supported fruiting and nut formation. There were no reports of major pest or disease outbreaks in the growing areas. Any rains in September, coinciding with harvesting, will not affect the crop size but could adversely affect quality. Assuming normal weather and growing conditions, MY 2008/09 walnut production is forecast to recoup to 37,000 tons.

Walnuts are largely grown in Jammu and Kashmir under rainfed conditions in rocky terrain, while a relatively smaller production comes from Himachal Pradesh and Uttarakhand. Walnut area has been stagnant for several years due to continued civil strife in the Kashmir valley. Yields are relatively low, ranging from 18-50 kg/tree/year, due to poor genetics of traditional planting material, lack of irrigation, low soil fertility and poor management practices. Indian walnuts are classified as hard, medium or thin shell (Kaghazi), and the nut sizes range from

[2] India's walnut crop has cyclical production, with a 'high' production year followed by a 'low' year, with the year-to-year variation ranging from 5 to 20 percent depending on the weather.

24-32 mm. The average shelling rate is 40 percent, but can go as high as 70 percent in the case of the thin-shelled 'Bakshi' variety. The end of August through September is the typical harvest season with market arrivals peaking in late October.

Consumption

Walnut consumption in MY 2007/08 is forecast by Post at 19,000 tons, nearly same as last year, on tight supplies and expected lower prices of almonds. Consumption in 2008/09 is forecast to increase to 20,000 tons on expected larger supplies.

Walnut prices during MY 2006/07 started weak due to the record crop, but gradually improved to stabilize in November/December due to strong demand, both export and domestic (see tables 6). Prices are expected to remain firm, but stable, in MY 2007/08 on tight supplies, but will be restrained by lower prices of competing nuts. Better consumer packaging (vacuum packs that improves shelf life and quality) has encouraged middle class consumers to eat walnuts as a year-round snack. Walnuts were typically priced below other competing nuts, but the vacuum packed walnut kernels are fetching higher prices, thereby improving the price realization for processors.

Trade

Post forecasts MY 2007/08 exports to decline to 15,000 tons on tight supplies due to strong domestic demand. The strong value of Indian rupees vis-à-vis other currencies further dampens export prospects. Exports in MY 2008/09 are forecast to recover to 17,500 tons on improved supplies.

MY 2004/05 exports have been revised higher to a record 18,000 tons on account of record domestic supplies and strong demand from the major markets. The appreciation of the Indian rupee since the beginning of 2007 did not significantly impact walnut export prospects as major exports happen during October – January. Major export destinations in MY 2006/07 were the E.U. and Middle-east countries (see table 8). More than 95 percent of the walnuts sales are exported as kernels (40 percent light halves; 20 percent amber halves/broken; and the balance as brokens) in vacuum packs.

Trade Policy

There are no quantitative restrictions on imports. A duty of 30.9 percent is applied to imported walnuts (see tariff table 9). Given strong domestic production and high tariffs, imports are unlikely due to the high import duty.

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	2006	2007	% Change
Jan	38750	39400	2%
Feb	36250	40033	10%
Mar	38000	37000	-3%
Apr	38500	35800	-7%
May	40700	35200	-14%
Jun	43525	33667	-23%
Jul	45300	30567	-33%
Aug	43200	32000	-26%
Sep	44367	34575	-22%
Oct	43800		-100%
Nov	43000		-100%
Dec	37225		-100%
Exchange Rate	$40.60	Local Currency/US $	
Date of Quote	9/12/2007	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 2006/07*	*MY 2005/06*	*MY 2004/05*
Californian Almonds	305-438	362-500	350-465
Mamra Almonds (Iran)	650-800	750-900	600-900
Qumi Almonds (Iran)	350-550	450-500	350-600
Gulbandi Almonds (Afghan)	315-380	380-450	325-430

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:	2005		**2006**
U.S.	18170	U.S.	26580
Others		Others	
Afghanistan	1640	Australia	3000
Australia	1020	Afghanistan	1000
Iran	770	Iran	830
Chile	200	Syria	330
Syria	170	Chile	35
Total for Others	3800		5195
Others not Listed	60		75
Grand Total	22030		31850

Source: Estimates derived from official GOI sources (2005/06), trade sources (2006/07) and California Almond Board Statistics (2005/06 and 2006/07).

Table 6: Commodity, Walnut, Price Table

Prices Table			
Country	India		
Commodity	Walnuts, Inshell Basis		
Prices in	Rupees	per uom	100 Kg
Year	2006	2007	% Change
Jan	16000	15000	-6%
Feb	16000	15000	-6%
Mar	14500	15000	3%
Apr	14000	15000	7%
May	14000	15000	7%
Jun	12500	15000	20%
Jul	14000	15000	7%
Aug	13000	15000	15%
Sep	12500		-100%
Oct	12500		-100%
Nov	14500		-100%
Dec	15000		-100%
Exchange Rate	40.60	Local Currency/US $	
Date of Quote	9/12/2007	MM/DD/YYYY	

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

Table 7: Walnut Prices

PRICE	UNITS	2006/07	2005/06	2004/05
Wholesale Price of FAQ Walnut in Kashmir	(Rs./Kg)	60-75	65-90	55-60
Export Price (C&F Europe)	US$/MT			
1. Light Halves	-do-	6000-6800	6200-6800	4500-6500
2. Light Broken/Amber Halves	-do-	5000-5800	4000-5800	3500-4800
3. Amber Broken	-do-	4100-4800	4000-5000	2800-4250

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:	2005		**2006**
U.S.	0	U.S.	275
Others		Others	
Spain	2720	Spain	2900
Germany	1870	France	2700
Egypt	1750	Germany	2200
U.K.	1230	U.K.	1950
Netherland	920	Egypt	1800
Denmark	625	Netherland	1400
France	570	Denmark	600
Greece	450	Greece	500
Taiwan	370	Kuwait	500
Kuwait	355	Taiwan	400
Total for Others	10860		14950
Others not Listed	1440		2775
Grand Total	12300		18000

Note: MY 2005 refer to Indian Fiscal Year (IFY) 2005/06 (April-March) as most exports happen during October through March.

Source: MY 2005 - Export figures from DGCIS, Ministry of Commerce.
MY 2006 - Provisional Trade Estimates.

Table 9: Almonds and Walnuts 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 applied on the basic import duty for these goods if imported from Afghanistan.
/3: Almond in-shell 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