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India

Tree Nuts

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Report Highlights:

Indian almond imports are likely to increase by 10 percent in 2001/02 due to anticipated record US almond production and tight supplies of Indian walnuts.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I - SITUATION & OUTLOOK

Summary

Walnuts: Indian walnut production is forecast to drop 10 percent from last year's record crop due to lower yields caused by early-season drought and the trees' alternating bearing pattern. Tighter supplies and strong export demand are likely to keep domestic prices firm, resulting in some consumer shift from walnuts to imported US almonds during 2001/02.

Almonds: Indian almond imports are expected to increase more than 10 percent to 26,000 tons in 2001/02, most of it US origin. Relatively low prices are likely to spur a 13 percent increase in consumption, with market sources predicting that almonds may fall below rs. 200/kg ($1.93/lb) for the first time in 10 years. Imports, though growing, continue to be constrained by high tariffs and by India's ever-changing import procedures, including a new requirement to laboratory test every consignment of imported food.

WALNUTS

Production

After a record 2000/01 crop, 2001/02 (Oct/Sep) walnut production is forecast to drop nearly 10 percent to 28,000 tons (in shell basis) due to the lower yielding phase of the trees' alternating bearing pattern and early season drought. A much larger decline was averted by adequate rains in Mar/Apr which supported the crop during flowering and fruiting (Apr/May). Moreover, there do not appear to have been any significant pest or disease attacks. Arrivals are expected from early September through December, peaking in late October. Next year's walnut crop should be much larger due to the high yielding phase of the alternating bearing pattern and the maturation of new trees.

Indian walnuts are grown almost entirely (98 pct) in Jammu and Kashmir. Low grower prices and continued violence in the traditional producing areas of Kashmir have discouraged additional plantings and encouraged the cutting of older trees in some areas. With larger plantings reported in the non-traditional areas of Jammu, however, 2002/03 area could reach 36,500 hectares.

Walnuts are grown under rainfed conditions in rocky terrain. Yields are low due to the lack of irrigation and low fertility, ranging from 18-50 kgs/tree/year. Indian walnuts are classified as either hard, medium or thin shell (Kaghazi). The average shelling rate is 40 percent, but can go as high as 70 percent in the case of the thin-shelled 'Bakshi' variety.

Consumption

Tight supplies, strong export demand and comparatively firm local prices are expected to limit domestic consumption of walnuts to 17,000 tons in 2001/02. Expected low prices for almonds, due to the large U.S. crop (the major supplier to India) will encourage middle class consumers

and some institutional users to shift from walnuts to almonds during the fall festival season. Walnut usage by the confectionary and ice-cream industry is expected to continue to increase, however, as prices are still competitive with other nuts, such as cashew nuts and pistachios. Walnut consumption is expected to increase to 17,500 tons in 2002/03 as domestic production rebounds. Around 2 percent of walnuts (normally rancid nuts) are used for oil extraction, which is utilized by soap and cosmetic manufacturers.

Due to larger than anticipated exports, 2000/01 consumption has been lowered nearly 6 percent to 17,000 tons, while ending stocks have been reduced to 8,500 tons. A major portion of the stock is currently held by exporters and domestic wholesalers. Supported by a strong resurgence in export demand, domestic walnut prices were firm in 2000/01 (see tables 2 & 3). Despite the tightening supplies, 2001/02 prices are expected to remain at last year's level due to pressure from imported almonds (the main competing nut).

Trade

Walnut exports depend largely on domestic prices and export demand. Exports in 2001/02 are expected to decline to 14,000 tons on lower domestic supplies and forecast to resurge to 16,000 tons in 2002/03 on forecast record production. Current year (2000/01) exports have been raised 11 percent to 15,500 tons on strong demand from the EU and US (due to smaller crop). Major export destinations during the Indian fiscal years1999 and 2000 were Spain, Egypt, Germany, Netherlands, U.K., Greece, Italy and U.S. (see table 4). Most walnuts are exported from October through March. More than 95 percent are exported as kernels (40 percent light halves; 20 percent amber halves/broken; and the balance as brokens).

There are no restrictions on walnut exports, and no export subsidies. 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 40.4 percent (see tariff table 10). Given the high tariffs and strong domestic production, opportunities for imports are negligible.

ALMONDS

Production

Due to the alternating bearing pattern of the trees, India's small almond crop is forecast to fall to 1000 tons in 2001/02, and rebound to 1200 tons in 2002/03. The crop is grown in the Kashmir Valley, and is consumed almost exclusively where it is produced. The yield ranges from 1000-1500 nuts/tree/year. The shelling rates are 20-25 percent (hard shell) to 40 percent (small, thin-shelled varieties).

Consumption

As domestic production is tiny, over 95 percent of India's consumption requirements are met through imports, with US almonds enjoying an 80-85 percent market share in recent years. Local consumption has grown sharply, fueled by heavy US exports at attractive prices (see price tables

6 & 7). Demand has also been supported by the growth in the Indian economy and an expanding middle class. With US almond prices expected to remain low due to an excellent 2001/02 crop, Indian consumption is forecast to increase by 13 percent (to 26,000 tons). Despite record 2001/02 ending stocks (5,200 tons), consumption growth is likely to slow in 2002/03 (to 27,000 tons) as the alternating bearing pattern of the US crop is expected to reduce supplies and strengthen prices.

Indians consider almonds a high energy food, especially conducive to brain development. They are consumed as whole nuts or in Indian desserts, sweets and confectionary items. Consumption is highly seasonal, occurring mostly during the winter festival season from September through January. They are also heavily consumed during Indian marriages and other major social events. The recent low prices have favored the substitution of almonds for other nuts, such as cashews and pistachios, in traditional Indian dishes, snack foods and for confectionary purposes. Market sources expect that almond prices during the 2001/02 season may fall below rs. 200/kg for the first time in 10 years, to around rs. 180-190/kg. Some traditional (mostly higher income households) consume small quantities of Iranian (Mamra/Qumi) and Afghani (Gulbandi/Kagzi) almonds at a premium (see table 8). Some almonds (mainly rancid nuts) are processed for oil by cosmetic manufacturers.

Trade

Almonds are far and away the leading US agricultural export to India. Volume has increased from around 6000 tons in 1996/97 to a record 21,000 tons in 2000/01. Indian imports are forecast to increase to 26,000 tons in 2001/02 as US export prices are expected to remain low. India's almond imports may decline to 24,000 tons in 2002/03 tons on anticipated lower US production (and subsequent higher prices).

Most of the 2001/02 import gain is expected to be sourced in the US. Imports from competing origins, such as Iran, Afghanistan, Australia and Middle East are either stagnant or declining due to their higher prices vis-a-vis US almonds. Imports could be even heavier were it not for the substantial losses incurred by Indian traders last season (2000/01) due to the fall in local prices (see price table). At the start of the season, most traders took a long position on reports of a smaller US crop. They are likely to take a shorter position in contracting for the 2001/02 crop.

Imports from the US and Australia are mostly nonpareils in shell, hand shelled locally before being sold in the domestic market. Imports from Iran, Afghanistan and Middle East are mostly kernels

Trade Policy & Market Opportunities

While there are no quantitative restrictions on almond imports, high tariffs (see table 10) and India's ever-changing import procedures/requirements constrain growth in almond imports. Market sources assess India's import potential at 35-36,000 tons of US almonds if tariff levels were "reasonable" (i.e., rs. 15-20/kg vs. the existing rs. 35/kg). GOI recently notified Customs Circular 36/2001 which specifies compulsory sampling and testing of every consignment of food imports (including almonds). This new notification has emerged as a serious non-tariff barrier

due to the additional delays of 7-10 days upon arrival of consignments, and increased costs of demurrage and warehousing costs faced by importers. In addition to addressing the trade policy issues, efforts to increase imports of US almonds exports should include television campaigns which focus on year around consumption of almonds by highlighting its nutritional benefits especially in snack foods.

SECTION II - STATISTICAL TABLES

Table 1: Commodity, Walnut, PSD Table

PSD Table							
Country:	India						
Commodity:	Walnuts, Inshell Basis						
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		10/2000		10/2001		10/2002	(MONTH /YEAR)
Area Planted	36500	36500	36400	36400	0	36500	(HA)
Area Harvested	30200	30200	30200	30200	0	30200	(HA)
Bearing Trees	1308	1308	1305	1305	0	1307	1000 TREES
Non-Bearing Trees	260	260	255	255	0	265	1000 TREES
Total Trees	1568	1568	1560	1560	0	1572	(1000 TREES)
Beginning Stocks	10000	10000	9000	8500	0	5500	(MT)
Production	31000	31000	27000	28000	0	32000	(MT)
Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	41000	41000	36000	36500	0	37500	(MT)
Exports	14000	15500	12000	14000	0	16000	(MT)
Domestic Consumption	18000	17000	19000	17000	0	17500	(MT)
Ending Stocks	9000	8500	5000	5500	0	4000	(MT)
TOTAL DISTRIBUTION	41000	41000	36000	36500	0	37500	(MT)

Note: Due to the continued civil strife, Post is unable to visit Jammu & Kashmir. As published information on walnuts is very limited, the PSD is based on discussions with major walnut traders in Delhi.

Table 2: Walnut, Price Table

Prices Table			
Country:			
Commodity:			
Year:	2001		
Prices in (currency)	Rupees	per (uom)	100 Kg
Year	2000	2001	% Change
Jan	7200	7200	0.0%
Feb	7200	7200	0.0%
Mar	7200	7200	0.0%
Apr	7840	7200	-8.2%
May	8000	7200	-10.0%
Jun	7000	7200	2.9%
Jul	7000	7200	2.9%
Aug	8000		-100.0%
Sep	8000		-100.0%
Oct	8000		-100.0%
Nov	7200		-100.0%
Dec	7200		-100.0%
Exchange Rate	47.1	(Local currency/US $)	
Date of Quote	13-Aug-01	(MM/DD/YY)	

Source: Economic Times

Table 3: Walnut Prices in 2000/01 vs 1999/00

Price	Units	2000/01	1999/00
Wholesale Price of FAQ Walnut (inshell) in Srinagar	Rs/kg)	30-40	27-32
Export Price (C&F Europe)	US$/MT		
1. Light Halves	-do-	3900-4800	3600-4800
2. Light Broken/Amber Halves	-do-	2800-3400	2500-3200
3. Amber Broken	-do-	2400-3100	2200-2800

Source: Market Sources

Table 4: Walnut, Export Trade Matrix

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	Apr-Mar		Apr-Mar
Exports for	1999		2000
U.S.	24	U.S.	700
Others		Others	
UK	1680	Spain	2000
France	1630	France	1800
Spain	1510	Egypt	1800
Egypt	1430	Germany	1600
Germany	1360	Netherland	1500
Greece	1270	UK	1200
Netherland	570	Greece	1000
Italy	420	Italy	500
Total for Others	9870		11400
Others not listed	1906		3400
Grand Total	11800		15500

Source: IFY1999 - Export estimates from DGCIS, Ministry of Commerce
IFY2000 - Provisional trade estimates

Table 5: Commodity, Almond PSD

PSD Table						
Country:	India					
Commodity:	Almonds, Shelled Basis					
		2000		2001		2002
	Old	New	Old	New	Old	New
Market Year Begin		09/2000		09/2001		09/2002
Area Planted	0	19000	0	19000	0	19000
Area Harvested	0	17000	0	16800	0	17200
Bearing Trees	0	1100	0	1050	0	1150
Non-Bearing Trees	0	200	0	250	0	150
Total Trees	0	1300	0	1300	0	1300
Beginning Stocks	0	2500	0	4200	0	5200
Production	0	1200	0	1000	0	1200
Imports	0	23500	0	26000	0	24000
TOTAL SUPPLY	0	27200	0	31200	0	30400
Exports	0	0	0	0	0	0
Domestic Consumption	0	23000	0	26000	0	27000
Ending Stocks	0	4200	0	5200	0	3400
TOTAL DISTRIBUTION	0	27200	0	31200	0	30400

Note: Due to the continued civil strife, Post is unable to visit Jammu & Kashmir. As published information on almonds is very limited, the PSD is based on discussions with major almond traders.

Table 6: Almond, Price Table

Prices Table			
Country:			
Commodity:			
Year:	2001		
Prices in (currency)	rupees	per (uom)	100 kg
Year	2000	2001	% Change
Jan	27460	23900	-13.0%
Feb	25750	23270	-9.6%
Mar	25960	23160	-10.8%
Apr	26580	22750	-14.4%
May	25300	22000	-13.0%
Jun	24900	21460	-13.8%
Jul	25450	21200	-16.7%
Aug	25950	20700	-20.2%
Sep	27100		-100.0%
Oct	27070		-100.0%
Nov	25150		-100.0%
Dec	24920		-100.0%
Exchange Rate	47.1	(Local currency/US $)	
Date of Quote	14-Aug-01	(MM/DD/YY)	

Source: Economic Times

Table 7: Almond Kernal Prices, MY 1998/99 through 2000/01
(in Rs./100 kg in Delhi Wholesale Market)

Months	1998/99	1999/00	2000/01
Sep	33225	25700	27100
Oct	33425	24100	27075
Nov	33125	23450	25150
Dec	31600	23625	24925
Jan	32400	27467	23900
Feb	29340	25750	23275
Mar	24900	25967	23160
Apr	25275	26580	22750
May	25180	25300	22000
Jun	26367	24900	21460
Jul	29533	25450	21200
Aug	27300	25950	20700
Avg Prices	29306	25353	23558

Source: Economic Times

Table 8: Wholesale Almond Kernel Prices, Delhi Market MY 2000/01
(in Rs./Kg)

Type (Origin)	Price Range
Californian Almonds	207-270
Mamra Almonds (Iran)	410-450
Qumi Almonds (Iran)	280-300
Gulbandi Almonds (Afghan)	250-280
Kagzi in Shell (Various)	150-175

Source: Market Sources

Table 9: Almond, Import Trade Matrix

Import Trade Matrix			
Country:		Units:	metric tons
Commodity:			
Time period:	Sep-Aug		Sep-Aug
Imports for	2000		2001
U.S.	17693	U.S.	20962
Others		Others	
Iran	1300	Iran	1200
Afghanistan	850	Australia	600
Australia	822	Afghanistan	500
UAE	65	UAE	140
Total for Others	3037		2440
Others not listed	95		98
Grand Total	20825		23500

Source: Estimates derived from official GOI sources (1999/00), trade sources (2000/01) and California Almond Board Statistics (1999/00 & 2000/01)

Table 10: Tariff Table for Walnuts/Almonds for 2001/02

Commodity Code	Description	Import Policy	Basic Duty	Special Addl.Duty(%)	Total Applicable Duty (%)
HC 0802.11	Almonds Inshell	OGL /1	Rs 35/kg	4	/3
HC 0802.12	Almond Kernel	OGL /1	Rs 65/kg	4	/3
HC 0802.31	Walnut InShell	OGL /1	35/25% /2	4	40.4/30 /2
HC 0802.32	Walnut Shelled	OGL /1	35/25% /2	4	40.4/30 /2

Notes:
/1 : OGL(Open General License)-freely importable
/2 : Preferential duty for SAARC Countries (Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan)
/3 : Method for Computing Total Applicable Duty

A: CIF Value of Good
B: Basic Duty = Basic Duty Rate * CIF Value
C: Special Add. Duty = SAD Rate * (A+B)
Total Applicable Duty = B+C

/4 : India's food law (Prevention of Food Adulteration Act 1955) specifies that dry fruits and nuts contain not more 5 percent insect damaged fruits/nuts, by count.