



ANIC Submission Australia – India CECA October 2021

The Australian Nut Industry Council (ANIC) is the federation of the seven Australian tree nut producing industries. This submission in support of a Closer Economic Cooperation Agreement with India is on behalf of the Australian tree nut industries.

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General Comments

Australia has an existing substantial trade with India on almonds inshell and limited walnut and pistachio exports. Nuts do not have any non-tariff barriers for entry to India, there are some minor Sanitary and Phytosanitary issues but are of an area of negotiation rather than barriers. Nuts are “ready to go” for export to India with the elimination of the high tariffs that currently inhibit trade.

The nut industries are well organised and well supported by their growers and this has led to each industry having success in opening and developing markets. Each industry is committed to working in partnership with Indian counterparts to open and support Australian nuts in India.

Macadamia, pecans, and hazelnuts are not exported to India and create an opportunity for expanding exports. The growth in production of these crops will require additional markets to support extra supply. This opportunity to discuss better trade arrangements with India to include these expanding nut crops is most welcomed.

For all Australian tree nuts except walnuts, there is close to zero Indian production. Therefore, for almonds, macadamias, pistachios, pecans, and hazelnuts, the progress of the agreement could do so without any effects on local Indian producers. The tariff reductions by India on these nuts should be enough to allow effective entry into the Indian market.

There is Indian walnut production in Kashmir. We show under the walnut section that the effect of Australian walnut imports would be minimal. However, it is noted that any tariff concessions from India are very hard to achieve. Hence ANIC takes the view that, for walnuts, we should accept what is possible and a short, staggered elimination period for walnuts would be acceptable.

In each of the following nut sections, it can be shown that expected Australian nut production cannot “flood” the Indian market, so quotas are not necessary; comments on possible quotas are included in each section. India will be sensitive to walnuts, so a quota could be agreed on this nut.

Each of the Australian nut industries is committed to ensure that the production is sustainable. The almond industry is leading the review as to how this will be achieved. Each of the nut industries is committed to implementing programs that will ensure long term sustainability. Further details are provided in the almond section.

Almonds inshell - HS Code 8021100

This is a major item in Australia/India agriculture trade with typical exports of \$A90 million to \$A140 million per annum.

Total Indian imports of Almonds inshell from all origins have been > \$1 Billion for the last five years, >200,000 tonnes. Australia has been supplying about 10% of this. The expanding Australian crop would be able to increase this share to only about 25% of current Indian demand (see Australian nut production and Indian nut imports in Appendix 2 and 3.

Whilst importing almonds in shell, India actually consumes almonds as kernels. The imported almonds inshell are hand shelled by a workforce of thousands of local Indian people. Hand shelling produces better quality than the machine shelling used by Australia and the USA. The Australian almond exporters work together with the Indian importers and shellers to ensure a high-quality product is presented to Indian consumers.

Australia should not seek a reduction in the shelled almond tariff. This tariff protects those employed shelling the almonds. Shelling almonds in Australia is capital intensive and employs a small number of people.

A very small volume of almonds is grown in Kashmir. These Kashmiri almonds are grown without irrigation and of intense flavour. They trade in the Indian wholesale market at 50% above the price of Australian or Californian almonds. Imports are not a threat to this Indian crop.

Since Australia commenced having exportable quantities of almonds in the early 2000s, India has been a market that the Australian Almond Board (ABA) has devoted considerable resources to developing and supporting.

Initially, this involved trade delegations to Delhi, the hub for Indian almond imports. These delegations were, and still are, well supported by the High Commission in Delhi. The ABA sponsored trips to Australia by major Indian almond industry participants.

In recent years, the focus has been on celebrating the shared passion for Cricket. An annual Test match occurs at Gulfoods and is attended by most of the Indian almond industry participants. A seminar and dinner are held in conjunction with the Test. The ABA ensures that key international players such as Tim Payne, and Ishant Sharma are present for the dinner.

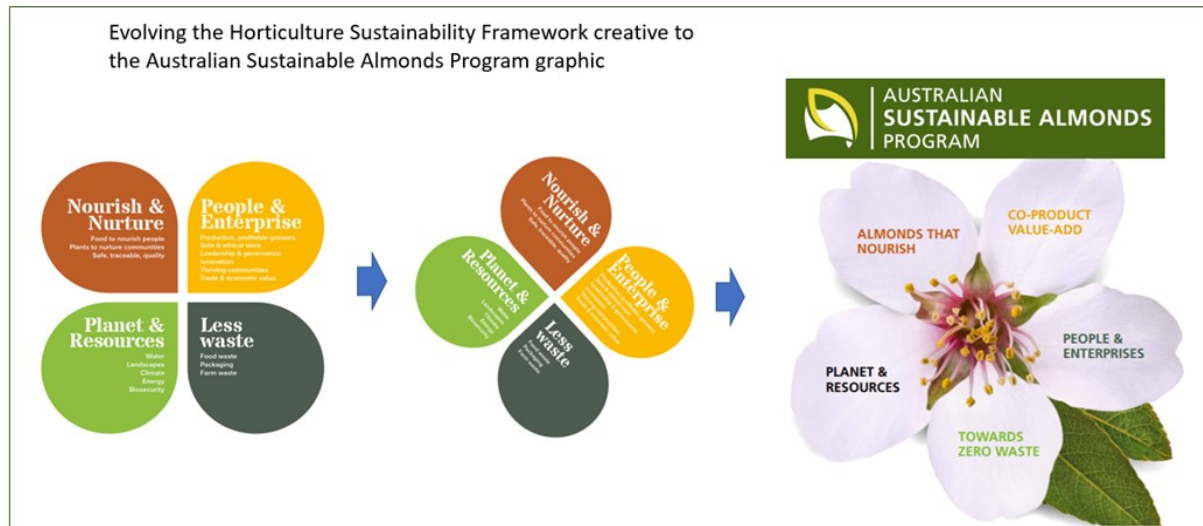
The ABA has a substantial marketing fund. This is a voluntary fund, not a compulsory levy, supported by 100% of the Australian industry. The ABA is committed to continuing this development of the Indian market and has the funds and the industry unity to deliver it.

The ABA will continue to put resources into the Indian market regardless of any outcome of the current trade talks. If there were to be the removal of tariff on Australian almonds inshell, the ABA would increase its efforts ensuring that the Indian trade partners were aware of the benefits and took maximum advantage. This would involve activities such as a trade delegation in both directions.

The Australian almond industry is leading the way within Australian horticulture in developing a comprehensive Sustainability Program that is customized to the needs and issues of the industry. This Australian Sustainable Almonds Program is built on the whole-of-horticulture sustainability framework. The Australian sustainability program is moving to the next stage of on-farm measurement of the key measures identified in the framework.

There is a strong collaborative spirit within the Australian nut industry who will be able to learn from the experience of the Australian almond program and fast-track their progress.

From a broader Australian nut industry perspective, work is underway to develop a Materiality Assessment that includes all seven Australian nut growing industries. As part of this work, the published sustainability reports of 20 major food manufacturing and retailing customers of the Australian nut industry will be systematically reviewed.



Almond Quantities

Whilst the Australian crop is projected to expand to ~200,000 tonnes by 2030, only about 30-40% of this would meet the inshell specifications of India. India only buys the soft-shell varieties that can be easily shelled by hand. Almonds require pollinators and some of the pollinators have shells regarded as too hard. Also, the Indian standards are quite demanding for inshell, many almonds do not make the grade.

At most, by 2030, Australia could only export to India a maximum of about 80,000 tonnes pa. India is currently importing over 200,000 tonnes of almonds in shell per annum.

The projected Australian almond crop is already showing a 60% growth over the next decade to about 200,000 tonnes. It is possible that further expansion could occur but there are severe constraints on significantly more expansion. Already Victoria has placed a limit on the expansion of permanent crops such as almonds. Almonds require very specific soil types which are not readily available in the climatic growing zone which is approximately along the Murray River system from the Riverina to the Riverland.

This quantity analysis suggests that a quota system is not necessary to protect India from “flooding” by Australian almonds.

However, if quotas are necessary to reach an agreement with India, ANIC suggest a quota of 60,000 tonnes pa. This is about triple the current Australian exports to India of about 20,000 tonnes pa. It is about one third of the current imports of India, 220,000 to 260,000 tonnes pa.

There seems no reason why the tariff reductions on almonds inshell should not occur entry into force.

Walnuts inshell - HS Code 0802.31.00

Walnut production in Australia is expanding. New market opportunities are needed. There is strong growing demand in India.

India does have a walnut industry in Kashmir and Jammu. It produces about 30,000 to 40,000 tonnes per annum. India is currently importing 30,000 tonnes of walnuts inshell per annum. Indian consumer demand is strongly growing. Domestic production is not likely to expand rapidly.

Australia was not on the ancient list of “approved” origins for imports to India of walnuts in shell. After five years of representation by the Department and industry, this was resolved in 2019. Australian exports hence only commenced in FY2019. There are now no non-tariff barriers to the import of Australian walnuts in shell to India.

India is very selective in the varieties and grades of walnuts it imports. Whilst almost all of Australian production would meet the quality requirements, only about one third of Australian production would meet the variety requirements. Multiple varieties must be grown for farm management reasons.

The major Australian walnut producer with about 90% of Australian production, Stahmann-Webster, is committed to working with Indian partners to develop and promote the consumption of Australian walnuts in India. Stahmann-Webster has the resources and skills to deliver under this undertaking.

ANIC would not press for a reduction on the shelled walnut tariff rate. India consumes walnuts both inshell and also shells them for sale as kernels. Shelling the inshell walnuts employs a substantial number of people. To push on the shelled rate would cause hostility within this industry group. The Australia walnut industry is content to continue to export mainly inshell to India.

With total Australian production being projected at 25,000 tonnes pa in 2030 and only one third of this being of the Indian preferred variety, Australia cannot flood the Indian market. However, if a quota system is required to obtain agreement with India, we would suggest a quota of 5,000 tonnes per annum. This would be less than 20% of the current imports of walnut in shell by India.

Australian supply cannot significantly impact on the total Indian walnut in shell market and cannot have significant impact on current prices for domestic producers. However, that there could be some sensitivity for this product must be noted. Hence, if it is necessary to agree to some phase in period then ANIC would suggest a phase in period of 3 years commencing with a 33 ^{1/3} % reduction entry into force.

Pistachios inshell - HS Code 8021200

Australian pistachios are rapidly expanding production, albeit from a current low base. From trees already planted, Australia will quadruple production by 2030. Australia will move from being a net importer of pistachios to a net exporter in 2024. India is a rapidly expanding market for pistachios. There is no commercial production of pistachios in India. Limited, unorganized production, is confined to the Union Territory of Jammu and Kashmir.

The current tariff on pistachios of 10% is almost reasonable, by usual Indian tariff levels. However, the 2014 base rate is a prohibitive 30% so any agreement should eliminate the base rate.

There have been some trial exports of Australian pistachios to India that have received high market acceptance. Australian Pioneer Pistachio Company (APPC) that processes and markets the crops of 95% of Australian growers is committed to developing the Indian market. Potentially there are also good opportunities with China but the Chinese market has inherent risks.

APPC has the resources, skills, and the support of its growers to deliver on its undertaking to develop the Indian market for Australian pistachios in partnership with Indian importers.

Whilst most pistachios are consumed inshell as a snack food, India imports significant quantities of shelled pistachios, with zero production of its own. There is no Indian pistachio shelling industry as there is for almonds. There is no reason why Australian should not seek the removal of the tariff for shelled pistachios of Australian origin.

The main Australian pistachio variety, especially bred here by CSIRO, produces few shelling grades. Hence Australian kernel production will remain small. However, these trade discussions are unlikely to occur frequently so perhaps the opportunity for shelled pistachios should be taken now.

With no Indian production, there is no reason why any tariff reductions should not be entry into force.

Even by 2030, Australian production in total will not reach the current level of Indian pistachio imports. There is no prospect that Australia could flood the Indian market. Hence there seems no grounds for any quota. However, if a quota is required to reach agreement with India, ANIC would suggest 5,000 tonnes per annum of in shell and 2,000 tonnes per annum of kernels.

Macadamias inshell - HS Code 8026100

India has zero macadamia production. A research station imported about 400 trees about 15 years ago. This project was not successful. There are no known macadamia trees in India other than in botanic gardens and perhaps a few home orchards.

The zero Indian imports reflect the very high tariff and the lack of knowledge of Indian consumers for macadamia nuts. If the tariff was removed, the Australian industry would make that introduction, as it has done opening new markets over the last 40 years.

Macadamias are an opportunity for both India and Australia to build a trade based on the Australian indigenous nut – one of the few Australian native plants that has entered the commercial food chain.

The Australian Macadamia Society (AMS) has a long history of the successful introduction of macadamia nuts into markets in the world. As commercial Australian production has expanded over the past 40 years, new markets have been found – none of which had ever heard of macadamia nuts much less taste and enjoy this unique Australian experience.

The first new market opened by the AMS was Europe from the early 1990s. Macadamias are now part of mainstream European nut consumption, then Japan, Taiwan, China and since KAFTA, Korea.

The AMS has a large marketing program supported by a levy from growers. In each market there are programs with a budget of hundreds of thousands of dollars per annum. These programs include sample programs, instore promotions, media advertising, all working closely with the local trade. The total international marketing spend is over \$A1 million per annum.

If the prohibitive tariff on macadamia in shell were removed, the AMS will commit significant resources to a major program to introduce macadamias to Indian consumers.

First, this will involve developing partnerships with Indian shelling companies. Macadamias cannot be hand shelled as can almonds, rudimentary machinery is required, machinery that is very similar to that used in the Indian cashew industry. Several Indian cashew shellers have already indicated interest in partnerships with Australian growers.

Having had the macadamias shelled in India, the AMS will commit to the high-level introduction and marketing campaigns that have worked so successfully in Europe, Japan, Taiwan, Korea and China.

Whilst Australian macadamia production is expected to increase 70% over the next decade, the 2030 expected tonnage of 87,000 tonnes is miniscule compared to current total Indian nut imports of 1,600,000 tonnes.

As there is no current market in India, there is no loss of tariff revenue by India, so ANIC suggests that the tariff be eliminated entry into force

If the tariff were only eliminated on inshell, it would encourage Indian local employment in shelling the macadamias in India. This occurs with both almonds and walnuts inshell. However, as there is no current Indian employment in this sector, perhaps there is no reason why the tariff on shelled macadamias should not also occur.

There can be no argument that Australia could flood the currently non-existent Indian macadamia market. Hence there can be no grounds for a quota. However, if a quota is required to reach agreement with India, we would suggest 20,000 tonnes per annum of macadamia in shell.

Pecans inshell - HS Code 8029011

The Australian pecan industry is currently quite small. large new plantings are commencing, and production will increase over the next decade.

There is no Indian production of pecans. Whilst similar in appearance to walnuts, pecans have particular attributes that price them 25% to 50% above international walnut prices. Pecans would not be a threat to Indian walnut prices.

There is no current import of pecans by India, i.e., there is currently no Indian demand.

When Australia increases production, the largest pecan producer, Stahmann-Webster is committed to developing an Indian market.

These current Indian negotiations are an opportunity that may not arise again for a decade or more. Australian should take this opportunity to put in place what would be a long-standing achievement for pecans and all the Australian nuts.

There seems little case for a delay into entry of the tariff reductions or of any quotas.

Hazelnuts HS Code 8022100

The Australian hazel nut industry, after five years of planting, is about to enter a significant production phase. Significant production will commence in 2022. Further expansion is expected. Whilst the initial planning identified target markets for these new plantations, a market such as India would add an additional opportunity.

There is no Indian production of hazel nuts.

There are small Indian imports of shelled hazelnuts, a few hundred tonnes with a value of \$A1m to \$2m per annum.

These current Indian negotiations are an opportunity that may not arise again for a decade or more. Australia should take this opportunity to put in place what would be a long-standing achievement for hazels and all the Australian nuts.

There seems little case for a delay into entry of the tariff reductions or of any quotas.

Appendix 1 - Australian Tree Nuts exported to India

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
		AUD	AUD	AUD	AUD	AUD
8021100	Almonds inshell	63,138,229	141,143,594	123,735,801	49,545,070	93,959,288
8021200	Almonds shelled	17,771,652	490,347	4,053,400	19,404	441,806
8021100	Walnuts in shell	-	-	694,838	2,730,962	338,914
8021200	Pistachios in shell	156,117	329,671	1,400,920	768,868	-
8026200	Macadamia, shelled	13,703	-	-	-	-
	Total	81,079,701	141,963,612	129,884,959	53,064,304	94,740,008
		Kg	Kg	Kg	Kg	Kg
8021100	Almonds inshell	9,813,500	23,005,416	18,404,077	7,393,955	21,619,923
8021200	Almonds shelled	2,307,786	86,279	519,508	1,085	78,530
8021100	Walnuts in shell	-	-	162,720	703,040	76,790
8021200	Pistachios in shell	13,000	26,000	105,000	52,500	-
8026200	Macadamia, shelled	510	-	-	-	-
	Total	12,134,796	23,117,695	19,191,305	8,150,580	21,775,243

Source: Australian Bureau of Statistics

Almond inshell exports to India declined in FY 2020 with substantial price premiums being available from exports to China. Despite these price premiums remaining from China, Australian almond exporters spread risk by increasing Indian exports in FY2021 into FY2022.

Market access issues prevented walnut exports to India up to FY2019. This was resolved by DAWE and now exports can occur without problems.

The Australian pistachio crop is expanding and will only have significant export surplus from FY2023. Trial shipments establishing the acceptability of Australian pistachios have been made since FY2017.

The Australian native, macadamia is unknown in India. The Australian Macadamia Society (AMS) has over the decades, introduced macadamias to markets that had previously not heard of them – Europe, Japan, China, Korea. The high tariff into India makes the high introductory market costs too high a risk. The AMS is committed to make the necessary investment if the tariff is removed.

Appendix 2 - Australian Tree nut production to 2030

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes	tonnes
Almonds	124,400	140,000	156,000	170,000	180,000	189,000	193,000	195,100	197,000	199,000
Hazelnuts	400	2,500	3,000	4,000	5,000	5,500	6,000	7,000	8,000	9,000
Macadamias	51,000	55,000	63,000	66,000	68,000	71,000	75,000	79,000	82,000	87,000
Pecans	3,200	2,500	3,500	2,700	3,800	3,000	4,200	3,300	4,700	3,700
Pistachios	2,300	3,700	3,000	5,000	4,100	6,500	5,700	9,000	8,800	11,800
Walnuts	12,500	14,000	15,000	16,000	19,000	20,000	21,000	22,000	23,000	25,000

Each of the Australian tree nut industries are expanding with new plantings. Tree nuts take 6 to 10 years from planting to reach full mature production.

Most of the increase production shown in the above table will come from trees already planted that will come to maturity over the next decade.

The annual investment in new orchards by Australian tree nut farmers currently exceeds \$A200 million per annum.

The total farm gate value in 2030 will be about \$A3 billion.

Whilst Australian domestic consumption is also expanding on the growing awareness of the health benefits of regular nut consumption, almost all the expanded production will be exported.

Total exports by 2030 are expected to have a value of >\$A2.4 billion. This compares to the FY2021 exports of a about \$A1 billion.

The Australian nut industries have a proven record of opening and developing export markets. But further reductions in tariffs in key consuming countries such as India will be of huge benefit.

Appendix 3 - Imports of Nuts by India, All Origins

		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
		\$AUD m	\$AUD m	\$AUD m	\$AUD m	\$AUD m
8021100	Almonds in shell	846	973	1,137	1,258	1,132
8021200	Almonds, shelled	117	105	75	74	97
8022100	Hazelnuts, inshell	-	-	-	0	0
8022200	Hazelnuts, shelled	1	1	1	2	2
8026200	Macadamia nuts shelled	0	0	-	0	0
8021200	Pistachio in shell	82	102	130	140	161
8025200	Pistachio nuts shelled	88	81	118	95	96
8021100	Walnuts in shell	65	56	48	82	97
8923200	Walnuts shelled	1	1	5	41	26
		1,200	1,319	1,514	1,692	1,611
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
		,000 tonnes	,000 tonnes	,000 tonnes	,000 tonnes	,000 tonnes
8021100	Almonds in shell	128,780	145,315	163,930	218,120	260,725
8021200	Almonds, shelled	10,170	9,602	5,824	5,444	7,660
8022100	Hazelnuts, inshell	-	-	-	3	5
8022200	Hazelnuts, shelled	62	76	153	154	209
8026200	Macadamias shelled	3	2	-	4	3
8021200	Pistachio in shell	7,259	9,694	10,656	13,785	18,430
8025200	Pistachio nuts shelled	5,172	4,745	6,523	5,643	6,891
8021100	Walnuts in shell	18,057	15,125	13,087	23,045	33,100
8923200	Walnuts shelled	131	150	597	4,949	3,782
	Total nuts	169,634	184,709	200,771	271,147	330,807

Source: Indian Ministry of Commerce

Notes on Indian nut imports

Indian consumption of trees nuts has been rising over the past decade with the increase in incomes and also the promotion of the health benefits of nuts by the Indian government.

The absolute volumes of each of the inshell varieties being consumed in India is so high, no projections of expanding Australian production would be able to satisfy that demand even if the total Australian crop was exported to India. India is selective in the grades and varieties that it consumes of each of the nuts, usually at the top end of the quality spectrum. The capacity of each Australian industry to supply the Indian demand is limited and is covered in each of the nuts