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India

Tree Nuts Annual

2017

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Report Highlights:
Post forecasts that in marketing year (MY) 2017/18 Indian almond imports (shelled-basis) will show a year on year decrease of five-percent to 95,000 MT. This decrease is expected because the Indian festive season begins earlier than the crop harvest in the United States, which will make US imports less attractive. To fill the gap, domestic walnut production is expected to rise by six-percent in MY 2017/18 to 34,000 MT (in-shell basis). Nevertheless, despite this increase in production, demand growth will continue to outpace production and eventually imports will again rise.

Commodities:
Almonds, Shelled Basis

Production:

Domestic almond production in MY 2017/18 (August/July) is forecast at 1,000 MT (kernel-weight basis), a nine-percent decrease over last year. Indian almond production is limited to the hill states of Jammu & Kashmir and Himachal Pradesh; the annual yield per tree is usually low and ranges between 1,000-1,500 nuts. Shelling rates generally range between 20 and 30 percent for hard-shell varieties, but are about 40 percent for thin-shelled varieties.

Consumption:

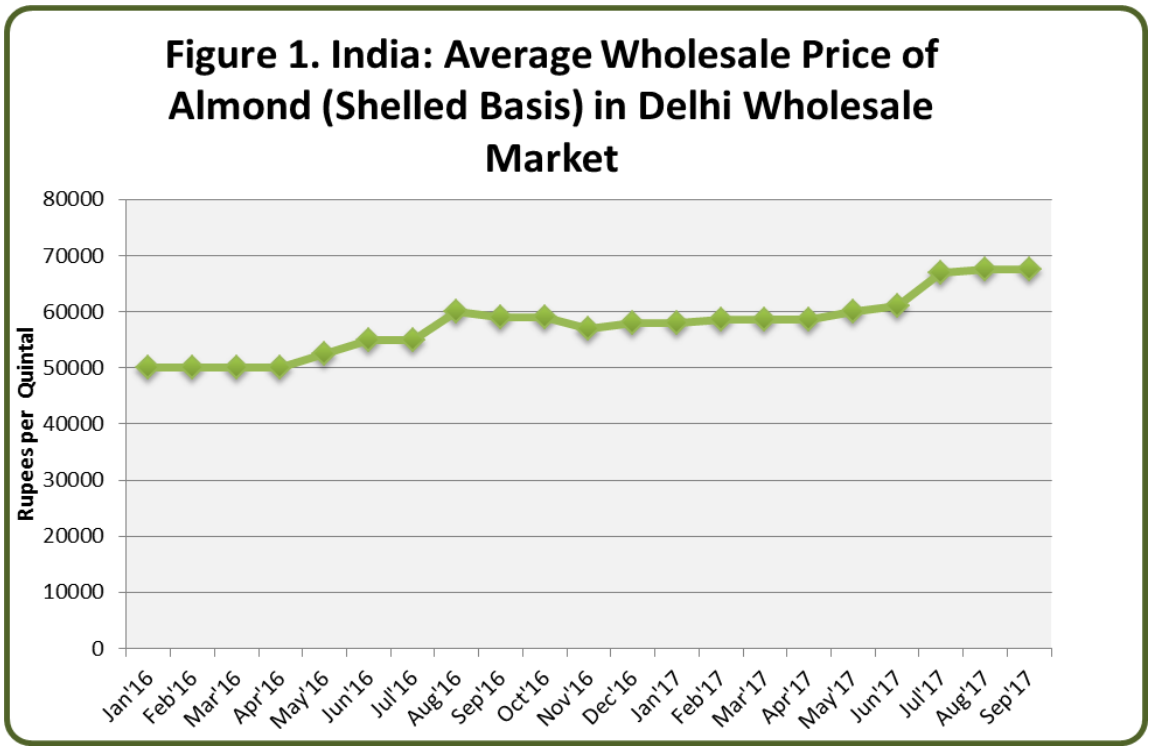
Demand growth for almonds is mostly driven by India's expanding middle class and increased consumer awareness of products perceived as healthful. Indian almond consumption in MY 2017/18 is forecast at 97,000 MT, a 10 percent increase over the previous year. This increase is driven by low market prices, a weaker dollar, changing consumer preference, and increased demand during the non-festive season. Also, the early festive season is expected to lead to higher almond stocks in MY 2017/18, which are forecast at 39,400 MT.

Traditionally, demand for nuts mostly occurs during the festive season, which runs from September to January. Now, however, growing perception among Indian consumers about nutritional and health benefits associated with almonds is driving domestic demand beyond just the festive and winter season. Indian consumers regard almonds as a high-energy food, one which is well-suited for children, physically active people, and recovering patients. In addition to increased consumer preference for whole nuts, food processors are also using almonds in a broader variety of product categories such as breakfast cereals, snack foods, health foods, beverages, and confectionary products. The cosmetic industry, as well, is also increasing its use of oil extracted from lower-quality almond kernels.

Prices:

Price-sensitive consumers find current market prices attractive, particularly for Californian non-pareil almonds, which have the size, uniform 'eye' shape, and sweetness desired. Australian non-pareil and Carmel varieties also account for a growing segment of the Indian market. Iranian varieties like *Mamra* and *Qumi* are popular in the western and northwestern regions of India (e.g. Rajasthan and Gujarat), and often get a price premium.

Ample production and a strong rupee relative to the US dollar have driven average almond prices in India down by about 30 percent in MY 2016/17 (Table 3); these conditions are expected to remain constant through the festive season.



Source: Industry and Trade Sources

Trade:

Low market prices, a relatively strong Indian rupee, changing consumer preference, and increased demand during non-festive season have driven almond imports to a record high at 99,500 MT in MY 2016/17. For 2017, however, the early festive season and late harvest in the United States likely will depress imports by five percent from that figure.

During MY 2016/17, the U.S. market share accounted for 78 percent of India's total volume of almond trade. Australia, the next largest exporter to India, had 17 percent market share (Table 4.1 and 4.2). Almond imports from the United States and Australia are mostly in-shell, non-pareil or Carmel varieties and are shelled locally. Almonds from other origins are typically already shelled. Most almonds in India are sold by weight in loose form; only about six to eight percent of retail sales are packaged.

Trade Policy and Marketing Opportunity:

Although India does not maintain quantitative restrictions for almond imports, U.S. almonds face tariffs of INR 35/kg (in-shell basis) and INR 65/kg (shelled basis) (Table 6). Also, since 2006, India's Directorate of Plant Protection, Quarantine and Storage Amended Order 2003 has required phosphine fumigation in the country of origin prior to shipment. In addition, the new Goods and Service Tax (GST), implemented July 2017, will assess a 12 percent tax on both domestic and imported almonds. (Table 6).
Market development opportunities remain, particularly among markets serving school children, young adults, and a growing urban work force. Additional opportunities exist among medium and large

bakeries, boutique pastry shops, food processors such as cookie manufacturers and breakfast cereal companies, and institutional end users. Regions in southern and eastern India may also present new marketing opportunities.

Production, Supply and Demand Data Statistics:

Table 1: India: Commodity, Almond, PSD Table
(Area in Hectares, Quantity in Metric tons and trees in Thousands)

Almonds, Shelled Basis	2015/2016		2016/2017		2017/2018	
Market Begin Year	Aug 2015		Aug 2016		Aug 2017	
India	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	19000	0	19000	0	19000
Area Harvested	0	17000	0	17000	0	17000
Bearing Trees	0	1160	0	1160	0	1160
Non-Bearing Trees	0	200	0	200	0	200
Total Trees	0	1360	0	1360	0	1360
Beginning Stocks	29800	29800	20700	26800	0	40400
Production	1100	1100	1000	1100	0	1000
Imports	71800	73900	75000	99500	0	95000
Total Supply	102700	104800	96700	127400	0	136400
Exports	0	0	0	0	0	0
Domestic Consumption	82000	78000	76700	87000	0	97000
Ending Stocks	20700	26800	20000	40400	0	39400
Total Distribution	102700	104800	96700	127400	0	136400

Commodities:
Walnuts, Inshell Basis

Production:

Domestic walnut production is expected to increase by three percent to reach 34,000 MT (in-shell basis) in MY 2017/18. Weather conditions were reported as favorable during the flowering period of March–April in the Kashmir valley, but rains in July/August may affect the quality of the crop. Typically, India's walnut harvest runs from late August through September, with market arrivals peaking during late October. Indian walnut production is cyclical in nature and yields can vary by as much as 20 percent, depending on weather conditions at the time of blossom and harvest. Post production estimates for MY 2016/17 are revised to 32,000 MT to reflect the latest production estimates from trade sources.

Indian walnut production is primarily confined to the hill states of Jammu and Kashmir, Himachal Pradesh, and Uttarakhand. Lack of infrastructure in producing states, long gestation periods, poor orchard management, and uneven yields keep walnut production relatively flat (yields range from 18-50 kg/tree/year with nut sizes varying from 24-32 mm). Indian walnuts are classified as hard, medium, or thin shell (*kaghazi*) and the average shelling rate is about 40 percent.

Consumption:

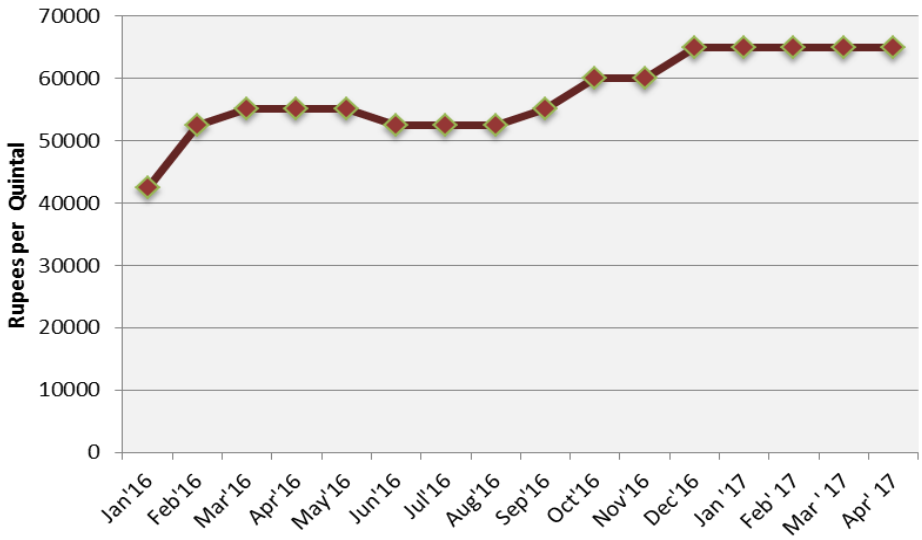
Given consistent supplies, domestic demand driven by more consumer awareness of the healthful benefits of tree nuts will push walnut consumption in MY 2017/18 up by 15 percent to 49,000 MT. Of Indian-produced walnuts, 60 to 65 percent are consumed domestically, of which more than half are consumed during the festive and winter season. Industry sources estimate that over 10 percent of walnuts are used by the food processing industry. An additional three to four percent are crushed for oil usage by businesses in the cosmetic industry (such use usually involves nuts that became rancid as a result of high oil content or lack of proper storage).

With prices holding steady, the forecast growth in consumption stems from the rising perception among middle class consumers that walnuts are healthy: they are believed to reduce cholesterol, and may have particular health benefits for diabetic patients, and more. The wider usage of attractive consumer packaging (vacuum packs) is improving the shelf life and quality of walnuts, which encourages year-round consumption of nuts as snacks. Some companies which have major processing facilities for shelling and packing walnuts in the state of Jammu and Kashmir are now expanding into facilities in the cities of Mumbai and New Delhi.

Prices:

Prices of domestic walnuts have surged by an average of 20 percent on new demand driven by more informed, health-conscious consumers. In turn, favorable domestic demand and prices reduced exports. Related to that, prices of imported walnuts ranged between INR 75,000 – 80,000 per kilogram. (Table 5).

Figure 3. India: Average Wholesale Price of Domestic Walnuts (In Shell) in Delhi Wholesale Market



Trade:

Walnut exports from India have declined in response to growth in domestic demand. In MY 2016/17 exports are reported at 5,000 MT, a 34 percent decline year on year. In MY 2017/18 domestic consumption will likely keep pace with increases in domestic production, so exports are projected to remain at 5,000 MT.

Domestic demand should boost imports in MY 2016/17 by 70 percent to 19,500 MT; in 2017/18 demand should increase imports by over 25 percent to reach 26,000 MT.

More than 95 percent of Indian walnuts are exported as kernels in vacuum packs (35-40 percent light halves, 35-40 percent amber halves/light broken, and the balance as amber halves). Market sources report that the walnuts from the United States, Mexico, Chile, Turkey, China, and Ukraine compete with India on the international market (particularly markets for shelled walnuts).

Trade Policy:

The Government of India allows import of walnuts from the United States if shippers provide required declarations and meet special fumigation conditions (GAIN IN3082). Walnuts are imported without quantitative restrictions under India's Open General License (OGL) program. Imports are subject to an effective import duty of 30.9 percent (Table 6) except for imports originating from Afghanistan and the South Asian Association for Regional Cooperation (SAARC) countries. On August 5, 2016, the Government of India amended the schedule VI of Plant Quarantine Orders, 2003; the amendment allows walnuts *(Juglans spp)* from Chile to be fumigated with Aluminum Phosphide.

Production, Supply and Demand Data Statistics:

Table 2. India: Commodity, Walnut, PSD Table (Area in Hectares, Quantity in Metric Tons and Trees in Thousands)						
Walnuts, Inshell Basis	**2015/2016**		**2016/2017**		**2017/2018**	
Market Begin Year	**Sep 2015**		**Sep 2016**		**Sep 2017**	
India	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Area Planted	0	36600	0	36600	0	36600
Area Harvested	0	31000	0	31000	0	3100
Bearing Trees	0	1400	0	1400	0	1400
Non-Bearing Trees	0	205	0	205	0	205
Total Trees	0	1605	0	1605	0	1605
Beginning Stocks	16300	16300	14800	12300	0	16800
Production	35000	33000	30000	32000	0	34000
Imports	14000	5700	12000	19500	0	26000
Total Supply	65300	55000	56800	63800	0	76800
Exports	7400	6700	7500	5000	0	5000
Domestic Consumption	43100	36000	34300	42000	0	49000
Ending Stocks	14800	12300	15000	16800	0	22800
Total Distribution	65300	55000	56800	63800	0	76800

Author Defined:

OTHER STATISTICAL TABLES

Table 3.1 India: Commodity, Almond (Shelled), Prices Table

Country	India		
Commodity	Almonds, Shelled Basis		
Prices in	**Rupees**	**Per uom**	**100 Kg**
Year	**2016**	**2017**	**% Change**
Jan	50000	58000	14
Feb	50000	58500	15
Mar	50000	58500	15
Apr	50000	58500	15
May	52500	60000	13
Jun	55000	61000	6
Jul	55000	67000	8
Aug	60000	67500	2
Sep	59000	67500	12
Oct	59000		13
Nov	57000		
Dec	58000		
Exchange Rate	INR 64.19	Local Currency/US $	
Date of Quote	9/14/2015	MM/DD/YYYY	

Table 3.2 India: Commodity, Almond (In-Shelled), Prices Table

Country	India		
Commodity	Almonds, In-Shelled Basis		
Prices in	**Rupees**	**Per uom**	**100 Kg**
Year	**2016**	**2017**	**% Change**
Jan	50000	41000	-22
Feb	50000	41500	-20
Mar	50000	41500	-20
Apr	50000	41500	-20
May	52500	42500	-24
Jun	55000	44000	-25
Jul	55000	46000	-20
Aug	60000	48000	-25
Sep	45000	48000	6
Oct	41500		
Nov	40000		
Dec	41000		
Exchange Rate	INR 64.19	Local Currency/US $	
Date of Quote	9/14/2015	MM/DD/YYYY	

Table 4.1 India: Commodity, Almond, Import Trade Matrix 2015/16

India Import Statistics- 2015/16				
Commodity: Almonds In Shell Fresh Or Dried				
Partner Country	**Unit**	**In Shell**	**Shelled**	**Total Kernel**
World	T	93979	8445	56287
United States	T	74187	4356	13951
Australia	T	18985	661	28
Canada	T	40	0	14
China	T	20	0	1
Tajikistan	T	1	0	48
Turkey	T	0	48	908
Iran	T	1	908	1793
Afghanistan	T	745	1607	866
Syria	T		866	
TOTAL				73896

Table 4.2 India: Commodity, Almond, Import Trade Matrix 2016/17

India Import Statistics- 2016/17				
Commodity: Almonds In Shell Fresh Or Dried				
Partner Country	**Unit**	**In Shell**	**Shelled**	**Total Kernel**
World	T	127271	11434	
United States	T	104404	4407	77490
Australia	T	21546	1398	16480
Uzbekistan	T	6		4
Hong Kong	T	61		43
Iran	T		1326	1326
Afghanistan	T	758	2486	2676
Syria	T		1680	1680
TOTAL				99698

Source: Global Trade Atlas

Table 5. India: Commodity, Domestic Produce Walnut, Price Table

Country	India		
Commodity	Walnuts, In shell Basis		
Prices in	**Rupees**	**Per uom**	**100 Kg**
Year	**2015**	**2016**	**% Change**
Jan	42500	65000	35
Feb	52500	65000	19
Mar	55000	65000	15
Apr	55000	65000	15
May	55000	No Stock	

Jun	52500	No Stock	
Jul	52500	No Stock	
Aug	52500		
Sep	55000		
Oct	60000		
Nov	60000		
Dec	65000		
Exchange Rate	INR 64.19	Local Currency/US $	Exchange Rate
Date of Quote	9/14/2015	MM/DD/YYYY	Date of Quote

Source: Trade and Industry Sources

Table 6. India: Almond and Walnut Tariffs

Commodity Code	Description	Base* (for calculation purpose, in Indian rupees)	Applied Basic Duty rate	Cost A (Cost X Duty)	Education Cess on Base Duty 2%	Cost B (Cost A X 2%)	Education Cess on Base Duty 1%	Cost C (Cost A X 1%)	GST	Cost D [(Cost+Cost A+ Cost B + Cost C)} X GST %	Total Duty, cess, and taxes as a percentage of CIF price (Base + A+B+C+D)
HC 0802.31 .00	Walnuts In shell	100	30%	30	2%	0.6	1%	0.3	12 %	15.71	47%
HC 0802.32 .00	Walnuts Shelled	100	30%	30	2%	0.6	1%	0.3	12 %	15.71	47%
HC 0802.11 .00	Almonds In shell	330	Rs.35/ Kg	35	2%	0.7	1%	0.35	12 %	43.93	24%
HC 0802.12 .00	Almonds shelled	500	Rs.65/ Kg	65	2%	1.3	1%	0.65	12 %	68.03	27%

* For almonds, which are assessed basic duty on a *per kilo* basis, the base cost used for 1 kilo is the average CIF Mumbai price of one kilo of in shell or shelled almonds for June 2017.

Cost:	**Tentative for calculation purpose**
Cost A:	**Cost X Applicable Duty**
Cost B:	**Cost A X Education Cess 2%**
Cost C:	**Cost A X Education Cess 1%**
Cost D:	**(Cost + Cost A+ Cost B + Cost C)* GST %**
Total Duty Cost:	**Cost A+ Cost B + Cost C + Cost D**

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 is applied on the basic import duty for these goods if imported from Afghanistan.
/3: Almonds in-shell are exempted from the education cess.
/4: Preferential duty for SAARC countries (Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives and Bhutan).