DERCO FOODS®

INTERNATIONAL DIVISION

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November 2013 Walnut Report

Overall November 2013 shipments were 78,922 inshell equivalent short tons compared to 86,572 inshell equivalent short tons for November 2012. This is a decrease of 9%.

- Inshell shipments were 77.8 million pounds in November 2013 compared to 83.1 million pounds in November 2012, a decrease of 6.4%.
- Shelled shipments were 35.5 million pounds in November 2013 compared to 39.9 million pounds in November 2012, a decrease of 11.3%.
- Season-to-date (September 2013 through November 2013) inshell shipments are up 5.5% compared to the 2012/13 season.
- Season-to-date (September 2013 through November 2013) shelled shipments are down 2.2% compared to the 2012/13 season.
- Season-to-date (September 2013 through November 2013) overall shipments are 207,974 inshell short tons, compared to 204,835 inshell short tons shipped last season during the same period. This is an increase of 1.5%.
- Crop receipts are 482,942 inshell short tons. This is 10,062 inshell short tons or 2% below November 2012. We anticipate minimal additional receipts this season due to the early harvest.

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

	Sep 2013 - Nov 2013		Sep 2012 - Nov 2012		% Change	% Change
Country	**Shelled**	**Inshell**	**Shelled**	**Inshell**	**Shelled**	**Inshell**
USA	51,909,187	8,931,423	54,601,785	10,482,827	-5%	-15%
Canada	5,558,990	1,260,732	5,237,514	1,827,666	6%	-31%
Germany	6,442,676	11,028,575	6,335,687	7,401,959	2%	49%
Italy	815,225	29,457,169	864,759	22,824,677	-6%	29%
Netherlands	1,052,257	2,174,453	400,524	2,706,753	163%	-20%
Spain	4,271,381	14,227,604	3,962,499	10,857,729	8%	31%
U.K.	352,094	373,635	731,188	132,184	-52%	183%
Israel	1,863,811	926,103	1,919,604	457,362	-3%	102%
Turkey	23,100	32,396,030	22,000	26,517,859	5%	22%
UAE	1,046,709	5,471,554	520,419	2,379,956	101%	130%
Australia	2,431,475	56,768	2,183,558	55,069	11%	3%
China	245,192	12,899,691	1,127,345	32,748,538	-78%	-61%
Hong Kong	1,702,093	55,087,732	881,232	60,040,506	93%	-8%
Vietnam	205,650	20,306,143	2,090	11,121,215	9740%	83%
Japan	5,097,697	44,092	5,375,759	0	-5%	n/a
Korea	5,561,198	16,800	6,090,650	148,404	-9%	-89%
Taiwan	1,716,480	65,942	2,214,950	104,720	-23%	-37%

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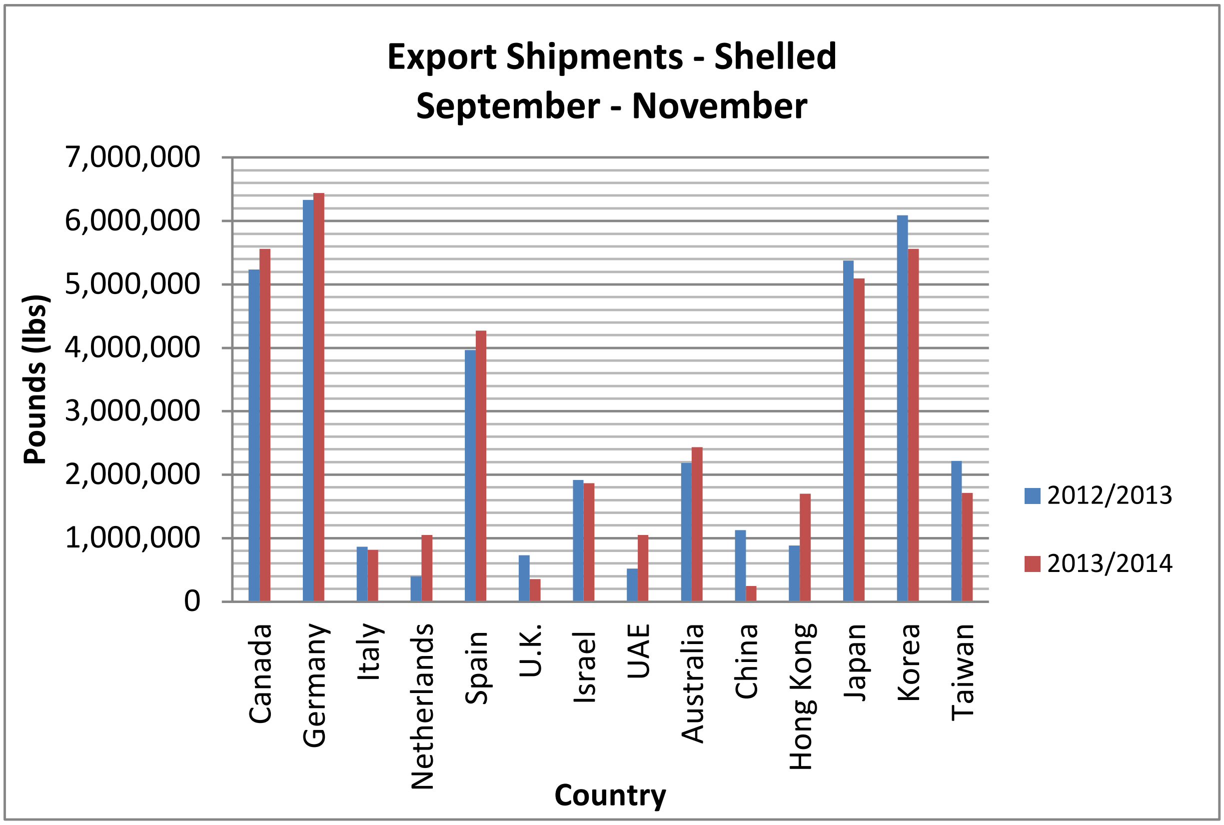

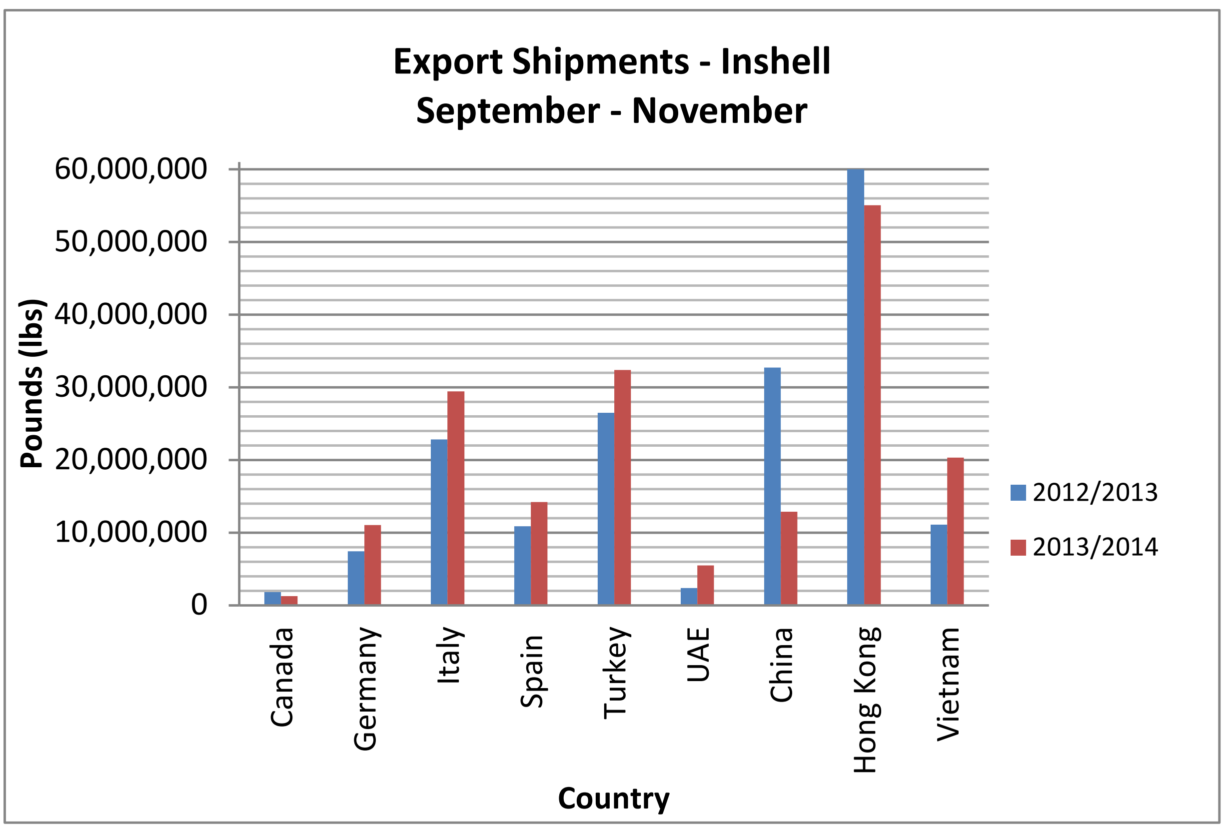

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Here is the updated supply scenario (all figures in inshell short tons):

	2013/14	2012/13	Difference	% Change
Carry-in from prior season:	45,888	49,018	-3,130	-6.4%
Crop production:	*483,000	497,000	-14,000	-2.8%
Total available for shipment:	528,888	546,018	-17,130	-3.1%
Less: shipments to date thru Nov 30:	207,974	204,835	+3,139	+1.5%
Remaining supply:	320,914	341,183	-20,269	-5.9%

***We've estimated final 2013 crop receipts at 483,000 inshell short tons**

- Harvest of the 2013 crop started early and was mostly complete by the end of October. Virtually all receipts should be accounted for in the November figure. We anticipate minimal additional receipts to be reported.
- California growers are confident as season-to-date shipments remain ahead of last season and crop receipts are less than last year. California has less inventory to sell between December and August than they did at this time last season.
- A good percentage of October and November shipments were sold early at somewhat lower prices. Recent sales activity has been slower as higher prices are curbing demand. Most markets are covering only short term needs as buyers have little incentive to lock in high prices.
  - Europe has been busy packing and distributing for holiday sales. Strong sales to Germany, Italy and Spain are driving growth in shipments. Season-to-date shipments for the region are up 32% for inshell and 2% for shelled. We anticipate buyers returning in late December and January depending on holiday sales.
  - Season to date shipments to China, Hong Kong and Vietnam (combined) are down 15% or 15.6 million pounds compared to last season. Consumer uptake is reported to be slow in anticipation of Chinese New Year. New sales are slow with only a few buyers interested in post Chinese New Year shipments.
  - Middle East has been one of the more active markets with season to date inshell shipments to Turkey up 22% (5.8 million pounds) and U.A.E. up 130% (3.1 million pounds) versus last season. Activity has slowed as importers work to sell the product which they've already purchased. We anticipate buyers returning in January and forward in anticipation of Ramadan demand. Recent reports of new sales to Turkey may be influenced by reports of crop damage in Chile.
  - Shipments to Japan are down 5% season-to-date and 22% for the month of November. We anticipate additional buying for spring shipments.
  - Shipments to Korea are down 9% season-to-date and 22% for the month of November. We anticipate stronger demand in January when the tariff on walnuts is decreased by 5%.
- California growers will interpret this shipment report to say that the crop is smaller and shipments are up. Prices need to stay firm or go higher to slow demand. Nearly every market needs to buy more and there simply aren't enough walnuts to go around. Shipments the remainder of the season need to be 8% less than last year to maintain the carryout of about 45,000 inshell short tons.
- Buyers will interpret this shipment report to say that higher prices are already slowing demand. Strong shipments so far this season are based on early sales at lower prices. Shipments to Asian and domestic markets are already down and new sales activity is slow…California should be careful.
- In the near term, most growers are comfortably sold and looking forward to slowing production through the holidays. If demand picks up in January, prices will remain firm. If sales activity remains slow in January and production space is not filled, it is likely some growers will begin to compete for sales.

Let us know if we may be of further service.

Best regards,
DERCO FOODS