Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Scheduled Report - public distribution

Date: 9/10/1998

GAIN Report FR8065

France

Tree Nuts

Tree Nuts Annual Report

1998

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Report Highlights:
French Walnut crop in MY 1998 is expected to be good, both in quantity and quality. The large crop will likely reduce the need for walnut imports from the U.S. while increasing French walnut exports. However, French walnut exports will face price competition from U.S. walnuts in Germany, Spain and Portugal, the main customers for French walnuts.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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EXECUTIVE SUMMARY

PRODUCTION: French walnut production is forecast to increase sharply in MY 1998 to 28,000 MT. The crop is expected to be of good quality with an important share of large sized kernels.

CONSUMPTION: According to various market studies by the French Fruits and Vegetables Technical Institute (CTIFL), French walnut consumption is relatively stable, around 21,000 MT (in-shell basis). No significant change in consumption is expected for MY 1997 or MY 1998. (NOTE: the apparent variation in consumption in the PS&D reflects estimated stocks and losses that cannot be calculated due to lack of data). According to trade sources, walnut stocks in MY 98 are likely to be higher than the previous year due to the large crop.

TRADE: The MY 1998 import demand for walnuts in France is forecast to decrease due the large expected crop. Walnut exports are expected to increase due to the good quality of the MY 98 crop. However, French walnut exporters are worried about the price competitiveness of U.S. walnuts and the large stocks of U.S. walnuts in Germany, Spain and Portugal, three major markets for French walnuts.

The U.S. remained France's leading supplier of in-shell walnuts in 1997, whereas China and India provided the bulk of shelled imports. Germany is traditionally France's principal export market for walnuts.

MARKETING: French import demand for walnuts is basically linked to the size of the domestic crop. Since planted area and domestic consumption remains fairly steady, a harvest of more than 22,000 to 23,000 MT (a yield of 13-14 MT per HA), will normally decrease the demand for imports. The other variable is the kernel size of the French crop. France exports mostly large kernels, which normally makes up 25 to 30 percent of its production. When the quality and kernel size of the domestic crop is good, France is able to export larger than normal quantities if the prices are also right. This provides additional opportunities for U.S. exports of small or medium sized walnuts to France to fill the domestic consumption. The price competitiveness of U.S. walnuts will also be an important factor both on French and EU markets. U.S. walnuts may benefit from a lower dollar value in MY 1998/99.

(NOTE: Unless otherwise specified, all tonnage data in this report are on an in-shell basis. A factor of 2.5 has been used to convert shelled walnuts to an in-shell basis.

Source
Data in this report have been gathered from the French Technical Institute for Fruits and Vegetables (CTIFL), the French Interprofessional Organization for Fruits and Vegetables (INTERFEL) and the Walnut Producers' Associations of the Grenoble and Perigord regions.

PSD Table						
Country:	France					
Commodity:	Walnuts, Inshell Basis		In-shell	In-shell		
		In-shell		1997		1998
		1996				
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Planted	18700	18700	19000	18900	0	19000
Area Harvested	13550	13550	13800	12500	0	13900
Bearing Trees	1350	1350	1380	1250	0	1380
Non-Bearing Trees	520	520	520	640	0	510
Total Trees	1870	1870	1900	1890	0	1890
Beginning Stocks	0	0	0	0	0	0
Production	22050	22050	23000	23500	0	28000
Imports	8000	11200	9000	12500	0	9000
TOTAL SUPPLY	30050	33250	32000	36000	0	37000
Exports	11500	14200	12000	15500	0	16000
Domestic Consumption	18550	19050	20000	20500	0	21000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	30050	33250	32000	36000	0	37000

PRODUCTION

General

Walnut production is concentrated in the southwestern and southeastern regions of France. These two regions traditionally provide the bulk of the domestic crop, and virtually all of the country's walnut exports. Most of the production in other French regions is sold locally or used for on-farm consumption.

In MY 1998, France is expected to harvest a large walnut crop, according to preliminary estimates by French walnut producers. Yields are up from MY 1997 and there was no frost in the spring of 1998 to damage the trees or the flowers. In mid-August, there were some concerns about the lack of water in the southwest region that could have damaged the kernels. However, a resumption of rainfall by late August and early September reduced the risk of damage. Reports also show that diseases have been minimal, leading to an excellent fruit quality.

The southwest districts of Dordogne, Correze, Lot, and Lot & Garonne account for 43 percent of the French walnut production, while the southeast districts of Isere and Drome produce about 51 percent (40 percent comes from the Isere district). About 80 percent (9,000 MT) of the 1997

walnut crop in the southeast was marketed under the "Grenoble walnut" appellation of origin. Only walnuts grown in a designated area (80 percent of which is in the Isere district, and 20 percent in the Drome district) and that meet specific variety, size and quality standards can benefit from the "Grenoble walnut" appellation.

Varieties

The “Franquette” walnut variety accounts for more than 80 percent of total French walnut production. Its nearest challenger, the “Marbot” variety, is mostly used for fresh walnut production and now accounts for only seven percent of total production. The French Walnut Technical Institute is currently developing new varieties, such as “Lara”, which should come into production by the year 2000. The most interesting characteristic of the new varieties is their high kernel yield (weight of kernels divided by the weight of the in-shell nuts) which, at 52 to 55 percent, is much higher than the yields of other varieties (“Franquette” is 41 to 48 percent and “Marbot” is 41 to 47 percent). The cultivation of these varieties could increase the competitiveness of the French walnut shelling industry.

With the help of the European Walnut Program, the French Technical Center for Fruits and Vegetables (CTIFL) also developed new varieties of walnuts, such as FERNOR, that will be marketed in the near future. These new varieties will have larger yields and be able to begin production in five years, or less, after being planted (compared to the 7-10 years now required). In May 1996, the CTIFL recommended that the EU should set unified kernel quality standards similar to the ones used in the United States.

Production Subsidies

The French Fruit and Vegetable Board (ONIFLHOR) provides French walnut growers with financial assistance to improve their production. In order to benefit from this aid, farmers must belong to a recognized producer group. Subsidies consist of grants for:

- machinery and equipment,
- planting new orchards, and
- working capital.

Apart from planting subsidies, which have a duration of 10 years, the other subsidies are more limited and are granted on a case-by-case basis. Each farmer has to provide ONIFLHOR with a viable project before receiving assistance.

Machinery companies have also benefitted from European funding programs, particularly for research and development. For example, the MAF company in Montauban (southern France) developed a machine that sorts walnuts using X-rays. One of these machine has been installed at the LIPEQU cooperative, in central France. Another company, ROUSSET SA, developed a walnut breaking machine that breaks less than 50 percent of the kernels. ROUSSET SA soon plans to market an improved machine that will be able to produce 100 KG of kernels per hour, with a 70 percent yield of unbroken kernels.

CONSUMPTION, PRICES

Consumption
For the past few years, between 50 and 60 percent of the French walnut crop was shelled, yielding a production of about 4,000 MT of shelled kernels (shelled basis) annually. According to market studies by various walnut organizations, the total consumption of walnuts in France is relatively stable, at just under 20,000 MT (in-shell basis).

French households usually purchase 9,000 MT to 10,000 MT of in-shell walnuts annually. Less than 2,000 MT of these are fresh, in-shell walnuts (sold from mid-September to mid-October) and slightly less than 1,000 MT are shelled walnuts (in-shell basis) for snacking and home cooking. About 3,000 to 3,500 MT are sold, shelled, to small bakeries and confectioners.

The utilization of shelled walnuts by the food industry is estimated between 8,000 MT and 8,500 MT (in-shell basis). This quantity includes about 3,700 MT of dark walnut kernels for oil production, 2,500 MT of whole blond kernels for use in cheese products, and 2,100 MT for use by industry bakers and pastry makers.

Only one third of French households consume walnuts, with an annual per capita consumption of less than two kilograms. Walnuts are relatively expensive in France, and are mostly consumed with other nuts during holiday seasons. Along with Belgium, France is the only country in Europe where the fresh walnut market is significant.

Roughly 15 percent of the walnuts consumed in France are bought directly from farmers. Large supermarkets account for 39 percent of domestic sales, while smaller grocery stores and street vendors account for the remaining sales.

NORMS AND REGULATION

Apart from the Grenoble walnut which must follow the “Appellation of Origin” requirements, labeling terms on walnut packages must conform to French regulations. There are several categories:
1. “Noix écalées” are walnuts harvested before ripening and whose husk has been removed mechanically.
2. “Noix fraiche” are walnuts whose husk has fallen off naturally, with a moisture level above 20 percent.
3. “Noix demi-sèche” are walnuts with a moisture level between 12 and 20 percent
4. “Noix sèche” are walnuts with a moisture level under 12 percent

The word “EXTRA” can be used on a walnut package providing the walnuts are of the same variety, their size exceeds 27 millimeters, and the shell does not have any stain or fungi. The walnuts can be treated with sulfur dioxide (SO2), as long as the residual is under 1 milligram per KG. Whitening of the shell with chlorine is authorized if no residuals can be found in the kernel.

TRADE

IMPORTANT NOTE: Both of the following trade matrices are for the October 1996/September 1997 period (MY 1996). Trade data in the matrix for shelled walnuts are on a shelled basis.

Export Trade Matrix			
Country:		Units:	MT, product basis
Commodity:			
Time period:	MY 1996		
Exports for MY	in-shell		shelled
U.S.		U.S.	
Others		Others	
Germany	2213	Germany	1182
Spain	1287	Spain	26
Belg./Lux	758	Belg./Lux	256
Portugal	932	Portugal	73
Italy	825	Italy	89
Switzerland	835	Switzerland	595
Poland	303	Netherlands	238
United Kingdom	125		0
Total for Others	7278		2459
Others not listed	285		193
Grand Total	7563		2652

Import Trade Matrix			
Country:		Units:	MT, Product basis
Commodity:			
Time period:	MY 1996		
Imports for	in-Shell		Shelled
U.S.	263	U.S.	12
Others		Others	
China	24	China	1503
Italy	57	India	609
Spain	4	Hungary	306
		Rumania	112
		United Kingdom	30
		Poland	119
		Bulgaria	19
		Moldova	1282
Total for Others	85		3980
Others not listed	50		380
Grand Total	398		4372

The U.S. remained France's leading supplier of in-shell walnuts in MY 1996 and will keep its leading position in MY 1997 and 1998. China was France's major supplier of shelled walnuts during MY 1996. Shelled imports from the United States, traditionally a residual supplier of shelled kernels to France, decreased compared to the same period the previous year because of stiff competition from other low-priced suppliers.

Generally speaking, close to 2/3 of in-shell walnut imports occurs in the November/December period while 1/3 percent are imported in the January/February period. There are very few imports (less than 10 percent) in the February to October period.

The bulk of shelled walnuts are imported in the December to June period. Imports from China occur between March and June and imports from India arrive from December to April.

French in-shell and shelled walnut exports increased to virtually all destinations in MY 1996. French kernels generally are not price competitive on the export market, but French exporters seem to be successful at promoting the higher quality of French kernels. French walnut exporters hope to increase their sales in MY 1998, due to the high quality of the crop. However, they are worried by the price competitiveness of U.S. walnuts in their main export markets. There have been some reports of large purchases of U.S. walnuts at the end of MY 1997, increasing walnut stocks in Germany, Spain and Portugal, three major markets for French walnuts. Such stocks will compete with French exports in the first quarter of MY 1998.

MARKETING

Market Opportunities

The French import demand for walnuts is primarily determined by the size of the domestic production. If the production drops below 20,000 MT, the need for imports grows. The United States already provides the bulk of in-shell imports. Market opportunities for U.S. walnuts in France in MY 1998 will remain limited due to a stagnant domestic demand and a large domestic production.

However, trade sources warn that U.S. exporters should watch the increasing competitiveness of other walnut suppliers to France, especially from the Eastern European countries. The California Walnut Commission currently has no active export promotion program in France.