

September 2015 Walnut Report

September 2015 shipments were 64.6 million inshell equivalent pounds. This is 10.8 million pounds (+20%) more than September 2014. This is the strongest shipment figure for the month of September since 2004.

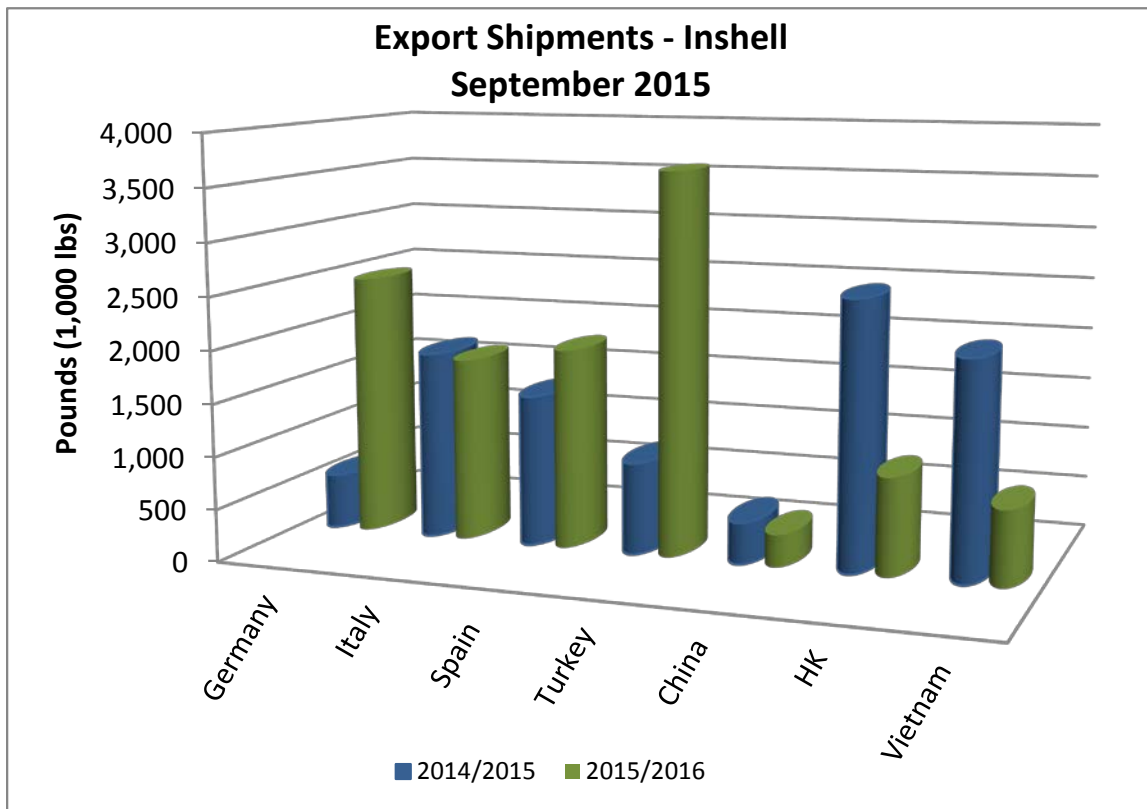
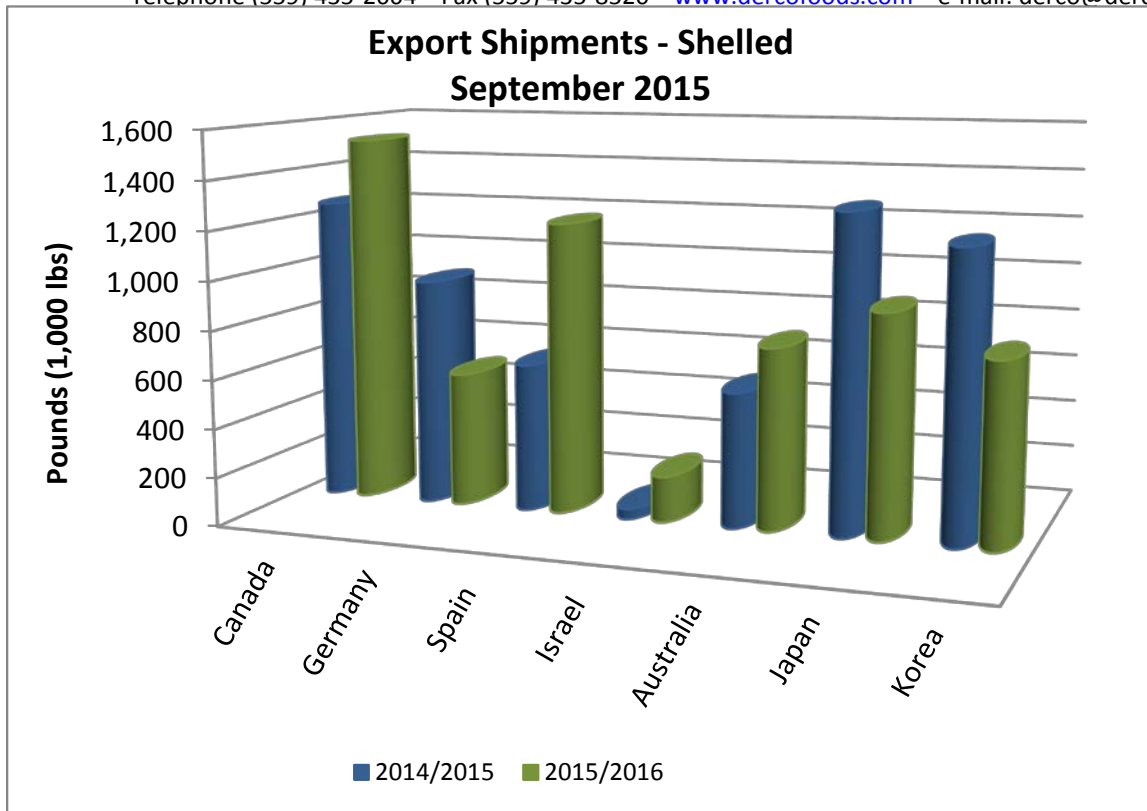
2015 Walnut Supply (1,000 pounds)

Carry-in from prior season (estimate):	162,000
2015 Crop Estimate:	1,150,000
Total available for shipment:	1,312,000
Less: shipments to date thru Sep 30:	64,593
Remaining supply:	1,247,407

- Inshell shipments were 13.3 million pounds for the month of September, an increase of 2.2 million pounds (+19%) compared to September of 2014.
- Shelled shipments were 22.5 million pounds for the month of September, an increase of 3.8 million pounds (+20%) compared to September of 2014.

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

Country	Sep-15		Sep-14		% Change	% Change
	Shelled	Inshell	Shelled	Inshell	Shelled	Inshell
USA	14,969,073	611,528	12,350,343	794,581	21%	-23%
Canada	1,526,048	198,184	1,257,134	113,050	21%	75%
Germany	556,225	2,504,425	940,750	529,104	-41%	373%
Italy	0	1,762,083	0	1,807,992	0%	-3%
Netherlands	130,900	0	0	0	100%	0%
Spain	1,206,800	1,918,351	613,900	1,455,045	97%	32%
U.K.	293,633	0	210,000	0	40%	0%
Israel	189,750	0	42,000	0	352%	0%
Turkey	0	3,640,605	0	881,088	0%	313%
UAE	35,200	133,736	0	84,000	100%	59%
Australia	747,140	0	557,000	0	34%	0%
China	124,740	308,534	0	396,828	100%	-22%
Hong Kong	25,615	930,679	0	2,547,868	100%	-63%
Vietnam	0	719,474	0	2,068,592	0%	-65%
Thailand	20,645	0	83,126	0	-75%	0%
India	0	210,594	0	0	0%	100%
Japan	912,938	0	1,298,852	0	-30%	0%
Korea	753,507	0	1,180,208	0	-36%	0%
Taiwan	145,128	0	125,450	0	16%	0%



Harvest is well underway in California with most early varieties now complete and the Chandler variety being harvested quickly. Reports from the field and packing facilities indicate lighter color than last season across most varieties. This should be well received by buyers. Chandler color is also reported to be good although meat yield and nut size appear to be lower than normal. This lower than expected meat yield may help shorten the crop when converted to kernel basis. The smaller nut size is resulting in growers using larger than normal quantities of incoming walnuts in order to make a full load of Jumbo or Jumbo/Large inshell....which may leave a lot of small kernels in the market.

Some growers in California are reporting field weights lower than anticipated. Most now expect the crop to be close to the NASS estimate of 575,000 inshell tons. Those expecting to break 600,000 tons have largely changed their minds.

The walnut market has been messy and inconsistent over the past few weeks. Growers who have not participated in preseason sales and those who depend largely on inshell business (primarily to China) have been quick to lower prices. Harvest in California occurs in a short period of time and many growers don't have the cash flow or storage capacity to handle their entire crop without shipping a substantial amount in the first few weeks of harvest. Other growers are well sold and have access to many different markets. This group has been slower to participate at lower prices.

Taking a look at key markets:

- USA domestic: Strong shelled shipments to the US market are being driven by falling prices of walnuts and high prices for competing nuts such as almonds, pistachios and pecans. Growers in California are reporting early calls for shipment from major US retailers who have been promoting walnuts. With prices for other nuts expected to stay relatively strong in the near future, we anticipate this increase in demand will continue.
- Europe: Strong inshell shipments to Germany coupled with strong inshell and shelled shipments to Spain were the driver behind this region showing impressive growth for the month of September. Currency fluctuations and economic turbulence will continue to present challenges for this region. California is also competing against walnuts of European, Chinese and Chilean origins in this important market.
- Israel: Shipments during September were up substantially (+351%) versus September 2014. We don't know if these were early 2015 crop or the last of the 2014 crop....or maybe a little of both. Defaults have been reported in this market as there is still inventory of 2014 crop, prices have fallen quickly, and new crop is on the horizon.
- Turkey: Shipments to Turkey are up over 313% versus last September. Keep in mind that California was virtually sold out of walnuts in September of 2014. Still, shipments of 3.6 million pounds is impressive despite the steep devaluation of the Turkish Lira versus the US Dollar since January and the conflicts in neighboring regions.
- UAE: This market is in chaos. Numerous parties have fled the market without repaying trade or bank debt causing severe financial losses in the Al Ras market. Those operating legitimate businesses are being hurt by the actions of others as well as tightening credit. Defaults have taken place for almonds and walnuts could be next. Shipments during September were minimal but may be much larger in October/November as Chandler variety becomes available.
- China/Hong Kong/Vietnam: Shipments of inshell walnuts to this region are down over 3 million pounds (-61%) versus September 2014. A large Chinese crop, carryover inventory of 2014 California walnuts, difficult importing and money channels, a slowing economy and currency devaluation have all taken a toll. Buyers are focusing largely on Chandler variety as they look for premium quality and are trying to find the bottom of the market.
- Japan: A year ago this market was in a frenzied state after demand for walnuts spiked due to airing of a television program highlighting the health benefits of walnuts. Demand remains strong but buyers are working through the last of their 2014 crop. Buyers are keeping a close eye on the market trying to "time" the bottom.
- Korea: Shipments were down 36% versus last September. This market has been sitting on a glut of inventory since last spring and has struggled to work through high priced inventory. We anticipate buyers returning later this year for Dec-Jan shipments after the tariff on walnuts has been reduced.

Overall shipments for the month of September were good which is encouraging in light of an expected record crop in California. Stronger shipments than last season were expected based on the early start to harvest coupled with the lack of inventory in California during September of 2014. Harvest has been fast and quality of the crop is good. With prices having corrected about 40% versus last season at this time, walnuts appear to be a great value...especially when compared to competing tree nuts.

Let us know if we may be of further service.

Best regards,
DERCO FOODS