

## October 2014 Walnut Report

October 2014 shipments were 99,594 inshell equivalent short tons. This is 5,074 tons (-4.8%) less than October 2013.

### 2014 Walnut Supply

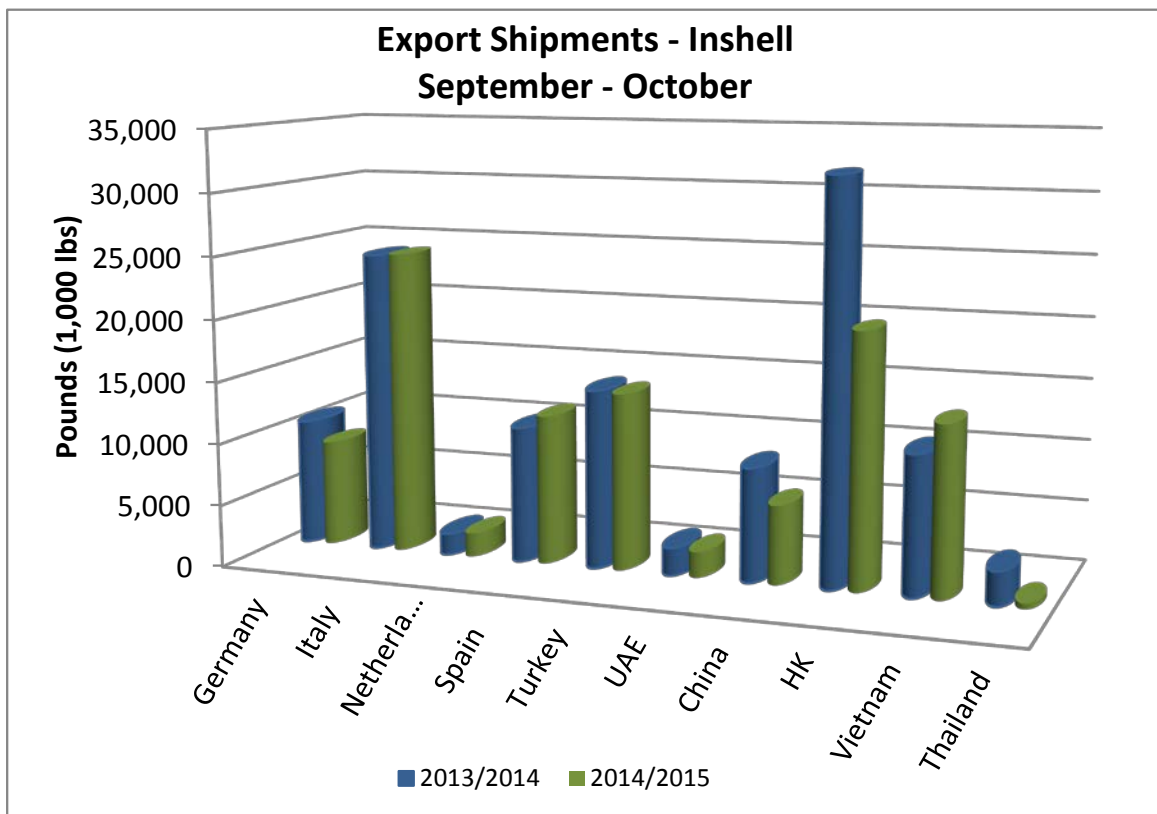
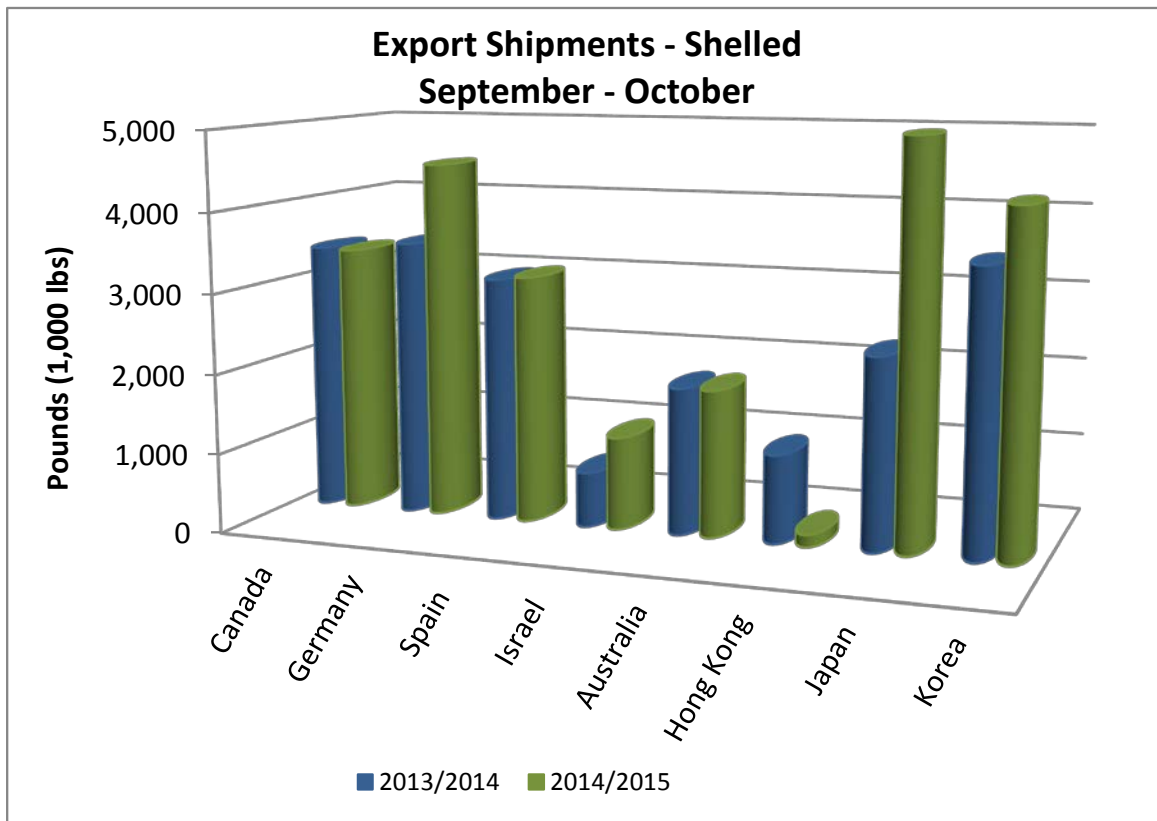
Carry-in from prior season:	38,568
2014 Objective Crop Estimate:	545,000
Total available for shipment:	583,568
<b>Less: shipments to date thru Oct 31:</b>	<b>126,348</b>
Remaining supply:	457,220

- 2014 crop receipts through October 31<sup>st</sup> were 515,084 inshell short tons. This is up 47,935 tons (10.3%) from receipts through October 2013.
  - As of October 31, 2013, the crop was 95.5% received. If we assume the 2014 crop was 95.5% received as of October 31, 2014, the final crop size would be 539,000 inshell short tons, which is in line with the objective crop estimate of 545,000 tons.
- Inshell shipments were 104 million pounds for the month of October, a decrease of 12.6 million pounds (-11%) compared to October of 2013.
- Season to date inshell shipments are 115.2 million pounds through October, a decrease of 16.4 million pounds (-13%) compared to the same period last season.
- Shelled shipments were 41.9 million pounds for the month of October, an increase of 723 thousand pounds (+2%) compared to October of 2013.
- Season to date shelled shipments are 60.6 million pounds through October, an increase of 2.0 million pounds (3%) compared to the same period last season.

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

Country	Sep 2014 - Oct 2014		Sep 2013 - Oct 2013		% Change	% Change
	Shelled	Inshell	Shelled	Inshell	Shelled	Inshell
USA	31,988,253	5,803,232	35,536,784	6,619,876	-10%	-12%
Canada	3,371,506	731,180	3,390,788	993,512	-1%	-26%
Germany	4,504,265	8,625,656	3,487,867	10,280,809	29%	-16%
Italy	431,072	24,597,022	512,110	24,448,862	-16%	1%
Netherlands	354,766	1,926,579	417,857	1,746,320	-15%	10%
Spain	3,126,167	12,074,529	3,083,160	11,012,034	1%	10%
U.K.	568,236	352,736	86,046	329,543	560%	7%
Israel	1,168,703	352,552	689,826	352,258	69%	0%
Turkey	0	14,281,544	0	14,471,267	0%	-1%
UAE	460,683	2,076,420	233,642	2,251,588	97%	-8%
Australia	1,847,810	0	1,848,460	56,768	0%	-100%
China	75,000	6,337,028	131,494	9,160,111	-43%	-31%
Hong Kong	152,500	20,345,040	1,106,640	32,034,185	-86%	-36%
Vietnam	0	13,637,556	83,650	11,221,479	-100%	22%
Thailand	130,951	440,920	293,635	2,732,354	-55%	-84%
Japan	5,629,861	0	2,392,611	0	135%	0%
Korea	4,237,335	0	3,530,568	0	20%	0%
Taiwan	793,925	79,092	737,260	21,850	8%	262%

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- The early walnut harvest that most growers were expecting did not materialize as later varieties were delayed by high temperatures as harvest approached.
- Inventory positions in most major markets were low entering the 2014 harvest which drove competition for first shipments, and in turn drove prices up.
- The 2014 Objective Crop Estimate is 545,000 inshell short tons. With receipts through October 31<sup>st</sup> of 515,084 tons, it appears the final crop size will be close to the estimate.
- Season to date shipments to Western Europe are stable with inshell shipments down 1.1 million pounds (-2%) and kernel shipments up 1.9 million pounds (+24%).
  - Kernel shipments to Germany are up 1.0 million pounds (+29%).
  - Strong inshell shipments to Italy (even with last season at 24.5 million pounds) and Spain (up 1.0 million pounds or 10%) are offset by shipments to Germany (down 1.6 million pounds or -16%).
  - Sales activity has slowed to Western Europe in recent weeks as buyers indicate good coverage through the end of the year.
- Shipments through October to the Middle East and North Africa are in line with the same period last season.
  - Inshell shipments are down 318 thousand pounds (-2%). Shipments are led by Turkey (down 1%) and U.A.E. (down 8%).
  - Kernel shipments are up 840 thousand pounds (+87%) led by Israel which is up 69%.
- Shipments of inshell to China (including China, Hong Kong, Vietnam and Thailand) are down over 14 million pounds (-26%) compared to the same period a year ago.
  - Reports from China indicate a record domestic crop with good quality from most regions. Prices have fallen as growers in China do not have storage capacity and are trying to generate cash. Many buyers in China have focused their attention on domestic crop as it provides better opportunity.
  - It remains to be seen if buyers will come back into the market for additional purchases prior to Chinese New Year.
- Kernel shipments to Japan through October are up 3.2 million pounds (+135%) compared to the same period last season. Inventories were depleted after an increase in demand driven by news of the health benefits of walnuts in the late spring. With large new crop purchases already made, this market appears to be covered for the near term.
- Kernel shipments to Korea through October are up 707 thousand pounds (+20%) compared to the same period last season. Buyers report to be well covered for the remainder of the year and will likely return to the market after January 1<sup>st</sup> when the tariff on US walnuts drops 5%.
- Looking forward, a major factor to consider is the chaos being created at West Coast ports. The ILWU (International Longshore and Warehouse Union) is creating havoc at the ports of Oakland, Los Angeles/Long Beach, Seattle and Portland. There is huge congestion, shipping lines are avoiding these ports and additional deliveries of cargo are not being accepted. The cargo that has been delivered to the ports is being rolled to later shipments. We will continue to keep our customers informed to the best of our ability. Information is changing several times each day and often is contradictory from different sources. We expect November shipments to be limited by the inability to efficiently get cargo onto vessels.
- Over the past several weeks, demand has slowed as most major buying regions are covered for the near term. Large crops in other regions and high opening prices have driven some buyers to explore alternatives. Other regions have already covered near term needs and are expected to return to the market shortly to buy for January onward shipment. Prices have moderated by \$0.10-\$0.20/lb depending on the item. We've seen a small uptick in demand over the past week as buyers work to average down their earlier purchases.

Let us know if we may be of further service.

Best regards,  
DERCO FOODS