

July 2013 Walnut Report

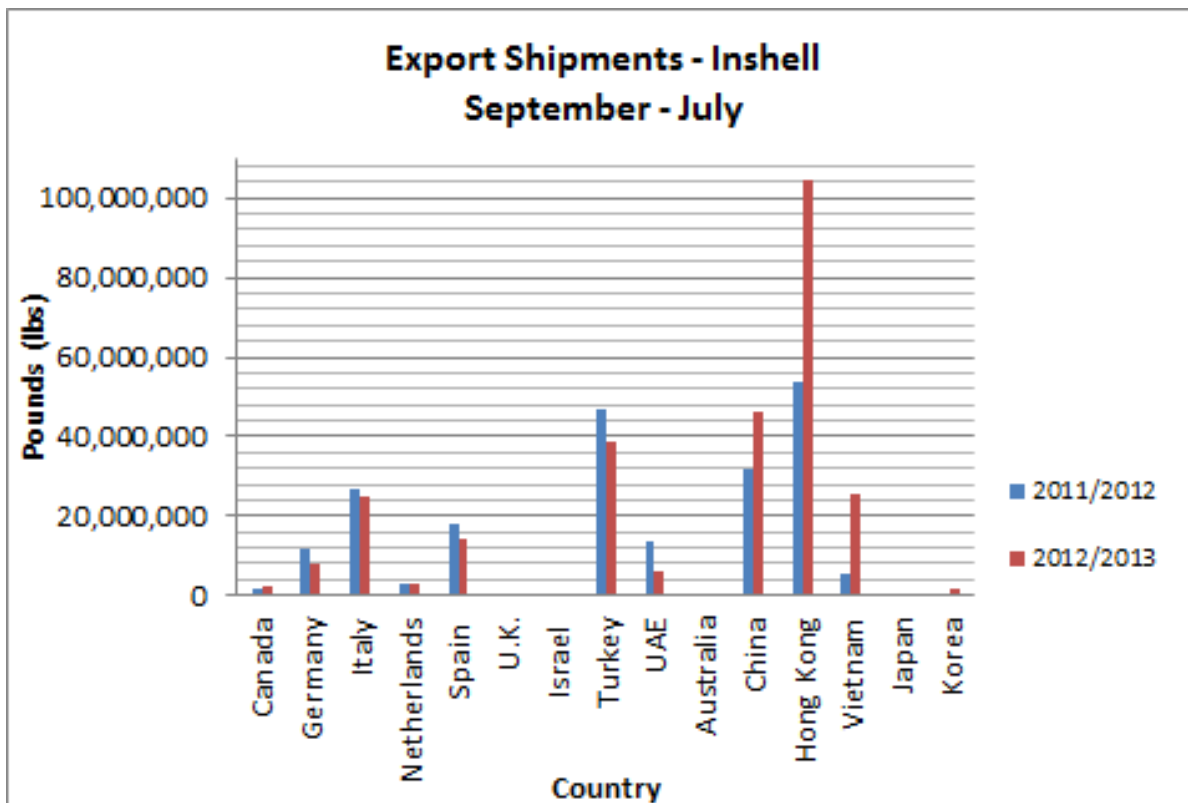
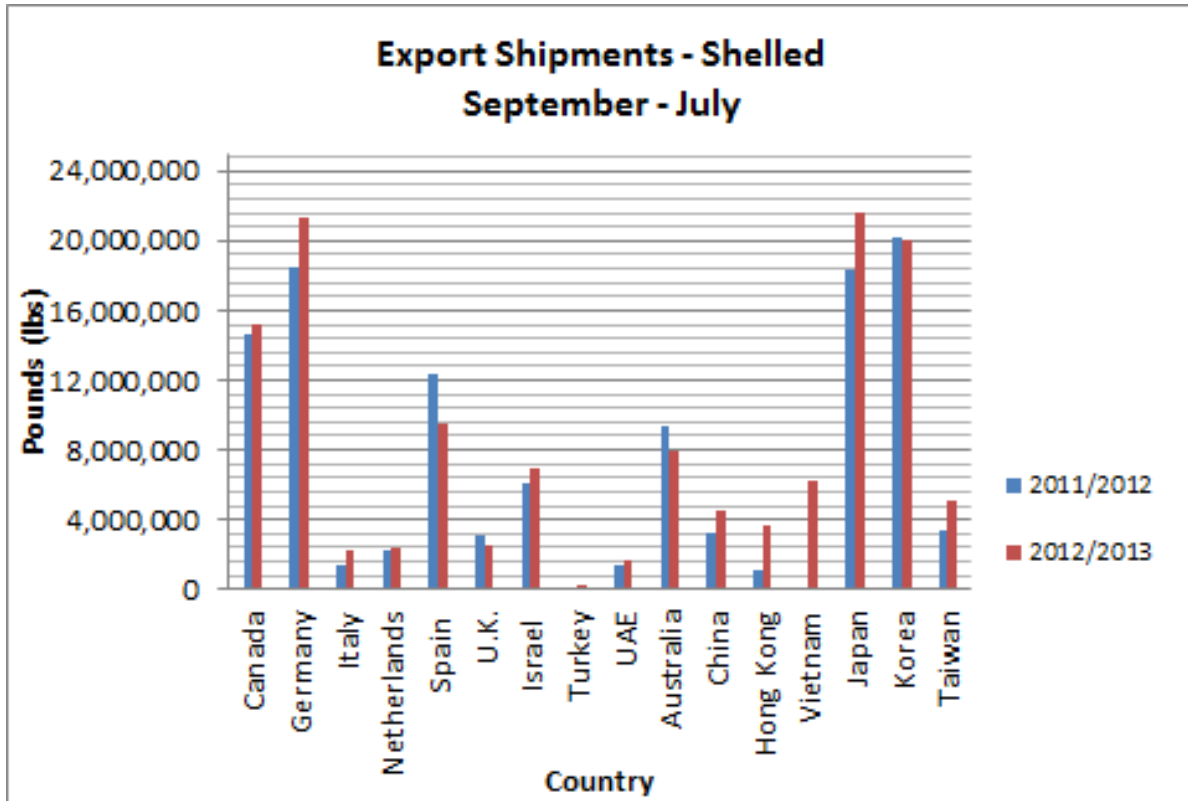
Overall July 2013 shipments were 24,913 inshell equivalent short tons compared to 21,055 inshell equivalent short tons for July 2012. This is an increase of 18%.

- Inshell shipments were 843 thousand pounds in July 2013 compared to 432 thousand pounds in July 2012. California has been virtually sold out of good quality inshell for a couple of months.
- Shelled shipments were 21.8 million pounds in July 2013 compared to 18.2 million pounds in July 2012, an increase of 20%.
- Season-to-date (September 2012 through July 2013) inshell shipments are up 26% compared to the 2011/12 season.
- Season-to-date (September 2012 through July 2013) shelled shipments are up 8% compared to the 2011/12 season.
- Season-to-date (September 2012 through July 2013) overall shipments are 478,448 inshell short tons, compared to 429,609 inshell short tons shipped last season during the same period. This is an increase of 11.4%.
- Crop receipts of 495,044 inshell short tons are 8% above prior season, an increase of 37,530 inshell short tons.

Below are some of the major walnut markets and the relative statistics (in pounds):

Country	<u>Sep 2012 - Jul 2013</u>		<u>Sep 2011 - Jul 2012</u>		<u>% Change</u>	<u>% Change</u>
	Shelled	Inshell	Shelled	Inshell	Shelled	Inshell
USA	146,645,781	18,217,491	144,966,580	16,848,429	1%	8%
Canada	15,156,671	2,309,711	14,626,734	1,943,190	4%	19%
Germany	21,312,809	7,864,925	18,443,613	11,855,671	16%	-34%
Italy	2,213,271	25,012,011	1,320,099	26,969,737	68%	-7%
Netherlands	2,317,574	3,081,535	2,177,167	2,702,288	6%	14%
Spain	9,511,215	14,130,057	12,425,381	18,186,201	-23%	-22%
U.K.	2,514,418	264,460	3,053,932	573,196	-18%	-54%
Israel	6,957,802	657,380	6,135,678	712,118	13%	-8%
Turkey	217,760	38,915,777	129,600	46,856,575	68%	-17%
UAE	1,611,393	6,376,368	1,329,635	13,379,045	21%	-52%
Australia	7,966,261	99,069	9,342,178	62,360	-15%	59%
China	4,577,266	45,958,902	3,201,560	31,649,576	43%	45%
Hong Kong	3,631,325	104,672,096	1,114,462	53,472,682	226%	96%
Vietnam	6,283,832	25,720,758	0	5,636,117	0%	356%
Japan	21,566,832	0	18,389,367	87,100	17%	0%
Korea	20,009,374	1,937,566	20,150,840	776,623	-1%	149%
Taiwan	5,083,359	192,904	3,364,250	48,280	51%	300%

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Here is the updated supply scenario (all figures in inshell short tons):

Carry-in from 2011/12 season:	49,018
2012 crop production (thru Mar 31):	495,045
Total available for shipment:	544,063
<u>Less shipments to date:</u>	<u>478,448</u>
Remaining supply:	65,615
<u>Less: Estimated August shipments:</u>	<u>22,076 (estimate based on August 2012 shipments)</u>
Carry-out from 2012/13 crop:	43,539 (11% less than prior season)

- 2012 Crop walnuts are virtually sold out
- Season to date shipments are up 11% versus supply growth of 8%.
 - Season to date shipments to export markets are up 19.5% accounting for all of the increase.
 - Season to date domestic shipments are flat.
- Season to date shipments to Asia/Pacific region are up 98% (90 million pounds) for inshell and up 26% (15 million pounds) for shelled.
 - Shipments to the Chinese market (including China, Hong Kong and Vietnam) have been the driving force behind the increased shipment numbers:
 - Season to date inshell shipments are up 94% (over 85 million lbs).
 - Season to date shelled shipments are up 236% (over 10 million lbs) due primarily to growing demand for manufacturing of walnut milk.
 - There are reports of 2012 crop inshell inventory remaining in China. Importers are working to sell that product before committing to large purchases of 2013 crop.
- Season to date inshell walnut shipments to Europe are down 17% (10 million lbs) versus the prior season. Germany is down 34%, Italy is down 7% and Spain is down 22%.
- Season to date inshell walnut shipments to the Middle East are down 24% (16 million lbs) versus the prior season. Turkey is down 17% and U.A.E. is down 52%.
- California walnut grower's Subjective forecast for the 2013 crop is 494,000 inshell short tons...essentially the same as the 2012 crop. The USDA will release the 2013 Objective forecast on September 5th.
- Size and quality of crops from other regions are unclear.
 - China reports heavy frost damage in the North, offset by stronger crops in the South where much needed rain was received and the West where plantations continue to mature.
- New crop buying interest is modest. Most markets are adopting hand to mouth strategies due to the higher opening prices from California.

Let us know if we may be of further service.

Best regards,
DERCO FOODS