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## India

### Oilseeds and Products

### Peanut Report

### 2003

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**Report Highlights:**

With the existing scope for improvement in production volume and methods, and declining price realization from peanuts, trade sources are open to the possibility of exports to the United States. Indian exporters do not see US suppliers as competitors, since the market segments catered by each are different.

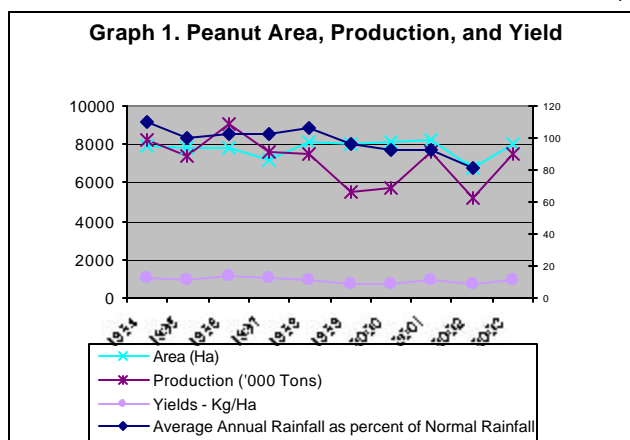
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Includes PSD Changes: Yes  
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In India peanuts are largely used by the crushing sector, the price premium for peanut oil has declined to negligible levels, and edible peanut consumption represents 10-15 percent of total production. With the existing scope for improvement in production volume and methods, and declining price realization from peanuts, trade sources are open to the possibility of exports to the United States. Indian exporters do not see US suppliers as competitors, since the market segments catered by each are different. Given the unorganized nature of the peanut industry, and the dominance of merchant-exporters, the industry had not shown interest until recently in developing export markets.

### Fluctuating peanut production

Over the last decade, the peanut area ranged from 7.0 – 8.0 million hectares, production varied from 5.0 million tons to 9.0 million tons, and the share of irrigated area remained



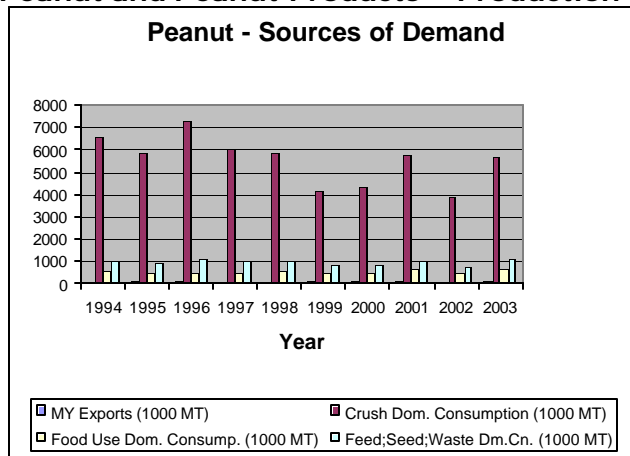
stagnant at 20 percent of total peanut area, with no major technological interventions. The peanut crop has been dependent on the rainfall pattern in the major growing regions (see. Graph 1).

Runner/Bold varieties constitute 65 percent of total peanut production, with Spanish/Bunchy varieties representing the rest. Bold varieties are preferred in crushing, and the Spanish varieties make up most purchases for direct edible purposes and exports. While peanut yields depend to a large extent on rainfall,

farmers' sowing decisions are largely based on last season's prices. Although the government announces a Minimum Support Price (MSP) for peanuts every year at the start of the growing season, it has very little effect on farmers' sowing decisions, as the prices have never gone below the MSP, and the government does not have a well-established procurement system. Furthermore, peanuts are mostly cultivated in rain-fed, small holdings in the states of Gujarat, Andhra Pradesh, Karnataka, Maharashtra, and Tamil Nadu, leaving little scope for mechanization to reduce cost and improve yields. The lack of interest among the industry and the government to develop and promote appropriate techniques and seed varieties to farmers keeps yields stagnant at low levels.

In the light of normal and evenly spread winter rains in the southern growing states of Andhra Pradesh, Tamil Nadu, and Karnataka, Post raises its MY 2003 peanut production estimate to 7.7 million tons.

### Peanut and Peanut Products – Production and Consumption



Domestic peanut prices are largely determined by peanut oil and meal prices, as a large portion of production is purchased by the crushing sector (see. Graph 2). Canalization of vegetable oil imports, high tariffs on oilseed imports, etc., and the (until 1995) closed Indian edible oil market kept oilseed prices up, as consumption increased on increased per-capita incomes. Traditionally, peanuts are the cheapest and most popular edible nuts

consumed in India. They are used for garnishing, coating, snack, and salad purposes. Some peanuts are used to manufacture peanut flour for baking purposes. With rising incomes, peanut use for table and snack purposes has increased, but their use for salad and garnishing remained stagnant.

Peanut oil was the preferred edible oil among consumers in western and southern India until two years ago. However, with the liberalization of edible oil imports, and increasing refined edible oil consumption, due to health concerns, the preference for peanut oil has declined. Peanut oil, which used to command a premium of Rs. 15-20 per kg over RBD Palmolein (the cheapest imported edible oil available in the market.) is currently quoted at a premium of only Rs. 4-6 per kg. With the current uncertainty about the Chinese peanut crop, increased domestic production in India, and declining domestic price premiums, Post anticipates India to export about 30,000 tons of peanut oil during MY 2003, mainly to China and the EU.

The traditional domestic preference for peanut meal, due to its high protein content (43-45 percent) has also decreased over the years, mainly due to the growth in production and increasing popularity of protein-rich soy meal (48 percent). Export demand for peanut meal also declined, largely due to increased soy meal availability in world markets, but specifically due to the quality problems faced by Indian exporters. However, in light of increased production of high quality peanut meal, lower world soy meal supplies, and an anticipated decline in Chinese peanut meal supplies MY 2003 peanut meal exports are anticipated to be higher. Thus, Post raises its MY 2003 peanut meal export estimate to 200,000 tons destined mainly to the South East Asian (SEA) markets.

### **Marketing and Quality Problems**

Most farmers grow peanuts for crushing purposes; some farmers who harvest better quality peanuts sell them to traders/processor/exporters, who make purchases for major edible peanut processors. Generally, the harvest is brought to nearby major markets to be sold to the traders. While some of the traders represent crushers/expellers or edible peanut processors, most of the traders make purchases to be stocked or sold to end-users. Trading in the markets is conducted largely on the basis of visual quality, moisture, and count, with crushers/expellers paying less attention to the latter. Some purchasers of edible peanuts require assurance of aflatoxin free kernels. The price premium for such quality is \$25-30/ton.

Generally, though, domestic peanut markets are not geared to either reject the aflatoxin peanuts nor provide remunerative prices for aflatoxin-free peanuts. Therefore, the quality of the crop is not a major impediment to the sale of the peanuts. However, the aflatoxin levels largely determine the end-use of peanuts. Finally, as there is no resistance from consumer groups against aflatoxin contamination, reducing it in peanuts is not considered vital for continuity of production and marketing, and is also of little importance to government-funded research and extension. The merchant exporters with easy access to funds and a variety of product interests and markets have traditionally handled peanut exports and, therefore, have had less interest in reducing contamination to sustain their peanut export volumes. The share of manufacturer exporters with long-term interest in the sector is negligible. Hence, no serious efforts to tackle the contamination problem have been taken by any of the stakeholders in peanut cultivation and processing. They have been able to dispose of their product without taking such measures.

### **Peanut Processing Sector – Crushing sector dictates prices**

Peanuts are largely purchased for crushing, a process that consumes about 70-75 percent of the total peanut production. Peanut crushing in India is legally reserved for small-scale

industries, with a current upper investment limit of \$650,000. This led to the accumulation of peanut crushing capacity in the more primitive expeller extraction units. While most expellers today are power operated, a few remain powered by animals. Oil cake, the by-product of the industry, with about 8-9 percent residual oil, is used for solvent extraction units for solvent extraction of the residual oil. The peanut expellers are not bothered by aflatoxin in their raw material, as it will be carried away in the oil cake that has a definite market.

Peanuts used for edible purposes constitute about 10-15 percent of total production. As there are no domestic limitations on aflatoxin contamination in peanuts, the domestic market processors are not inclined to invest resources to address this issue. Edible peanut processors purchase either directly from major markets, or depend on traders to supply specified quality peanuts for processing. Currently, the price of peanuts purchased for edible/export purposes varied between \$380 – 425 per ton (in-shell), depending on the quality and kernel size. Good quality peanuts free of admixtures, and with a moisture content below 8 percent, sold recently in the major markets for crushing purposes for \$360 – 375 per ton. The prices of groundnuts for crushing purposes is accessible on a weekly basis at <http://www.seaofindia.com/alltables/statistics.htm>

Most processors depend on human labor more than mechanized processes to sort kernels. A few exporters have also invested in advanced machinery, such as color and gravity separators and aflatoxin analysis. Most processors do not have special storage facilities, because peanuts in India are cultivated throughout the year. Most storage facilities are basic and are located on the premises of the end-users (crushers and food processors).

### **Exports – Stagnant, but potential for growth exists**

Merchant exporters continue to dominate exports of edible peanuts to major markets in SEA and the European Union (EU). Indian exports to the EU cater to the table peanut industries, and to a smaller extent to the demand from snack and chocolate manufacturers. Bold varieties with a count of 38/42 and 40/50 are the preferred varieties in the markets of the EU, Canada, and the Middle East. EU importers also purchase Java varieties with a low count of 45/55. FOB prices for the preferred grades to the EU and Canada varied between \$700-725 per ton. India also exports 70/80 grades of both Java and Bold varieties to the EU for bird feed purposes. Exporters mentioned that the EU markets are stringent with regard to aflatoxin and, hence, the trade with the EU is very limited.

The preferred counts for Indonesia, Malaysia, Japan, and the Philippines include 70/80, 80/90, and 120/140 of the Java varieties. The FOB prices for these varieties varied from \$620/ton for the 120/140 count java variety to \$790/ton for a 70/80 count java variety, depending upon the consistency of the grade, quality, destination, and end-use. Exporters mentioned that the SEA markets have liberal aflatoxin tolerance levels and relaxed quality norms for peanut imports, as their end-use varies from table nuts to peanut sauce. China remains India's major competitor in the SEA markets, the former with a larger crop and better quality peanuts. Despite this competition, Indian exporters continue to retain these price-sensitive SEA markets with their ability to deliver product at cheaper prices.

A lack of coordination between processors and merchant exporters led to quality deterioration and the loss of premium export markets such as the EU, Japan, and Canada. Stringent aflatoxin standards adopted by the EU led to a virtual ban on imports from India in the late 90's, as most exporters were not able to meet the standard. Other quality problems, such as discoloration during roasting, led to the loss of exports to premium table nut industries in the EU and SEA to competitors, including China and Senegal. Some manufacturer-exporters with complete control over processing have retained their markets

due to their ability to provide peanuts with zero aflatoxin with no discoloration. Some manufacturer-exporters with good knowledge of the EU markets have recently improved their processing techniques. They ended the practice of water sprinkling before shelling, and are using advanced gravity separators, picking belts, and well-trained labor for the removal of discolored and damaged kernels. Trade sources mentioned that some of the manufacturer-exporters have recently built plants to manufacture peanut butter for export to the EU and SEA markets. Currently, manufacturer-exporters have begun to focus on developing and sustaining export markets with improved processing techniques and their ability to deliver low moisture (4.5 percent), traditionally sun-dried, peanuts for table nuts and nuts for coating and snack purposes.

Trade sources predict an increase in peanut exports during the current year, due to increased Indian production of quality nuts and the uncertain prospects for the Chinese peanut crop. In the light of these developments, Post raises the MY 2003 peanut exports estimate to 200,000 tons. Trade sources revealed that about 50,000 tons of peanuts have already been exported since October 2003. Chinese buyers seem to have already contracted for about 25,000 tons in order to offset the delay in the current Chinese peanut crop, the anticipated quality deterioration, and to fulfill their own overseas commitments.

Table 1: Commodity, Peanut Oilseeds, PSD Table

|                        |        |         |      |         |      |         |              |
|------------------------|--------|---------|------|---------|------|---------|--------------|
| PSD Table              |        |         |      |         |      |         |              |
| Country:               | India  |         |      |         |      |         |              |
| Commodity:             | Peanut |         |      |         |      |         |              |
|                        |        | 2001    |      | 2002    |      | 2003    | UOM          |
|                        | Old    | New     | Old  | New     | Old  | New     |              |
| Market Year Begin      |        | 10/2001 |      | 10/2002 |      | 10/2003 | (MONTH/YEAR) |
| Area Planted           | 8200   | 8200    | 6800 | 6800    | 8000 | 8000    | (1000 HA)    |
| Area Harvested         | 8200   | 8200    | 6800 | 6800    | 8000 | 8000    | (1000 HA)    |
| Beginning Stocks       | 0      | 0       | 0    | 0       | 0    | 0       | (1000 MT)    |
| Production             | 7600   | 7600    | 5200 | 5200    | 7500 | 7700    | (1000 MT)    |
| MY Imports             | 0      | 0       | 0    | 0       | 0    | 0       | (1000 MT)    |
| MY Imp. from U.S.      | 0      | 0       | 0    | 0       | 0    | 0       | (1000 MT)    |
| MY Imp. from the EC    | 0      | 0       | 0    | 0       | 0    | 0       | (1000 MT)    |
| TOTAL SUPPLY           | 7600   | 7600    | 5200 | 5200    | 7500 | 7700    | (1000 MT)    |
| MY Exports             | 125    | 125     | 70   | 70      | 100  | 200     | (1000 MT)    |
| MY Exp. to the EC      | 0      | 0       | 0    | 0       | 0    | 0       | (1000 MT)    |
| Crush Dom. Consumption | 5730   | 5730    | 3910 | 3910    | 5635 | 5735    | (1000 MT)    |
| Food Use Dom. Consump. | 682    | 682     | 465  | 465     | 690  | 690     | (1000 MT)    |
| Feed Seed Waste Dm.Cn. | 1063   | 1063    | 755  | 755     | 1075 | 1075    | (1000 MT)    |
| Total Dom. Consumption | 7475   | 7475    | 5130 | 5130    | 7400 | 7500    | (1000 MT)    |
| Ending Stocks          | 0      | 0       | 0    | 0       | 0    | 0       | (1000 MT)    |
| TOTAL DISTRIBUTION     | 7600   | 7600    | 5200 | 5200    | 7500 | 7700    | (1000 MT)    |
| Calendar Year Imports  | 0      | 0       | 0    | 0       | 0    | 0       | (1000 MT)    |
| Calendar Yr Imp. U.S.  | 0      | 0       | 0    | 0       | 0    | 0       | (1000 MT)    |
| Calendar Year Exports  | 0      | 0       | 0    | 0       | 0    | 0       | (1000 MT)    |
| Calndr Yr Exp. to U.S. | 0      | 0       | 0    | 0       | 0    | 0       | (1000 MT)    |

Table 2: Commodity, Peanut Oilmeal, PSD Table

|                         |           |           |           |           |           |           |              |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|--------------|
| PSD Table               |           |           |           |           |           |           |              |
| Country:                | India     |           |           |           |           |           |              |
| Commodity:              |           |           |           |           |           |           |              |
|                         |           | 2001      |           | 2002      |           | 2003      | UOM          |
|                         | Old       | New       | Old       | New       | Old       | New       |              |
| Market Year Begin       |           | 10/2001   |           | 10/2002   |           | 10/2003   | (MONTH/YEAR) |
| Crush                   | 5730      | 5730      | 3910      | 3910      | 5635      | 5735      | (1000 HA)    |
| Extr. Rate, 999.9999    | 0.4205934 | 0.4205934 | 0.4207161 | 0.4207161 | 0.4207631 | 0.4202267 | (1000 TREES) |
| Beginning Stocks        | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |
| Production              | 2410      | 2410      | 1645      | 1645      | 2371      | 2410      | (1000 MT)    |
| MY Imports              | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |
| MY Imp. from U.S.       | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |
| MY Imp. from the EC     | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |
| TOTAL SUPPLY            | 2410      | 2410      | 1645      | 1645      | 2371      | 2410      | (1000 MT)    |
| MY Exports              | 100       | 100       | 25        | 25        | 45        | 200       | (1000 MT)    |
| MY Exp. to the EC       | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |
| Industrial Dom. Consum  | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |
| Food Use Dom. Consump.  | 10        | 10        | 8         | 8         | 10        | 10        | (1000 MT)    |
| Feed Waste Dom. Consum. | 2300      | 2300      | 1612      | 1612      | 2316      | 2200      | (1000 MT)    |
| Total Dom. Consumption  | 2310      | 2310      | 1620      | 1620      | 2326      | 2210      | (1000 MT)    |
| Ending Stocks           | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |
| TOTAL DISTRIBUTION      | 2410      | 2410      | 1645      | 1645      | 2371      | 2410      | (1000 MT)    |
| Calendar Year Imports   | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |
| Calendar Yr Imp. U.S.   | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |
| Calendar Year Exports   | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |
| Calndr Yr Exp. to U.S.  | 0         | 0         | 0         | 0         | 0         | 0         | (1000 MT)    |

Table 3: Commodity, Peanut, Oil, PSD Table

|                         |           |           |           |           |          |           |              |
|-------------------------|-----------|-----------|-----------|-----------|----------|-----------|--------------|
| PSD Table               |           |           |           |           |          |           |              |
| Country:                | India     |           |           |           |          |           |              |
| Commodity:              |           |           |           |           |          |           |              |
|                         |           | 2001      |           | 2002      |          | 2003      | UOM          |
|                         | Old       | New       | Old       | New       | Old      | New       |              |
| Market Year Begin       |           | 10/2001   |           | 10/2002   |          | 10/2003   | (MONTH/YEAR) |
| Crush                   | 5730      | 5730      | 3910      | 3910      | 5635     | 5735      | (1000 HA)    |
| Extr. Rate, 999.9999    | 0.2993019 | 0.2993019 | 0.2992327 | 0.2992327 | 0.299024 | 0.2999128 | (1000 TREES) |
| Beginning Stocks        | 95        | 95        | 135       | 135       | 91       | 91        | (1000 MT)    |
| Production              | 1715      | 1715      | 1170      | 1170      | 1685     | 1720      | (1000 MT)    |
| MY Imports              | 0         | 0         | 0         | 0         | 0        | 0         | (1000 MT)    |
| MY Imp. from U.S.       | 0         | 0         | 0         | 0         | 0        | 0         | (1000 MT)    |
| MY Imp. from the EC     | 0         | 0         | 0         | 0         | 0        | 0         | (1000 MT)    |
| TOTAL SUPPLY            | 1810      | 1810      | 1305      | 1305      | 1776     | 1811      | (1000 MT)    |
| MY Exports              | 0         | 0         | 0         | 0         | 0        | 30        | (1000 MT)    |
| MY Exp. to the EC       | 0         | 0         | 0         | 0         | 0        | 0         | (1000 MT)    |
| Industrial Dom. Consum  | 15        | 15        | 14        | 14        | 18       | 18        | (1000 MT)    |
| Food Use Dom. Consump.  | 1660      | 1660      | 1200      | 1200      | 1655     | 1660      | (1000 MT)    |
| Feed Waste Dom. Consum. | 0         | 0         | 0         | 0         | 0        | 0         | (1000 MT)    |
| Total Dom. Consumption  | 1675      | 1675      | 1214      | 1214      | 1673     | 1678      | (1000 MT)    |
| Ending Stocks           | 135       | 135       | 91        | 91        | 103      | 103       | (1000 MT)    |
| TOTAL DISTRIBUTION      | 1810      | 1810      | 1305      | 1305      | 1776     | 1811      | (1000 MT)    |
| Calendar Year Imports   | 0         | 0         | 0         | 0         | 0        | 0         | (1000 MT)    |
| Calendar Yr Imp. U.S.   | 0         | 0         | 0         | 0         | 0        | 0         | (1000 MT)    |
| Calendar Year Exports   | 0         | 0         | 0         | 0         | 0        | 0         | (1000 MT)    |
| Calndr Yr Exp. to U.S.  | 0         | 0         | 0         | 0         | 0        | 0         | (1000 MT)    |