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US apples to India under threat

India's imposition of 70 per cent tariff on US apples poses serious threat to trade, but importers confident of finding alternative suppliers



Washington Red Delicious growers could be seriously impacted by India's retaliatory tariffs

A dark cloud is hanging over the future of Washington's sizeable apple trade into India following the imposition of a 70 per cent tariff on US apple imports.

India ramped up the import tariff on US apples by 20 per cent, from 50 per cent to 70 per cent, with immediate effect on Sunday (16 June). Apples are one of 28 US products hit by the retaliatory tariffs, which come in response to Washington's withdrawal of India's preferential trade treatment. Other products affected by the tariffs include US almonds and walnuts.

India threatened to hike up import duties on US apples and various other commodities in May last year after Washington refused to exempt it from higher steel and aluminium tariffs. But New Delhi has repeatedly delayed the implementation of retaliatory tariffs as

the two nations were engaged in trade talks.

This time, the tariffs take immediate effect, and come in response to President Trump scrapping trade privileges under the Generalised System of Preferences for India on 5 June. India is reportedly the biggest beneficiary of a scheme that allows duty-free exports of up to US\$5.6bn.

Washington shipments drop

Uncertainty over the implementation of tariffs on US apples over the past 12 months, coupled with heavy losses Indian importers suffered last year due to oversupply, have already impacted trade.

Shipments of Washington apples to India, one of the industry's leading markets, have faced a "challenging

season" during 2018/19, according to Rebecca Lyons, international marketing director of the Washington Apple Commission. Shipments are down 67 per cent in the season to date to just over 2.6m cartons (46,800 tonnes) with a value of around US\$52m. "Although last year India was the second-largest market for Washington apples, this year it has fallen to number three behind Mexico and Canada," she told Fruitnet.

The imposition of the 70 per cent tariff comes at the tail-end of the Washington season, which is some consolation to shippers, although Lyons noted that India is a late-season market. "Shipments have slowed, but we do have loads on the water now," she said.

With those shipments now facing a 70 per cent duty on arrival, local industry sources suggested Indian importers would probably look to renegotiate CIF

prices.

Fears for next season

The big concern for the Washington apple industry relates to the upcoming 2019/2020 campaign, particularly with a much bigger crop in prospect. "We are hopeful that the tariff will be lifted by the time Washington apple shipments traditionally ramp up next season, as the market is very important to Washington State growers, particularly for the Red Delicious variety," said Lyons.

Tarun Arora, director of major Indian importer IG International, predicted that Washington imports could be slashed by as much as 80-90 per cent if the tariff remains in place. But he added that other supply regions would "pick up the slack", with the major beneficiaries being Europe, Chile and New Zealand.

Parth Karvat, global procurement director at Mumbai-based importer Yupaa Fresh, similarly predicted a significant impact for Washington suppliers, but noted that there would be ample market supply to come from alternative sources.

"The effect will be more for US growers, especially Red Delicious growers who don't have enough markets to go to," said Karvat. "India now has plenty of supply options even if two major exporters – the US and China – are handicapped and banned respectively."

"When Chinese apples were completely banned, it was the Chinese who were affected and not the Indian importers as it took just one season for origins to fill the gap and keep India supplied for its total demand."

Whether the retaliatory tariff will be lifted before the new-season US campaign is the source of conjecture. Arora said there was "a big chance the additional tariff might be rolled back immediately", but Karvat was not so sure.

"It completely depends on whether the US reverses the steps it's taken that led India to increase the tariff," said Karvat. "Without that happening, I seriously doubt it [the tariff] will be dropped as it will dent the credibility and reputation of the authorities for changing their stand so soon without the US rolling back the tariffs it levied on Indian items."