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2013 Apple Product Brief

Report Categories:

Fresh Deciduous Fruit

Product Brief

Exporter Guide

Fresh Fruit

Competitor

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Report Highlights:

Assuming normal weather conditions India is set for an average apple crop in 2013. The government's preliminary estimate pegs 2013 production at 1.84 million metric tons, which is likely to be revised later. In CY 2012 India imported a record 186,000 metric tons of apples valued at USD196 million, a 4-percent increase from the previous year's imports of 179,000 metric tons. Despite the fall of the rupee relative to the dollar, with increasing population, growing disposable incomes, improving lifestyle, health awareness, and India's tradition of vegetarianism, the apple is currently the most heavily consumed imported fruit in India. A continued decline of the rupee against the dollar could affect importer and consumer appetites for imported fruit during 2013.

Author Defined:

Detailed Notes:

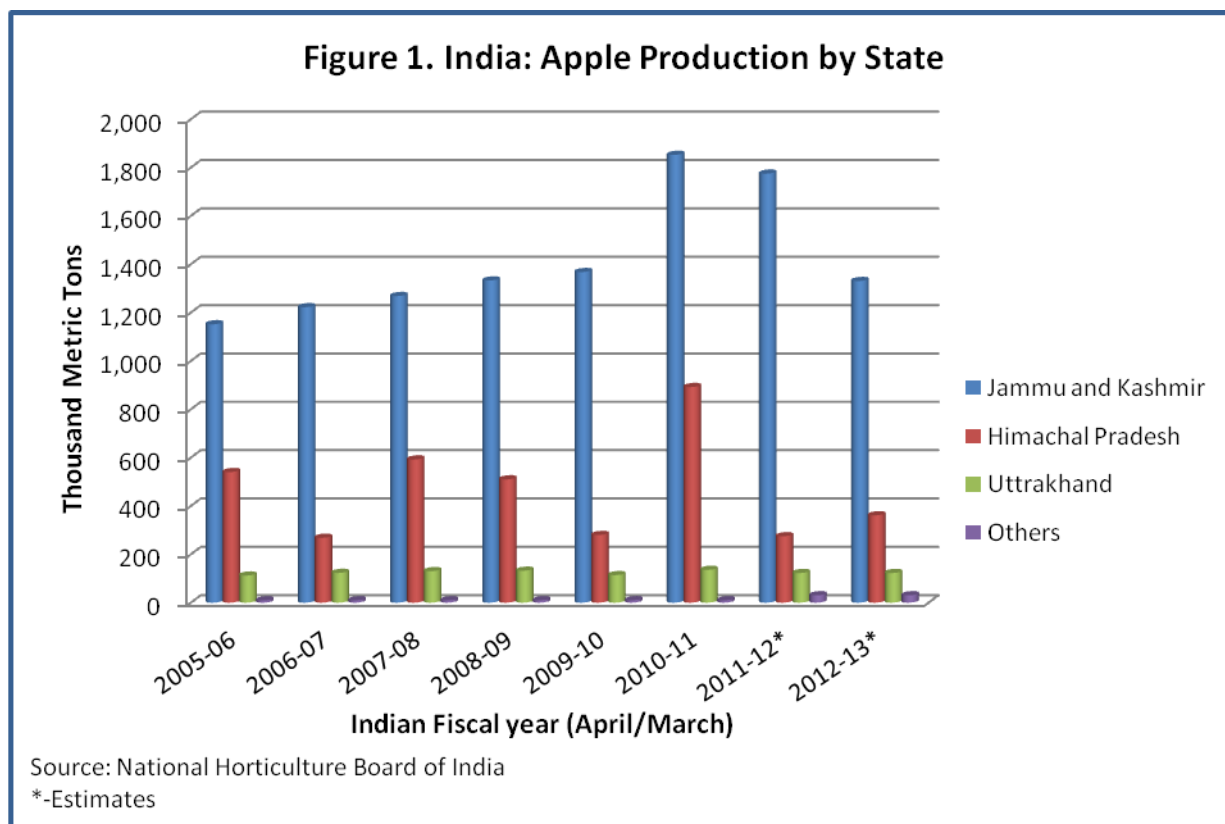
1. Production background:

India appears to be heading for an average crop in 2012/13 on favorable growing and weather conditions in major growing areas. Assuming normal weather conditions through harvest, Post forecasts 2012/13 production at 1.85 million metric tons as compared to last year's production of 2.20 million metric tons. The government's preliminary estimate pegs 2013 production at 1.84 million metric tons, which is likely to be revised later.

India's apple production had shown a growth trend since 2001-02, but in 2009/2010 production declined from 1.98 to 1.77 million metric tons, due to high temperatures and drought. Whereas India had a record apple crop of 2.89 million metric tons in 2010/11 on prolonged monsoon and favorable weather conditions in major apple producing areas, poor infrastructure created supply disruptions. Together, these issues continue to exacerbate post-harvest losses and negatively affect many producers.

The presence of private middlemen like Adani, Devbhumi, and others provides an alternate outlet to the state marketing committees and their commission agents, which is creating some price competition. Orchard renovation is slow, despite availability of government subsidies. In Himachal Pradesh and Uttarakhand apples are sorted and packed in modern 20-kg capacity corrugated cardboard boxes, while in Jammu and Kashmir growers still use wooden boxes. Unfortunately, grading and packaging of the produce are still done on a voluntary basis and commission agents insist on over-packing of apple cartons, with the result that around 1-2 kilograms of fruit per box arrives in urban markets severely damaged.

India is the world's 3rd largest apple producing country behind China and the United States. Despite this, India faces a supply gap in its domestic apple market as increasing demand from the growing middle class meets limiting factors such as seasonality, geographical separation, and limited infrastructure. Apple production is limited to the hilly states of Jammu & Kashmir (J&K), Himachal Pradesh (HP), and Uttarakhand. J&K accounts for the majority of apples produced followed by HP and Uttarakhand, while contributions from the other states like Nagaland and Arunachal Pradesh are negligible. Most of the orchards, focusing on the popular Red Delicious, Royal Delicious and Rich Red varieties, are 30 to 35 year old. Harvesting in these areas of India generally occurs between July and October. (See Annex 1: Apple producing areas within Indian states)



Apple production in India is low input and low output, as most growers are small or marginal farmers. Because of the small and fragmented nature of these orchards and the difficult hilly terrain, modern equipment is not economically viable. Therefore, most field operations are conducted manually and yields are reported to be as low as 7.2 MT/Ha, far below international standards.

Table 1. India: Commodity, Fresh Apple, PSD

Apples, Fresh India	2010/2011		2011/2012		2012/2013		
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
Area Planted	0	289,000	0	322,000	0	324,000	(HA)
Area Harvested	0	252,000	0	264,000	0	274,000	(HA)
Bearing Trees	0	72,324	0	75,768	0	78,638	(1000 TREES)
Non-Bearing Trees	0	10,619	0	16,646	0	14,350	(1000 TREES)
Total Trees	0	82,943	0	92,414	0	92,988	(1000 TREES)
Commercial Production	1,936,000	2,890,000	1,750,000	2,203,000	1,750,000	1,850,000	(MT)
Non-Comm. Production	0		0		0		(MT)
Production	1,936,000	2,890,000	1,750,000	2,203,000	1,750,000	1,850,000	(MT)
Imports	143,900	135,000	207,600	188,100	210,000	202,000	(MT)
Total Supply	2,079,900	3,025,000	1,957,600	2,391,100	1,960,000	2,052,000	(MT)

Fresh Dom. Consumption	2,032,800	2,016,000	1,927,400	1,898,000	1,905,000	1,800,000	(MT)
Exports	47,100	47,000	30,200	30,000	55,000	20,000	(MT)
For Processing	0	231,000	0	66,100	0	46,000	(MT)
Withdrawal From Market	0	731,000	0	397,000	0	186,000	(MT)
Total Distribution	2,079,900	3,025,000	1,957,600	2,391,100	1,960,000	2,052,000	(MT)

2. Consumption Pattern:

The apple is currently the most heavily consumed imported fruit in India. According to industry sources demand for fresh apples is growing in both urban and rural India. The major factors fueling apple demand are increasing population, growing disposable incomes, improving lifestyle, health awareness, and India's tradition of vegetarianism. India consumes nearly all the fresh apples it produces and consumption exceeds domestic production, reflecting the scope for imported fruit coming into country from various destinations.

Given the current production and consumption scenario, the processed apple sector is poised for growth, although this will greatly depend upon the stability of supply as well as expansion of necessary infrastructure and cold chain system.

It is estimated that 70-80 percent of the Indian apple growers market their produce via organized marketing channels and approximately 85-90 percent of this fruit is consumed fresh - while the rest is exported, processed, or wasted. Unmarketable fruit is procured by the state governments under the Market Intervention Scheme and is further processed with an objective of increasing capacity utilization and assisting the farmers in being remunerated for their produce.

3. Distribution Network:

Since marketing of domestic produce is done through both organized and unorganized sectors, numerous marketing channels have formed in various parts of the country, out of which the most dominant are:

- Grower - Pre-harvest contractor - Commission Agent - Wholesaler - Retailer - Consumer.
- Grower- Forwarding agent - Commission Agent - Wholesaler - Retailer - Consumer.
- Grower- Commission agent - Wholesaler - Retailer - Consumer.
- Grower- Private CA stores - Distributor - Retailer - Consumer.

The sale of domestic produce in most parts of the country is generally completed through the agriculture markets established and regulated under the State APMC acts¹. In those areas, states are divided into separate "market areas," each of which is managed by the Market Committees run by each state government². Most domestic produce is traded through the Azadpur Fruit &

¹ Regulation of Markets- Agricultural Produce Marketing Committees (APMC Act)

² The area served per market yard in some of the Apple producing states is: 1465 sq km in Himachal Pradesh and 940 sq km in Uttrakhand.

Vegetable Market in New Delhi³, which is the largest such market in Asia. Beneficially, it is in close geographical proximity to most of the apple producing areas. Generally, the fruit is either sold at the Azadpur market for consumption in Delhi NCR⁴ or is trucked to terminal markets in other cities. Several private companies and growers, however, have started shipping produce directly to other cities without halting at Delhi. (See Annex 2: Distance between the producing states and major markets).

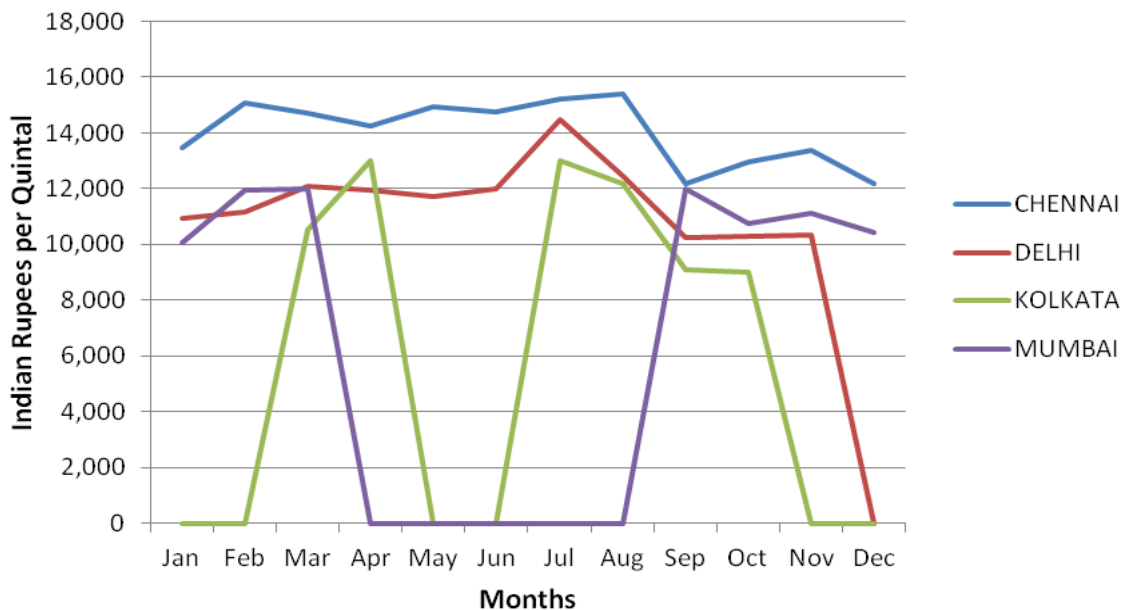
Himachal Pradesh has opened the marketing sector for private investment. This means the private sector is allowed to open market yards in the state and farmers can sell produce to processors, contract sponsors, and consumers directly. With the objective of tapping this available market potential a few private players like Adani Agrifresh Limited, Devbhumi Cold Chain Limited, and others have already established controlled atmosphere storage facilities at different locations in HP. At present these private players in HP are buying directly from farmers and the fruit is sold through a nationwide network of dealers. Despite various initiatives taken by the private players, growers still prefer to deal through government marketing establishments. As a result, many of the private players are struggling to utilize the full capacity of these units.

In India only about 1-2 percent of retail is organized. Most retailing is carried out by the unorganized sector, including push carts, street vendors, corner shops, and weekly markets. Large regional divergences exist throughout India. This is because high margins are often extracted at various stages of the supply chain, as well as due to the time and transportation costs associated with supplying apples from northern states to other domestic markets in southern and western regions.

³ Azadpur fruit and Vegetable Market has been declared as Market of National Importance on January 7, 2004.

⁴ NCR= National Capital Region, which includes Gurgaon; Noida and Faridabad.

Figure 2. India: Average Retail Prices of Apples (Royal Delicious, Domestic) in Major Metro Cities, in Indian rupees per quintal



Source: National Horticulture Board and Industry Sources
 US\$ = INR 58.00 & 1 Quintal = 100 kg

4. Growing Imports:

Following the trade liberalization in April 1999, apple imports into India have grown dramatically, reaching 186,387 metric tons valued at US\$197 million in 2012 from negligible imports of 20,093 metric tons ten years ago. Despite the fact that India's 50- percent basic tariff on imported fresh apples is one of the highest in the world, the produce is seeing double-digit growth with every passing year. Strong GDP growth, rise in disposable income, health awareness, and increasing purchasing power are driving the market. Due to their high quality and resultantly high price, imported apples enjoy a separate market position from that of domestic produce. Furthermore, increasing fresh fruit consumption rates also lead to increased demand for imported apples.

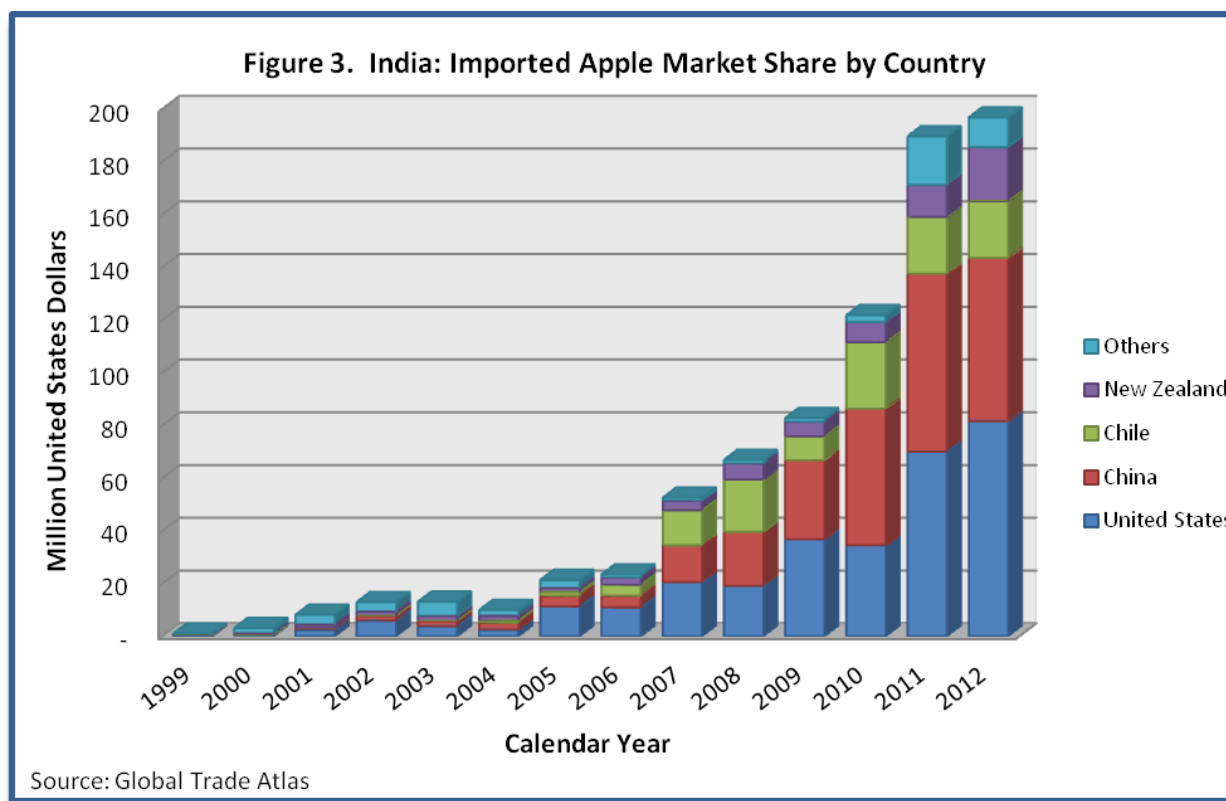
Indian apple importers complained that an unknown quantity of gray-market imports of Red Delicious from Iran appeared in the Indian market from January through March 2013 and were falsely attributed to Afghanistan. These apples were generally of inferior quality and according to these traders were entering India primarily overland via Pakistan after being reflagged as of Afghan origin. These allegedly Iranian apples, as well as legally imported Iranian apples, were sold unbranded, and were marketed alongside and in competition with lower-quality domestic Indian apples. Trade data available from the Directorate General of Foreign Trade shows that imports of apples from both Afghanistan and Iran rose significantly in January-March 2013, likely reflecting increased demand for low-priced apples in the Indian market during a period when domestic apples are in short supply.

Table 2. India: Apple Imports from Iran and Afghanistan in metric tons

Country	Calendar Year			Jan-Mar	
	2010	2011	2012	2012	2013
Iran	0	189	111	0	5445
Afghanistan	22	2	12	0	1253

Source: Global Trade Atlas

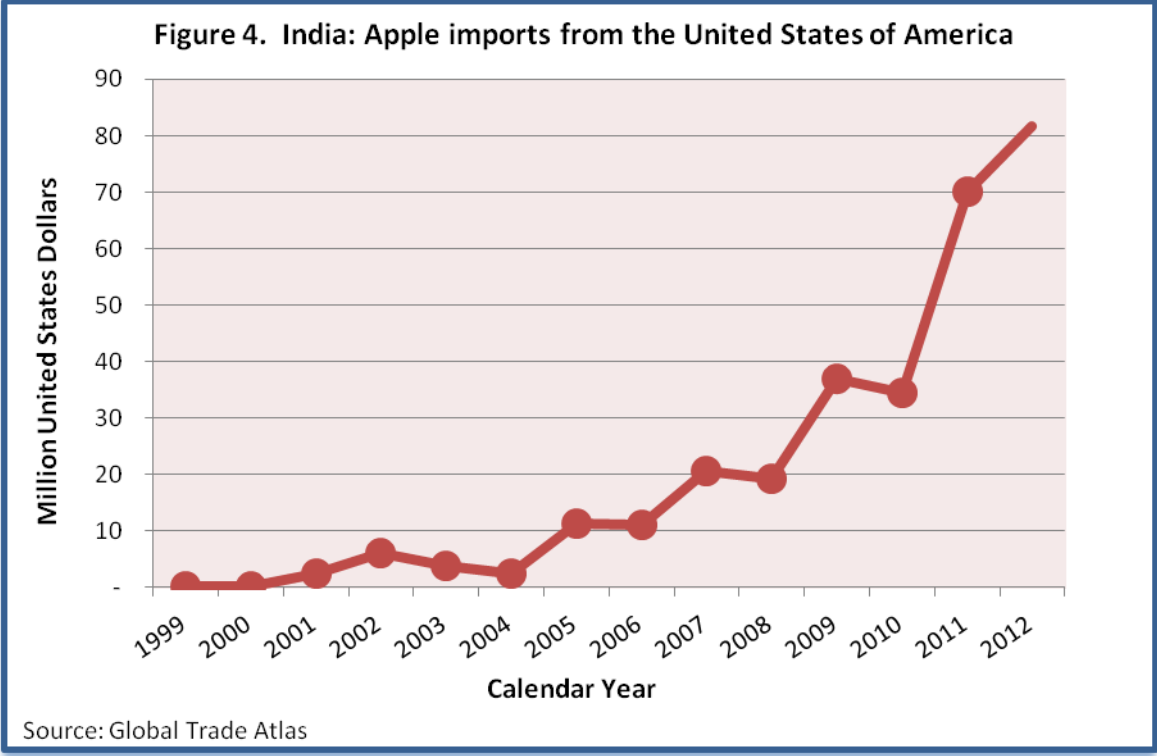
The market shares of apples from the United States and China are 41 percent and 31 percent respectively, followed by Chile, New Zealand, Italy, and others. About 95 to 98 percent of fresh apple imports enter the market through the ports of Mumbai or Chennai; Chennai’s port caters to the states of Tamil Nadu, Karnataka, Odisha, Andhra Pradesh, and West Bengal, while the port of Mumbai supplies the entire western and northern Indian market. (Annex 3: Major sea ports and apple producing states in India).



U.S. origin apples are well-positioned in the Indian market as healthful and of better quality than fruit from other origins. In turn, consumers who purchase these high-quality apples tend to repeat the purchase at the next opportunity. This gives a higher return to the traders at various steps of the supply chain. Until recently, the United States had accounted for the largest share of apple imports into India; however, China, Chile, New Zealand, and others have emerged as significant competitors.

To maintain their dominant position, particularly against competitors such as China, Chile, and New Zealand, U.S. suppliers should continue to work closely with Indian importers, distributors,

and retailers to reinforce the strong positive image that U.S. apples still enjoy in India to ensure continued consumer loyalty to U.S.-origin apples.



Trade and Policy:

While there are no quantitative restrictions on imports, fresh apples (HS Code 08081000) face a basic tariff of 50 percent and are exempted from the educational cess. Import of apples into India requires an invoice, import permit, and phytosanitary certificate to be presented to Indian Customs during clearance. The conditions specified under the [Plant Quarantine order 2003](#) regulate the import of planting seeds and agricultural products (including fresh apples for consumption) from various countries into India.

Table 3. India: Tariff on Fresh Apples under HS Code 0808100

HS CODE	ITEM DESCRIPTION	BASIC	CVD	SPL	TOTAL DUTY WITH 2 + 1 PERCENT EDUCATIONAL CESS*	IMPORT POLICY
				CVD		
8081000	Apples, Fresh	50%	0	0	50	Free Agri Permit

Import Clearance of Apples: Fresh fruits and vegetables, including apples, are classified as “high risk products” in India and are subjected to 100 percent sampling and clearance procedures. Maximum residue levels are set for most approved chemicals ([GAIN IN1104](#) of 2010) and chemical residue on imported food products. Imported apples are then monitored through random sampling of the shipments at the point of entry. Port Health Officers (PHO) assigned by the Food Safety and Standards Authority of India (FSSAI) collect the samples for

required laboratory analysis and the Customs office clears the consignment only after receiving clearance from FSSAI that the consignment is ‘fit for human consumption’ ([GAIN IN1104](#) of 2011). Indian law allows use of three edible waxes for surface coating of fresh fruit: beeswax, carnauba wax or shellac wax. If the apples are waxed, the outer packaging is required to be labeled with the name of the wax ([GAIN IN8019](#)).

Marketing of imported produce into India:

High import duties, geographical separation from major apple producing countries, and other miscellaneous expenses put together are responsible for the relatively high prices of imported apples in the Indian market. However, marketing opportunities are not limited to the metro cities, which tend to have an increased awareness of health. Imported apples are also finding a place in the daily diets of the expanding middle class population in the so-called ‘tier two’ cities. Several retail groups have started bringing in small shipments from other countries with the objective of being the most cost effective in the market.

India: Distribution Channel for Imported Apples

- Importer- Forwarding agent - Commission Agent - Wholesaler - Retailer - Consumer
- Importer- Commission agent - Wholesaler - Retailer - Consumer
- Importer- Private CA stores - Distributor - Retailer – Consumer

5. POST CONTACT AND FURTHER INFORMATION

The following reports may be of interest to U.S. exporters interested in India. These and related reports may be accessed via the FAS Home Page: www.usda.fas.gov by going to gain.fas.usda.gov. Reports given below will provide additional information to the readers interested in Indian apple market.

Report Number	Subject
IN2013	Draft notification on the Import of Pome Fruits from the U.S.
IN2035	Comment Period Extended-Import of Pome Fruits Draft Notification
IN2177	Food and Agricultural Import Regulations and Standards - Narrative
IN 2163	Exporter Guide 2012
IN2164	Retail Report
IN1186	India: HRI Food Service Sector Annual 2011
IN2087	Agricultural and Agribusiness Consultants

For additional information please contact:

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Annex 1: Apple producing areas within Indian states

State	Growing belts
Jammu & Kashmir	Srinagar, Budgam, Pulwama, Anantnag, Baramullah, Kupwara
Himachal Pradesh	Shimla, Kullu, Sirmour, Mandi, Chamba, Kinnaur
Uttaranchal	Almora, Pithoragarh, Tehri Garhwal, Uttarkashi, Chamoli, Dehradun, Nainital
Arunachal Pradesh	Tawang, West Kanneng, Lower Subansiri

Annex 2: Distance between the Major Apple Producing State Capitals and Markets⁵

From	To	Distance in Kms
Shimla- Himachal Pradesh	Delhi	343
	Mumbai	1742
	Chennai	2437
	Kolkata	1751
	Hyderabad	1841
	Chandigarh	119
	Bangalore	2483
From	To	Distance in Kms
Srinagar- J &K	Delhi	876
	Mumbai	2275
	Chennai	2970
	Kolkata	2284
	Hyderabad	2374
	Chandigarh	646
	Bangalore	2936
From	To	Distance in Kms
Dehradun-Uttarakhand	Delhi	235
	Mumbai	1578
	Chennai	2365
	Kolkata	1562
	Hyderabad	1677
	Chandigarh	175
	Bangalore	2239

⁵ Apple orchards are not necessarily based at the state capitals.

Annex 3. India: Major Sea Ports and Apple Producing Areas

