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India

Tree Nuts Annual

2016

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Report Highlights:

Post expects that in marketing year (MY) 2016/17 Indian almond imports (shelled-basis) will reach 65,000 MT, a nine-percent decrease from the MY 2015/16. This decrease is primarily due to the weaker Indian rupee and higher global and domestic market prices. Domestic walnut production in MY 2016/17 is forecast at 34,000 MT (in-shell basis), a three-percent increase over the current year. Despite this increase in production, demand will continue to outpace production and imports will continue to grow.

Commodities:

Almonds, Shelled Basis

Production:

Domestic almond production in MY 2016/17 (August/July) is forecast at 1,400 MT (kernel-weight basis), a 16-percent increase over last year's production. Indian almonds are primarily grown in the hill states of Kashmir and Himachal Pradesh. Annual yields per tree are typically low and range between 1,000-1,500 nuts. Shelling rates generally range between 20 and 30 percent for hard-shell varieties, and approximately 40 percent for thin-shelled varieties.

Consumption:

Demand growth for almonds is mostly driven by India's expanding middle class, growing work force, and increased consumer awareness of products perceived as 'healthful'. Indian almond consumption in MY 2016/17 is forecast at 72,000 MT, an increase of 2,000 MT over the previous year. This increase is particularly noteworthy despite continued higher international and local prices, and a weakening Indian rupee. Nonetheless, volatile prices and the exchange rate will ultimately affect almond stocks in MY 2016/17, which are forecast to drop to 28,000 MT, a 17 percent decrease from the current year.

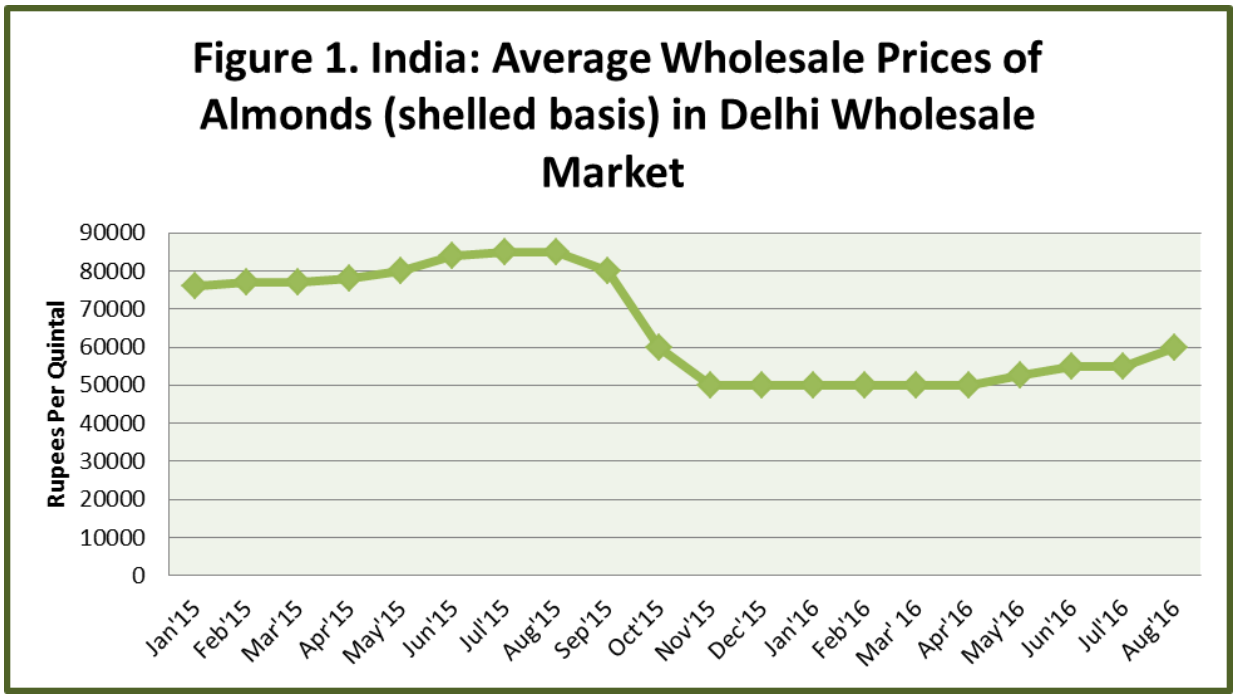
Generally, Indian demand for nuts peaks during the festive season, which runs from September to January. Indian consumers will buy almonds beyond the traditional non-pareil variety, which indicates their willingness to try new varieties from different origins. Although almonds are traditionally consumed in India, there is also a growing perception among Indian consumers about the nutritional and health benefits associated with almonds. As a result, food processors use more almonds in a broader variety of product categories like snack foods, health foods, beverages, and confectionary products. Indian consumers tend to think of almonds as a high-energy food, which are well-suited for children, physically active people, and recovering patients. There is also a growing demand for lower-quality almond kernels for use in the cosmetic industry for oil extraction.

Last year, the Indian Government introduced a campaign to reduce public spending for gifts during Diwali and other holidays during the Indian festive season. This initiative has reduced institutional gifting by government officials and state-owned enterprises and to a limited degree, negatively affects almond sales during this period. Almonds are often given as a traditional seasonal gift in India during the festive season. However, increasing consumption among the general public will likely offset reductions by government officials. The higher prices of certain imported nuts will likely affect the buying decisions of some price-sensitive consumers who may shift from almonds to other nut products.

Historically, Indian consumers have long preferred Californian non-pareil almonds due to price sensitivity, size, uniform 'eye' shape and sweetness. 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 command a higher price premium. (Table 3)

Prices:

On account of volatile domestic and international market conditions average almond prices in India have seen a steep decrease of over 50 percent in MY 2015/16 (Table 3), which had a cascading effect on purchase decisions made by trade. The prices are expected to improve because of anticipated demand during the festive season and a weaker Indian rupee.



Source: Industry and Trade Sources

Trade:

Owing to volatile market conditions, unstable prices, and weaker rupee, MY 2016/17 almond imports are forecast at 65,000 MT, a nine-percent decrease from the 71,500 MT imported during MY 2015/16. Likewise, current market year's almond imports declined by about one percent from the 70,900 MT imported during MY 2014/15. During the same period, the market share for U.S. almonds accounted for 87 percent of India's total volume of trade, while Australia's market share was nine percent (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, and only about five percent of retail sales are packaged.

Trade Policy and Marketing Opportunities:

While India does not maintain quantitative restrictions for almond imports, U.S. almonds face tariffs of INR 35/kg (in-shell basis) and INR 66.95/kg (shelled basis) (Table 6). In 2006, India's Directorate of

Plant Protection, Quarantine and Storage amended Order 2003, required that phytosanitary certificates reflect phosphine fumigation in the country of origin prior to shipment.

Market development opportunities remain, particularly among school children, young adults, and growing work force in country. Additional marketing opportunities exist among medium and large bakery, pastry, food processing, and institutional end users. Regions of southern and eastern India may also present additional 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	2014/2015		2015/2016		2016/2017	
Market Begin Year	Aug 2014		Aug 2015		Aug 2016	
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	26800	26800	29800	30900	0	33600
Production	1200	1200	1100	1200	0	1400
Imports	63300	70900	73000	71500	0	65000
Total Supply	91300	98900	103900	103600	0	100000
Exports	0	0	0	0	0	0
Domestic Consumption	61500	68000	83200	70000	0	72000
Ending Stocks	29800	30900	20700	33600	0	28000
Total Distribution	91300	98900	103900	103600	0	100000

Commodities:

Walnuts, Inshell Basis

Production:

Indian walnut (*Juglans spp.)* production is expected to increase by three percent from the previous year to achieve 34,000 MT (in-shell basis) in MY 2016/17. Weather conditions were reported as favorable during the flowering period of March–April in the Kashmir valley. However, rains in June 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 from five to 20 percent, depending on weather conditions at the time of blossom and harvest. Post production estimates for MY 2015/16 are revised to 33,000 MT to reflect the latest production estimates from trade contacts.

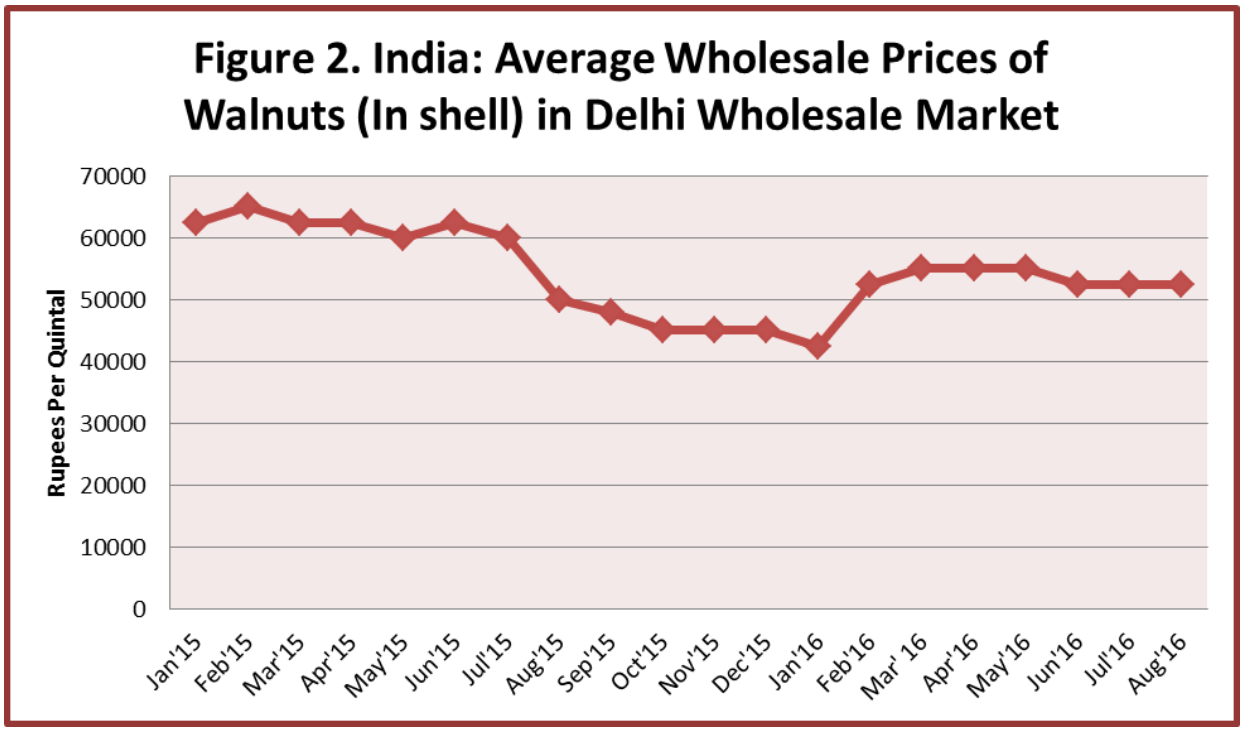
Indian walnut production is primarily confined to the states of Jammu and Kashmir, Himachal Pradesh, and Uttarakhand. Lack of infrastructure in producing states, long gestation periods, poor orchard management, and uneven yields (estimated at 18-50 kg/tree/year with nut sizes varying from 24-32 mm) keep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

Consumption:

Indian walnut consumption in MY 2016/17 is expected to increase by six percent to 36,000 MT due to consistent supplies and strong domestic demand. 60 to 65 percent of Indian-produced walnuts are consumed domestically, of which nearly half are consumed during the festive and winter season. Industry sources estimate that upwards of 10 percent is consumed by the food processing industry. An additional three to four percent of walnuts (typically nuts that are already rancid) are used by cosmetic industry, which extracts the oil for use in various products.
The forecast growth in consumption is due to an increasing perception among middle class consumers about the health benefits of walnuts (e.g. reducing cholesterol, beneficial for diabetic patients etc.). These perceptions are driving consumption, particularly in form of snacking. The wider usage of attractive consumer packaging (vacuum packs) is improving the shelf life and quality of walnuts, and has also encouraged year-round consumption as ready-to-eat snacks are more broadly available. Major processing facilities for shelling and packing walnuts are located in State of Jammu and Kashmir.

Prices:

Given the volatility of the tree nuts market, walnut prices have seen a decline this year although prices should begin to stabilize with the upcoming festive season and subsequent stronger demand (Table 5).



Source: Industry and Trade Sources

Trade:

Exports are reported at 8,000 MT in MY 2015/16 however, although exports should decline to 6,500 in the forecast-year due to stabilizing domestic prices. Additionally, domestic demand should continue to encourage imports to 7,000 MT in MY 2016/17.

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

Trade Policy:

The Government of India allows import of walnuts from the United States, provided that U.S. shippers provide additional 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, Government of India amended the schedule VI of Plant Quarantine Orders, 2003, now allows fumigation with Aluminum Phosphide for walnuts (*Juglans spp*.) from Chile with an additional declaration and special conditions, specifically fumigation.

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	**2014/2015**		**2015/2016**		**2016/2017**	
Market Begin Year	**Sep 2014**		**Sep 2015**		**Sep 2016**	
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	31000
Bearing Trees	0	1400	0	1400	0	1400
Non-Bearing Trees	0	200	0	205	0	205
Total Trees	0	1600	0	1605	0	1605
Beginning Stocks	8100	8100	16300	10815	0	7315
Production	35000	35000	35000	33000	0	34000
Imports	10400	2500	14000	5500	0	7000
Total Supply	53500	45600	65300	49315	0	48315
Exports	4500	4785	10000	8000	0	6500
Domestic Consumption	32700	30000	40500	34000	0	36000
Ending Stocks	16300	10815	14800	7315	0	5815
Total Distribution	53500	45600	65300	49315	0	48315

Author Defined:

OTHER STATISTICAL TABLES

Table 3. India: Commodity, Almond, Prices Table

Country	India		
Commodity	Almonds, Shelled Basis		
Prices in	**Rupees**	**Per uom**	**100 Kg**
Year	**2015**	**2016**	**% Change**
Jan	76000	50000	-52
Feb	77000	50000	-54
Mar	77000	50000	-54
Apr	78000	50000	-56
May	80000	52500	-52
Jun	84000	55000	-53
Jul	85000	55000	-55
Aug	85000	60000	-42
Sep	80000		
Oct	60000		
Nov	50000		
Dec	50000		
Exchange Rate	INR 66.54	Local Currency/US $	
Date of Quote	9/6/2015	MM/DD/YYYY	

Source: Trade and Industry Sources

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	89456	9028	
United States	T	80891	5815	62439
Australia	T	8202	406	6147
China	T	20	0	14
Tajikistan	T	1	0	0
Turkey	T	0	48	48
Canada	T	20	0	14
Iran	T	0	764	764
Afghanistan	T	322	1178	1258
Syria	T		817	817
TOTAL				71502

Source: Estimates for 2015/16 are derived from trade sources, Global Trade Atlas and California Almond Board Statistics.

Table 4.2 India: Commodity, Almond, Import Trade Matrix 2014/15

India Import Statistics- 2014/15				
Commodity: Almonds In Shell Fresh Or Dried				
Partner Country	**Unit**	**In Shell**	**Shelled**	**Total Kernel**
World	T			
United States	T	68826	4037	52215
Australia	T	20202	417	14558
Guatemala	T	0	4	4
Spain	T	0	3	3
Austria	T	22	0	15
Canada	T	20	0	14
Iran	T	5	1371	1373
Afghanistan	T	1288	1822	2144
Syria	T	0	554	554
United Arab Emirates	T	0	18	18
Pakistan	T	49	16	50
TOTAL				**70949**

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	62500	42500	-32
Feb	65000	52500	-19
Mar	62500	55000	-12
Apr	62500	55000	-12
May	60000	55000	-8
Jun	62500	52500	-16
Jul	60000	52500	-13
Aug	50000	52500	5
Sep	48000	2016	% Change
Oct	45000		
Nov	45000		
Dec	45000		
Exchange Rate	INR 66.54	Local Currency/US $	
Date of Quote	9/6/2015	MM/DD/YYYY	

Source: Trade and Industry Sources

Table 6. India: Almond and Walnut Tariffs

Commodity Code	Description	Import Policy	Basic Duty/2	Education Cess	Total Applicable Duty /5
HC 0802.11	Almonds In shell	OGL /1	Rs 35/kg	Exempted /3	Rs 35/kg
HC 0802.12	Almond Kernel	OGL /1	Rs 65/kg	2+1%	Rs. 66.95/kg
HC 0802.31	Walnut In shell	OGL /1	30/20% /4	2+1%	30.9/20.6% /4
HC 0802.32	Walnut Shelled	OGL /1	30/20% /4	2+1%	30.9/20.6% /4

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).
/5: Method for computing Total applicable duty:

A: CIF Value of Good
B: Basic Duty = Basic Duty Rate * A
C: Education Cess (EC) = EC Rate * B
Total Applicable Duty = B+C