

III. WALNUTS

a. PRODUCTION

For MY 2022/23, walnut production is forecast at 67,000 MT, nearly unchanged from the previous year. Favorable weather conditions helped keep year-to-year production levels stable. Precipitation during the winter and spring was better than the previous year. However, there was some minor hail and frost damage to orchards in the Anatolian region, located in the southeastern part of the country, that will affect production.

Walnut trees grow in almost every province of the country, but commercial walnut orchards are still a relatively new phenomenon in Turkey. The GoT has instituted various programs to increase commercial production, allocating free land for 49-years, providing interest-free financing, and delivering general support payments to farmers. This support has spurred farmers and others in the private sector over the last couple of decades to open new orchards throughout the country, including the Aegean, Marmara, southeastern Anatolia, and Mediterranean regions. However, even with these new orchards, the domestic production of walnuts is still inadequate to meet the growing demand of Turkish consumers.

Over the last 20 years, MinAF has undertaken special afforestation projects in an attempt to boost commercial walnut production. However, this initiative did not yield the expected results since many of the trees were planted in marginal soils or unsuitable locations. Irrigation to these afforested lands is generally unavailable or too costly. In contrast, the newer commercial orchards are more successful since they use up-to-date techniques, and many have access to irrigation.

Up until the last 10-15 years, there was not a standard walnut variety being grown in Turkey. However, as growers have come to appreciate that certain propagation techniques result in higher yields, the use of standard varieties has now become more widespread. Chandler is the most popular walnut tree variety. However, there is still a need for introducing higher-yielding varieties that are suitable for local growing conditions. Turkey's leading walnut research establishment, the Yalova Horticulture Research Institute, is developing new varieties for commercial production in different parts of the country.

The [Turkish Walnut Producers' Association](#) was established in 2021 and held its first general assembly in the summer of 2021. The association has about 30 members, who are all large-size commercial growers by Turkish standards. As of 2022, association members collectively own 35,000-40,000 da of orchard land that is covered with 1,000,000 trees. The members employ modern agriculture techniques on their mechanized commercial operations. The association aims to produce 20,000 MT, which is equivalent to about one-third of Turkey's current production volumes, within the next two to three years. The association plans to hold Turkey's first "[International Walnut Conference](#)" in September 2022.

b. CONSUMPTION

The MY 2022/23 consumption forecast for walnuts is unchanged from the previous year at 140,000 MT. Consumption is expected to hold steady amid rising inflation and a weakening currency.⁶ In addition, walnut consumption will be moderated by an increased supply of domestic pistachios resulting from an on-year of production.

As of August, shelled walnuts were priced from 215-320 TL/kg (~5-8 USD/lbs.). In contrast for the same month from a year ago, shelled walnuts were selling at 85 to 185 TL/kg (~4-10 USD/lbs).⁷ In

⁶ TurkStat declared 80.21 percent consumer price index (CPI) inflation and 143.75 percent domestic producer price index (PPI) inflation as of August 2022.

⁷ The exchange rate is 18.176 TL/USD as of August 26, 2022, and it was 8.362 TL/USD as of August 26, 2021.

terms of local currency, shelled walnut prices during this period doubled. The price for inshell walnuts in August was between 40-85 TL/kg (~1-2 USD/lbs.) compared to 35-50 TL/kg (~2-3 USD/lbs) from the same time last year.

These high prices will hold walnut demand in check during MY 2022/23. While the higher prices persist, some consumers and end-users will pull back on consumption. Those middle- and high-income, who are less impacted by inflation, will continue eating walnuts.

Walnuts are the second most-purchased nut by Turkish consumers after hazelnuts. Walnut consumption has increased significantly in recent years as consumers have come to realize the health benefits from consuming walnuts. The increased of packaged walnuts has also spurred increased consumption. However, most walnuts are still sold in bulk, inshell. Turkish consumers purchase use walnuts to use as an ingredient in everyday foods and eat them as snacks.

Walnuts are commonly used in desserts, just like pistachios. Turkish desserts such as pestil and köme are made by combining walnuts with mulberries and grapes. Walnuts are also used in baklava, ice cream, halva production, cookies/cakes, breads/bakery, pastries, and in the dried fruit industry as well.

c. TRADE

Imports

Walnut imports for MY 2022/23 are forecast to increase slightly year-over year to 98,000 MT. The import estimate for MY 2021/22 is revised upward to 95,000 MT based on the latest trade statistics.

Traders agree that Turkey will continue to be a net importer of walnuts since the domestic production is insufficient and there is demand for high-quality product by Turkish consumers. Depending on the year, around 40 to 50 percent of total walnut consumption is supplied through domestic production. Due to the strong demand for high quality walnuts in the Turkish market, the remaining amount is imported to meet the demand.

The United States remains the top supplier followed by China, Chile, Ukraine, and Kyrgyzstan. U.S. walnuts are facing increasing competition from China and other markets due to price and seasonality considerations. Further, U.S. walnuts are disadvantaged by Turkey's retaliatory tariff, which encourages Turkish traders to buy more from the competition.

There are several taxes on imported walnuts, including the MFN import duty, a minimum reference price, and additional financial responsibility tax. No import taxes are levied for walnuts that are imported under the Inward Processing Regime (IPR) for processing (e.g., shelling, packaging) and re-export.

The MFN import tariff for inshell and shelled walnuts is 4 percent. The MFN import tariff is zero for walnuts from countries with which Turkey has a free trade agreement (FTA), such as Chile. However, in the case of the United States, there is an additional 10 percent retaliatory duty on U.S. walnuts and other tree nuts. This retaliatory duty was imposed in response to U.S. Section 232 tariffs on Turkish steel and aluminum. With this retaliatory duty the applied tariff rate on U.S. walnuts is 14 percent. For more information about retaliatory duties, please refer to our [previous reports](#).

Turkish customs also has a minimum reference (oversight) price for imported walnuts. For example, even if a Turkish trader has purchased a metric ton of inshell walnuts for 3,300 USD, which is below the oversight price, the tariff will be calculated using 3,500 USD. However, if the actual price is more than

3,500 USD then the GoT will use the real invoice price for calculating taxes. The following oversight (or reference) prices are also in effect:

HS CODE	COMMODITY	OVERSIGHT VALUE ON CIF (USD/MT*)
080231	Inshell Walnut	3,500 USD
080232	Shelled Walnut	6,500 USD

*Gross weight in metric tons.

Furthermore, for all origins except FTA countries, walnut imports are subject to an additional financial responsibility tax, 307 USD/MT for inshell walnuts and 573 USD/MT for shelled walnuts.

Starting in May 2020, a new regulation came into effect that requires foreign suppliers of almonds, walnuts, cashews and other agricultural items to register in an online system. Suppliers are asked to upload company information and other customer-verified documents into the online system. The purpose of the registration requirement is to discourage unofficial imports of these products. For more information, please see our [report on this registration requirement](#).

Exports

Walnut exports for 22/23 are forecast at 25,000 MT, which is slightly higher than the previous year's newly revised estimate. The export estimate for MY21/22 is revised higher to 23,000 metric tons based on the latest trade statistics.

Imports of both inshell and shelled walnuts, and exports of shelled walnuts have increased substantially in recent years. Importers can utilize the Inward Processing Regime (IPR) for walnuts that are imported to be further processed and exported to third countries. With the IPR, importers do not pay import tariffs if they export a value-added end product. U.S. walnuts imported under IPR tend to be processed and re-exported to Middle Eastern and African countries.

d. POLICY

See pistachio section for explanation of the general support payments that tree nut growers are eligible to receive as long as they are registered in the Farmers Registration System.