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India

Tree Nuts

Walnut Annual 1998

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Report Highlights:

Indian walnut production is forecast to reach a record 30,000 mt (in shell basis) in 1998/99 (Oct/Sept), versus a reduced crop of 25,000 mt harvested in 1997/98.

Despite continued civil unrest in the main production region of Kashmir Valley, new trees have come into production and planted area continues to expand. Larger supplies and an anticipated increase in the price of imported US almonds are expected to spur domestic consumption of walnuts in 1998/99 to a record 13,500 mt.

Exports are forecast at 16,000 mt.

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

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PSD Table						
Country:	India					
Commodity:	Walnuts, Inshell Basis					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Planted	36400	36400	36500	36500	0	36700
Area Harvested	29120	29120	29950	29950	0	30100
Bearing Trees	1157000	1157000	1228000	1228000	0	1303000
Non-Bearing Trees	293000	293000	268000	268000	0	275000
Total Trees	1450000	1450000	1496000	1496000	0	1578000
Beginning Stocks	3200	3200	3700	6420	1200	3620
Production	29000	29000	26000	25000	0	30000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	32200	32200	29700	31420	1200	33620
Exports	16500	13780	16000	15000	0	16000
Domestic Consumption	12000	12000	12500	12800	0	13500
Ending Stocks	3700	6420	1200	3620	0	4120
TOTAL DISTRIBUTION	32200	32200	29700	31420	0	33620

Production

India's 1998/99 (October/September) walnut production is forecast at a record 30,000 mt (in shell basis) due to trees coming into production and favorable weather conditions. New crop arrivals are likely to start from mid-September and peak during late October. Unfavorable weather conditions during July and August of last year limited 1997/98 production to an estimated 25,000 mt, versus 29,000 mt harvested in 1996/97. The quality of last year's crop was considered average with nut size ranging from 24 to 32 mm.

Indian walnuts are grown almost entirely (98 percent) in Jammu Kashmir. Planted area in 1997/98 is estimated at 36,500 hectares and is expected to increase marginally to 36,700 hectares in 1998/99 due to continued new

plantings in non-traditional areas. Although the growing area continues to be hampered by the civil unrest, walnut growers appear to be adjusting to the hostile environment as there are reports of larger replantings and farmers adopting improved tree maintenance practices.

Walnuts are grown mostly under rainfed conditions. Fertilizer application is low as growers find it difficult to apply recommended doses due to the lack of irrigation, scattered planting pattern and rocky terrain. The average yield of a walnut tree is estimated at 50 kg/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.

Post is unable to visit Jammu and Kashmir due to the continued civil unrest. Published information on walnuts is very limited. Consequently, information in this report is based on discussions with major walnut traders in Delhi.

Consumption

Domestic consumption of walnuts in 1998/99 is forecast to increase by 5 percent to 13,500 mt. Larger supplies and anticipated lower prices are expected to spur consumption. Furthermore, likely higher prices for imported almonds due to a smaller U.S. crop (the major supplier to India) will provide a strong incentive for middle-income consumers to shift to walnuts and other cheaper nuts during the fall festive season when demand for dry fruits peaks. Due to lower prices vis a vis other nuts, walnut use by the confectionary and ice-cream industry is also expected to increase. Around 2 percent of output (normally rancid nuts) is used for oil extraction, utilized by soap and cosmetic manufacturers.

Stocks

Bumper production and lower than anticipated exports during 1996/97 led to record beginning stocks of 6,420 mt in 1997/98. Lower production in 1997/98 and rising domestic consumption resulted in a draw down in stocks to 3,620 mt at the onset of the 1998/99 season. A major portion of stocks is held by domestic wholesale and retail traders and sold during the Diwali festival season in October. Ending stocks for the 1998/99 season are forecast to increase to 4,120 mt.

Price

Due to lower export demand, walnut prices in the domestic market remained depressed during the 1997/98 marketing year. The current wholesale price of superior walnuts (in shell) in the Delhi market is rs. 55/kg (US

cents 58/lb) compared to rs. 60/kg (US cents 78/lb) at this time last year. Good quality kernels in Delhi are traded at rs 160/kg (\$1.69/lb.), nearly the same level as a year ago. During 1997/98, wholesale prices of fair average quality (FAQ) walnuts (in shell) at Srinagar, the main production center, was rs. 30-45/kg (US cents 36-55/lb). Due to an anticipated record crop and comfortable beginning stocks, domestic prices during the upcoming MY 1998/99 are expected to remain low.

Prices in the following table are walnut kernel prices in the Delhi wholesale market converted to an inshell basis.

Prices Table					
Country:					
Commodity:					
Year:	1998				
Prices in (currency)	Rs.	per (uom)	100 Kg		
Year	1997	1998	% Change		
Jan	8400	7200	-14.3%		
Feb	8400	8200	-2.4%		
Mar	8400	8200	-2.4%		
Apr	9600	8200	-14.6%		
May	9000	8000	-11.1%		
Jun	8000	7600	-5.0%		
Jul	8000		-100.0%		
Aug	7400		-100.0%		
Sep	7000		-100.0%		
Oct	9800		-100.0%		
Nov	7000		-100.0%		
Dec	7280		-100.0%		

Export prices during 1997/98 ranged from \$4,200-4,900/mt (CIF Europe) for light halves, \$3,300-3,900 for broken halves and \$3,200-3,600/mt for amber halves. The season started with firm prices but they started falling in February due to increased competition from Eastern Europe.

Trade

The most recent official export statistics available are for the Indian fiscal year 1996/97 (April/March). During this period exports declined to 13,778 mt (in shell basis) valued at \$22 million, compared to 16,540 mt valued at \$23 million during 1995/96. Most of the decline is attributed to reduced sales to traditional European markets, where Indian walnuts faced intense competition from East European suppliers. Walnut exports to the US increased to 1,383 mt during 1996/97. According to trade sources, Indian exporters have reduced their export prices in an effort to regain market share. Exports during 1997/98 are estimated at 15,000 mt (in shell basis) and are forecast at 16,000 mt (in shell basis) for 1998/99.

There are no restrictions on walnut exports and no export subsidies are provided by the government. Walnuts, like most other dry fruits and nuts, may be freely imported under the Open General License (OGL), subject to an effective import duty of 56.6 percent. Given high tariffs and strong domestic production, imports have not occurred in the recent years.

Export Trade Matrix			
Country:		Units:	Metric Tons
Commodity:			
Time period:	1996		
Exports for	1996		1997
U.S.	1383	U.S.	
Others		Others	
Spain	2441		
France	1482		
Germany	1396		
U.K.	1370		
Egypt	1163		
Greece	977		
Netherlands	681		
Total for Others	9510		0
Others not listed	2885		
Grand Total	13778		0