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**India CECA
Round 2 Submission
Australian Nut Industry Council**

Summary:

The issues after the first round; level of tariffs and quota for almonds:

1. Tariffs:

India does not produce almonds, pistachios, macadamias, chestnuts, or hazelnuts so there is no local industry claim to support protection via tariffs.

- *Almonds:* ANIC while acknowledging the 50% reduction would like the tariffs on almonds reduced at a faster rate to 100%.
- *Walnuts:* Tariffs on walnuts is not in proportion to the suitable variety (Chandlers) Australian Walnut production and the size of the Australian industry even at future full production only 4000 tonnes or 11-15% of current total imports could be met.

2. Quotas:

- *Almonds:* The demand for almonds is considerably more than Australia's predicted supply in the foreseeable future, only 15-30% of the Australian crop meets the Indian consumer demand preference regarding quality. Under full production (2030) and in a favourable season only 60,000 tonnes would meet Indian requirements. Australia does not have the ability flood or dump into the Indian market. Quota increase to 70,000 tonnes would be the recommended outcome if a quota is justified to remain, while the preference remains for a complete removal of the quota.

3. Other Issues:

- *Pistachios:* Despite assertions to the contrary detailed analysis has failed to identify any pistachio production in India. The restriction to shelled pistachio nuts does not align with over 95% of production being inshell and ANIC would argue that it is an error that should be corrected.

Background

The Australian Nut Industry Council is the federation of the Australian tree nut producing industries, almonds, chestnuts, hazelnuts, macadamia, pecans, pistachios, and walnuts.

Australian nut production continues to expand at a rapid rate as low revenue per hectare broadacre agriculture is converted to smart, high value per hectare nuts.

Farm gate value of Australian nut crops was \$1.2 billion in FY2022, this will rise to \$A2.2b by 2030. Nut exports in FY2022 were \$A1 billion and will rise to \$A1.9b by 2030.

The CECA with India is seen as a huge opportunity for the Australian nut industries, as India is a traditional nut consuming market. With rising economic conditions, the Indian middle class are driving a greater consumption of nuts. High Indian tariffs have been a dampener on trade. India only produces cashews and limited quantities of walnuts. It does not produce almonds, pistachios, macadamias, chestnuts, or hazelnuts

The Indian CECA provides the Australian nut industries the opportunity to diversify our export markets and hedge for any complications with our major market China.

CECA will provide better access for Australian nuts into India. The first round of ECTA were a significant achievement for the Australian trade negotiators. The nut industry hopes that the great work can continue to make the agreements comprehensive with improved results in Round 2.

Almonds

Almonds are one of the largest Australian agriculture exports to India. Almonds are a most important part of the Australia/India trade with a value that has average \$A110m per annum over the last decade (source ABS).

In round 1, The Indian tariff on Australian almonds was only reduced by 50% and a quota of 34,000 tonnes was set that will be seen as inadequate in the near future.

India has no almond production. India cannot claim any sensitivity for almonds so it is difficult to understand why any tariff should apply to Australian almonds or why there should be a quota.

The demand for almonds in India is considerably greater than Australia's current and predicted supply in the future, Australia does not have the capacity to flood the Indian almond market. However, the current quota will limit Australian potential exports as the Australian crop expands over the next decade.

India currently imports over 220,000 tonnes of almonds per annum, the consumption is growing. Chart 1 shows recent Indian almond imports.



Chart 1: Total Indian almond imports, all origins, by shelled and inshell. Tonnes. Financial years to 30th June. Source: IHS Markit from Indian Ministry of Commerce, as at November 2022

Australian almond production is continuing to expand, hence the need for improved markets into the future. Current Australian production is about 180,000 tonnes, this is expected to grow to 200,000 tonnes by 2030. Recent Australian crops and the projections to 2030 are shown in Chart 2.

Australia can only ever supply a small percentage of the total Indian almond requirements. Currently the Australian supply is less than 10% of total Indian almond imports. India buys very specific varieties and grades of almonds. India largely only purchases the very best quality; only a limited range of varieties, mainly *nonpareil*; and 95% as inshell. For pollination reasons, the nonpareil variety can only ever be 50% of any almond crop. Inshell of Indian quality requires ideal harvest conditions, i.e., not all almonds will satisfy India inshell quality requirements.

In good seasons, a maximum of about 30% of the Australian crop would meet Indian requirements. In poor seasons such as the La Niña affected 2022 crop, less than 15% would be suitable.

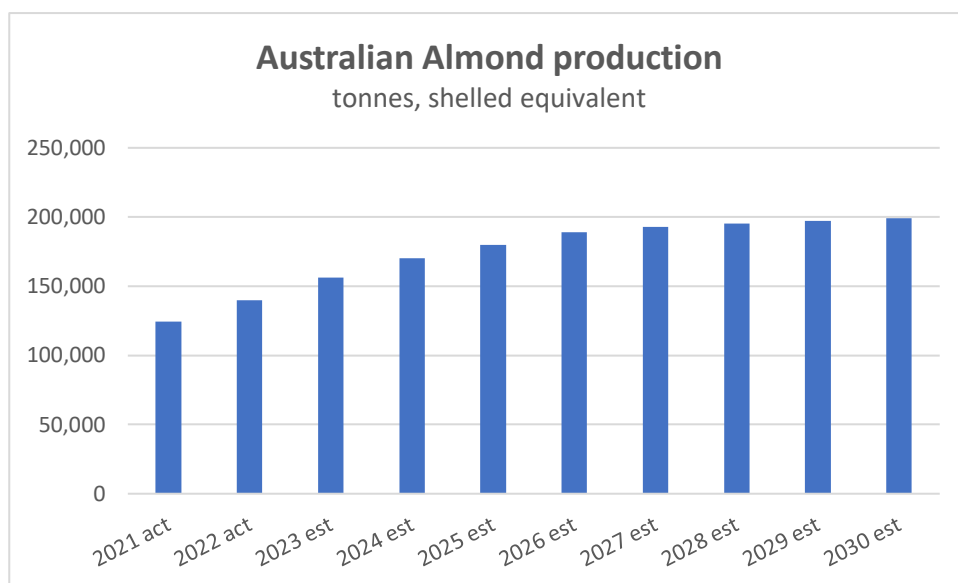


Chart 2 shows that by 2030, Australia could produce about 60,000 tonnes of almonds, in an ideal season, that would meet the requirements of India, i.e., double the present quota of 34,000 tonnes

Australia cannot flood the Indian market which is currently over 220,000 tonnes of imports and rapidly growing. Australia, by 2030 could only be producing, in ideal seasons, less than 30% of the current Indian demand. Given that the maximum Australian production is less than a third of current Indian requirements, there is no evidence to support any quota levels.

If there is to be a quota, then ANIC would suggest it be double the current quantity, i.e., increased to 70,000 tonnes.

Australian almond production cannot be indefinitely expanded. There is a finite limit to the available water and suitable land within the very narrow climate zone suitable for almonds.

Recent Australian exports to India have been well below the current 34,000 tonne quota. Currently, there are premium prices for Australian almonds currently available from China due to the punitive Chinese tariffs on USA almonds as part of China/USA trade issues. This is probably not a long-term situation. The USA and China may resolve their trade disputes. China may decide to make Australian nuts the next item on its list of wine, barley, lobsters etc.

Chart 3 shows the recent history of almond imports by India of all origins. Australia is supplying less than 10% of current Indian requirements.

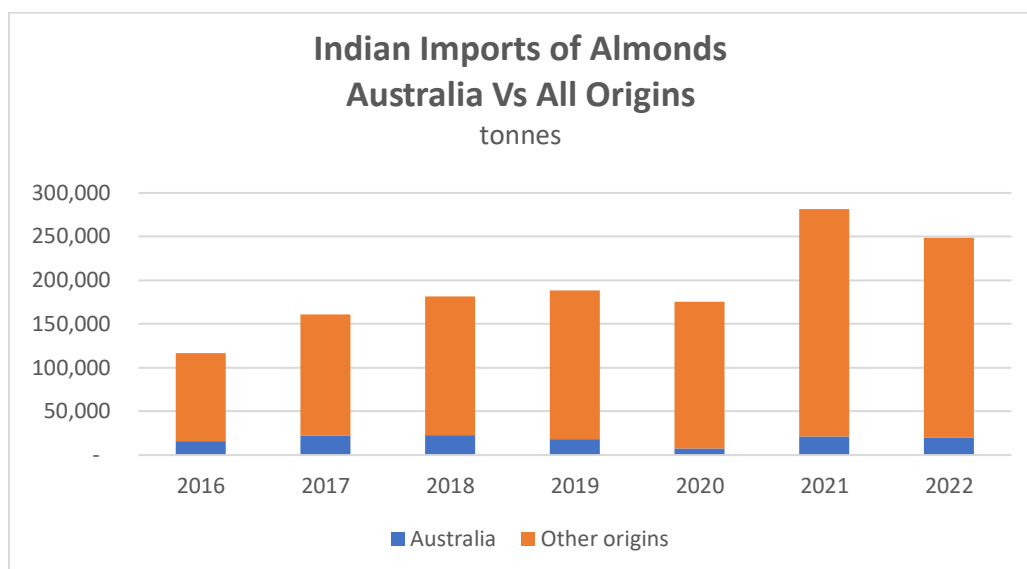


Chart 3: Import of almonds by India. Quantities include shelled and inshell almonds. Financial years to 30th June. Sources: Total imports: HIS Markit from Indian Ministry of Commerce. Imports from Australia: ABS export data. Data as at November 2022

Pistachio Inshell

Having been established in the 1980s by the CSIRO as a crop of high potential for the Murray Valley, pistachios are now a commercial success as growers have mastered them in local conditions. The actual plantings have doubled in the last five years. The rate of planting is increasing.

Chart 4 shows the expected total Australian production to 2030 together with the expected domestic demand. Whilst domestic demand is growing, pistachios will rely upon exports within a few years. Preferential access to the growing Indian market for pistachio in shell will be of critical importance to the expanding Australian pistachio industry.

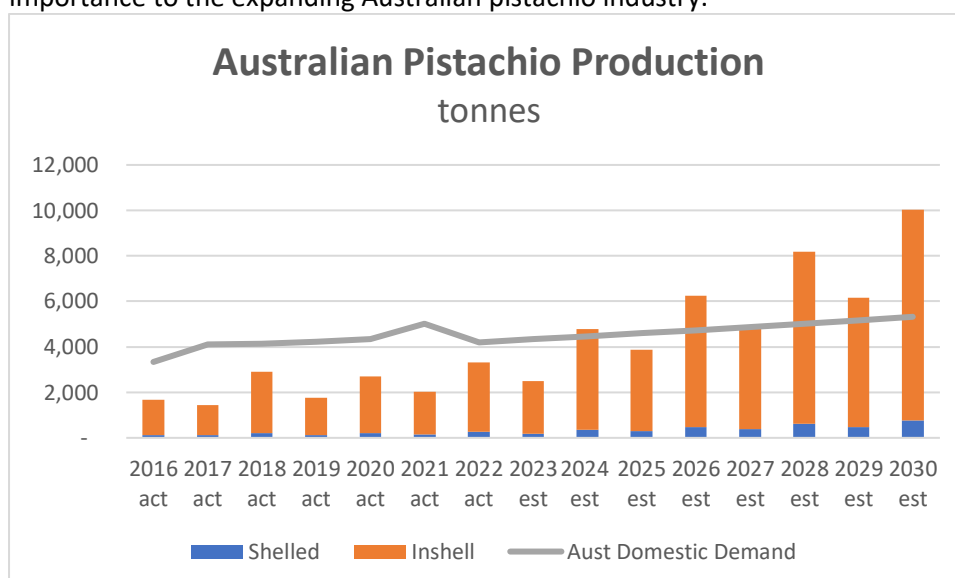


Chart 4 : Australia pistachio production and demand, included inshell and shelled. Actual to 2022, estimated 2023 to 2030. Source: Australian Pioneer Pistachio Company internal information. Demand has been assumed to grow 3% pa from 2023 onwards

Pistachio in shell were excluded from the first round of the AI-CECA with Indian claims of sensitivity from an Indian industry in Kashmir/Jammu. Extensive investigation since the Round 1 negotiations have failed to find any evidence of any Indian pistachio industry more than a few trees mainly in old research stations.

The investigations have included:

- Commercial contacts through the nut merchants of India based in the Delhi markets.

- Communications with the International Nut Council that maintains production and import records of all nuts
- The USDA annual report of nut production and consumption in India that states : *There is no commercial production of pistachios in India. Limited, unorganized production is found in Jammu and Kashmir.* (p10
[https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=T
ree%20Nuts%20Annual New%20Delhi India IN2022-0080.pdf](https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Tree%20Nuts%20Annual%20New%20Delhi%20India%20IN2022-0080.pdf)
- Extensive contacts through Indian agriculture researchers who report that various trials have been commenced some time ago but concluded that pistachios would not be a successful crop for various Indian regions including Kashmir, and, there are no active research programs being pursued.
- Extensive studies by the Australian Ag Councillor.
- The Australian Minister for Agriculture has advised the Pistachio Growers Association that searches by his department have failed to find any evidence of the growing of pistachios in India. (copy attached)

As there seems to be no Indian pistachio industry, present or potential, there seems little justification for any claim of sensitivity.

It seems odd that India agreed to include shelled pistachios in Round 1. Shelled pistachios are a by-product of the inshell trade. Shelled produce a much lower return to growers (worldwide) than inshell. The inshell that are shelled because they are not suitable for the inshell trade, usually from being stained or closed. The Australian variety bred by CSIRO produces a low percentage of shelling stock. Australia is unlikely to be able to supply the domestic demand for shelled in the next decade, i.e., Australia will continue to import shelled.

The demand in India for pistachios, shelled and inshell, has been growing and is expected to continue to grow. Australia in the next decade could only supply a few thousand tonnes per annum of the quality sought by India. Australia cannot “flood” the Indian market.

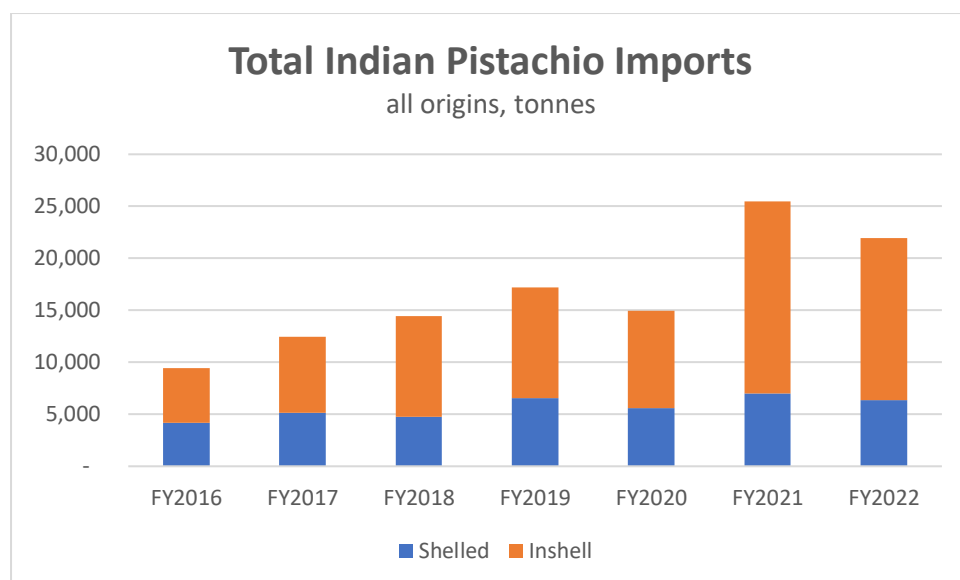


Chart 5. Import of pistachios, by India, all origins. Quantities include shelled and inshell pistachios. Financial years to 30th June. Source: Total imports: HIS Markit from Indian Ministry of Commerce.

In the next decade, Australia could not supply India with more than a few thousand tonnes per annum of pistachio inshell compared with current Indian imports of >15,000 tonnes per annum. The few thousand tonnes will have trivial impact on total Indian demand but would be of critical importance to the expanding Australian pistachio industry.

Walnuts

The situation with walnuts and India is totally different from almonds, macadamias, and pistachios. India has zero production of these three nuts, but India does have a long-established walnut growing industry. This is largely located in Kashmir/Jammu, but very small quantities are grown in Himachal Pradesh, Uttarakhand, Sikkim, and Arunachal Pradesh.

The Kashmiri walnuts producers have been most vocal in demanding even higher tariffs and expressing opposition to any trade concessions to Australia or other countries, particularly Chile. As a response to the imposition of steel tariffs by the USA in 2018 India retaliated by increasing the duty on walnuts to 100% from 30% on all origins, including Australia. Whilst this can be seen as rent seeking by the Kashmiris, it must also be seen as a significantly overstated argument that attempts to redirect their problem away from a change in variety and quality preferences by Indian consumers.

During open trade and growing demand prior to the trade issues globally in 2018, Indian consumption of imported walnuts complimented the growing demand which India couldn't supply through their modest production. Trade was growing and the tariff was 30%, and Indian walnuts were still being consumed and traded in traditional markets and eaten fresh as in shell. There is a place for both types and for consumption to grow a more freely traded import needs to be available.

We will argue:

- Indian production is overstated by the Kashmiris
- Indian consumers are strongly preferring the lighter coloured, sweeter flavoured Chandler variety rather than the older varieties grown in Kashmir.
- Australia has limited production of the Chandler variety and has a strong Australia demand limited the potential exports to India to below a number that could have any impact on Kashmiri sales.
- Australia has commenced working with the Indian walnut growers on a project to assist them to improve productivity and yields. The Walnut and Nut Growers Association of India (WANGAI) has indicated support to the Indian government to include Australian walnuts in AI-CECA

Indian Production

Indian walnut production has been claimed to be as high as 60,000 tonnes pa inshell basis by the official Kashmiri walnut producers. (There are also claims of almost 300,000 tonnes), However, the view of the Indian nut trade in Delhi is that it about 30,000 tonnes pa. The USDA in its 2022 Indian report states that it fluctuates between 34,000 and 36,000 tonnes pa.

www.fas.usda.gov/data/india-tree-nuts-annual-6 . The recent Indian walnut delegation invited to Australia by the Australian Walnut Industry Association stated that it is about 30,000 tonnes pa. The current duty on walnuts into India is 100% for most origins and 120% from the USA.

Indian Market Preferences

Indian walnut imports are currently about 30,000 tonnes as shown in Chart 6. Most (>75%) of the imports are inshell and are the Chandler variety from Chile. This is highlighting that the Kashmiri problems are the varieties and quality that are being grown are not the preference of the Indian domestic consumers.

This lack of suitability for the Indian domestic market is acknowledged by the Kashmiri producers: Mr Bahadur Khan, President of the Dry Fruit Association of Kashmir has stated: *"It seems that the quality of imported walnuts is a major reason for a lower demand for Kashmiri walnuts in the markets."* <https://www.freshplaza.com/article/9460058/after-iranian-apples-now-imported-walnuts-are-endangering-kashmir-profits/>

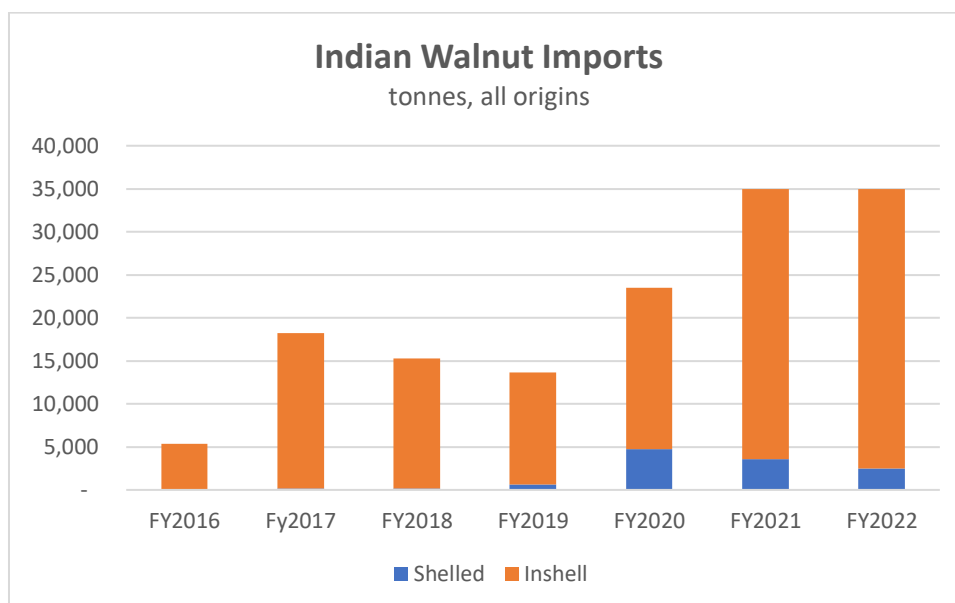


Chart 6: Total walnut imports, shelled and inshell, all origins. Source: Total imports: HIS Markit from Indian Ministry of Commerce

Australian walnut production

Australian walnut production is increasing albeit not as rapidly as some of the other nuts. Chart 7 shows that it will reach about 25,000 tonnes by 2030. For pollination and farming reasons, less than half of this is of the Chandler variety. Once planted it is not simple or economic to alter the variety of the trees. The major demand in the Australian domestic market is for the Chandler variety so about half of the Australian production of this will go to domestic market. Less than 4,000 tonnes of Australian Chandlers would be available for export so Australia could not flood the Indian market.

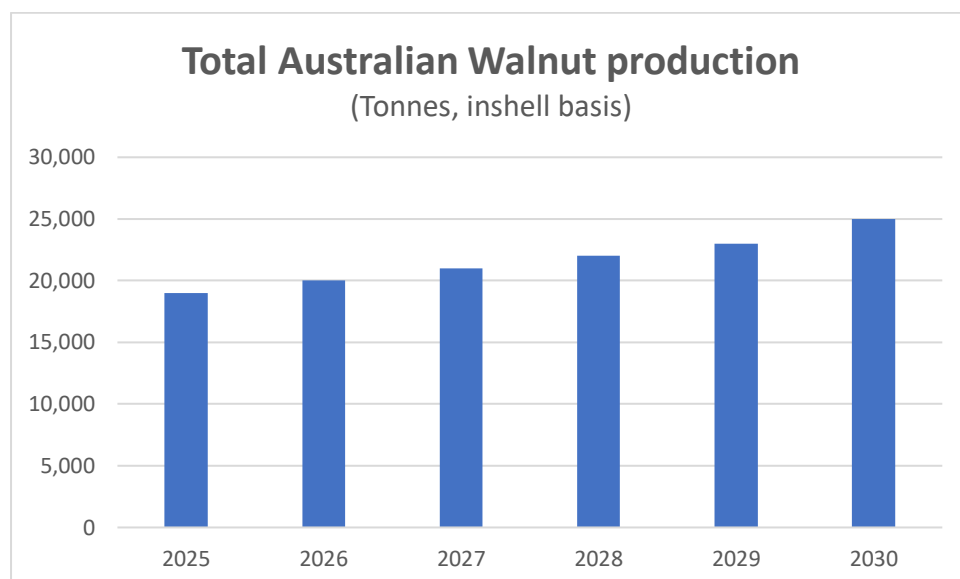


Chart 7 : Total Australian walnut production, inshell basis. Source ANIC and AWIA.

Cooperation with Indian Walnut Growers

Australia hosted a delegation from WANGAI in September 2022 that visited with growers, nursery operators, researchers, and the executive of AWIA. Dr Navin Nainwal, Secretary of WANGAI, has now commenced a 90-day research project at Griffith University, QLD, supported by AWIA. During his study program, AWIA will be working with Dr Nainwal to conclude an International Agreement of Collaboration.

The objective of this cooperation is to assist Indian walnut growers to improve their varieties and growing technology.

Conclusion

Australian walnut production provides a negligible threat to Indian walnut producers. One consideration would be that India introduce a lower tariff for in shell walnuts compared to that for shelled walnuts similar to that India applies for almonds. This would encourage shelling in India as a boost for their local employment.

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