

November 2015 Walnut Report

November 2015 shipments were 157.2 million inshell equivalent pounds. This is 19.1 million pounds (+13.9%) more than November 2014.

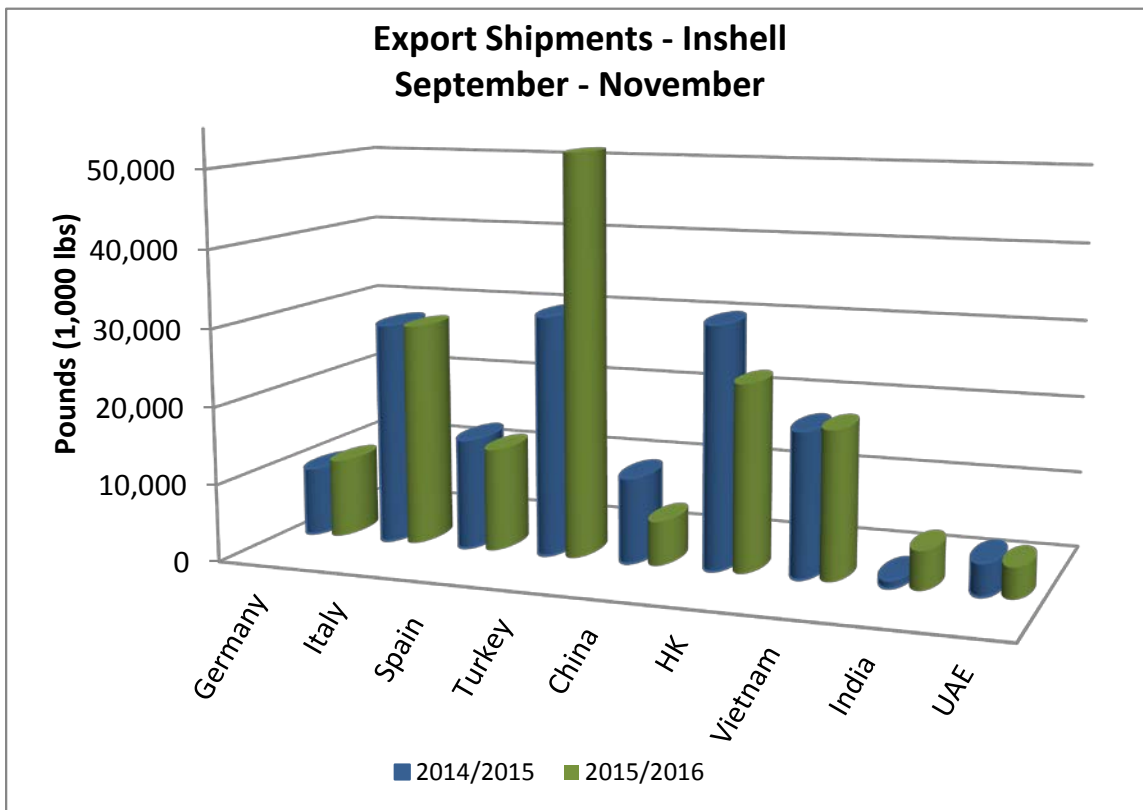
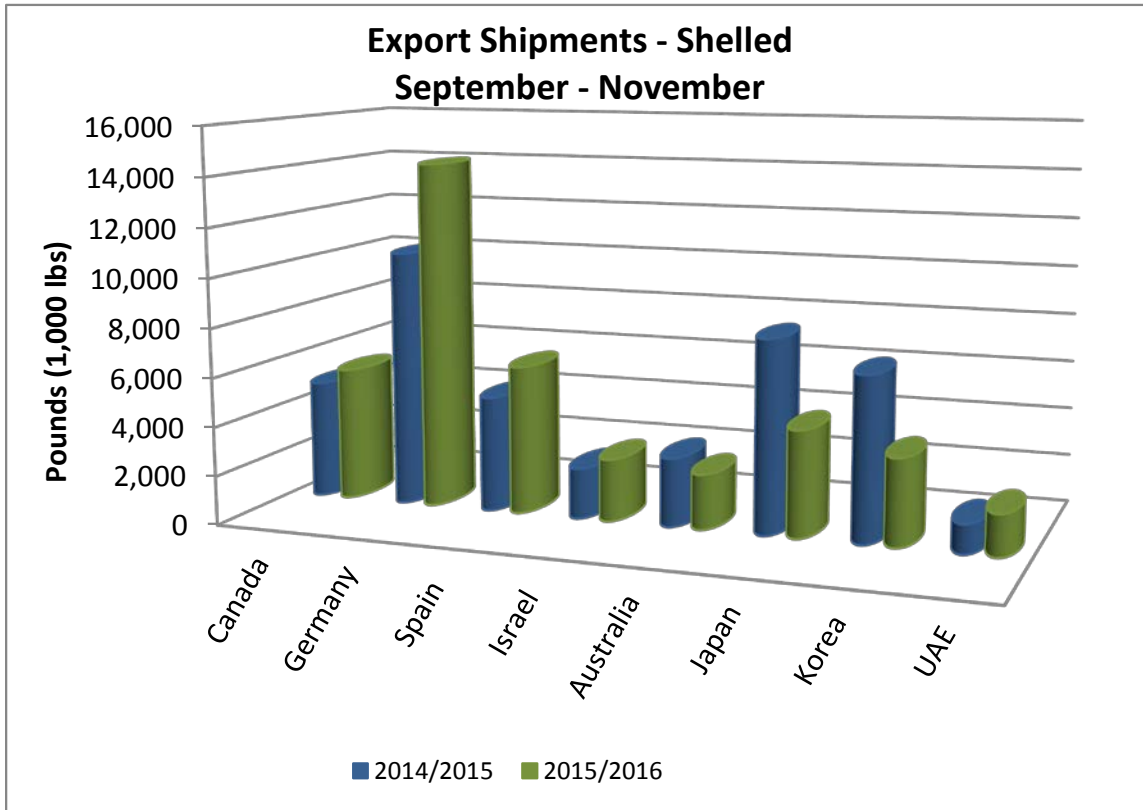
2015 Walnut Supply (1,000 pounds)

Carry-in from prior season (estimate):	167,022
2015 Crop Estimate:	1,192,184
Total available for shipment:	1,359,206
Less: shipments to date thru Nov 30:	412,312
Remaining supply:	946,894

- Crop receipts through November 30 were 1.19 billion inshell pounds (596,092 tons). This is about 76 million pounds (+6.8%) higher than receipts as of November 30, 2014. Last season, about 20.9 million pounds were received in California after November. With an early harvest this season, we expect the final crop number to be close to 1.20 billion pounds (600,000 tons).
- Inshell shipments were 67.3 million pounds for the month of November, an increase of 15.6 million pounds (+30.3%) compared to November of 2014.
- Season to date inshell shipments are 180.1 million pounds through November, an increase of 12.1 million pounds (+7.2%) compared to the same period last season.
- Shelled shipments were 39.6 million pounds for the month of November, an increase of 1.4 million pounds (+3.6%) compared to November of 2014.
- Season to date shelled shipments are 102.4 million pounds through November, an increase of 3.4 million pounds (+3.4%) compared to the same period last season.

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

Country	<u>Sep 2015 - Nov 2015</u>		<u>Sep 2014 - Nov 2014</u>		% Change Shelled	% Change Inshell
	Shelled	Inshell	Shelled	Inshell		
USA	47,447,602	8,349,435	49,702,955	7,648,789	-5%	9%
Canada	5,500,344	1,603,731	4,856,305	1,437,200	13%	12%
Germany	14,256,294	10,204,964	10,536,688	8,934,344	35%	14%
Italy	1,053,889	28,878,863	801,814	28,914,706	31%	0%
Netherlands	1,876,631	1,619,719	931,871	2,290,889	101%	-29%
Spain	6,101,109	13,332,195	4,746,556	14,411,815	29%	-7%
U.K.	1,714,946	396,644	769,084	368,736	123%	8%
Israel	2,561,228	308,552	2,070,256	396,644	24%	-22%
Turkey	520,902	51,927,815	21,560	31,169,678	2316%	67%
UAE	1,706,539	3,971,152	1,193,730	4,196,340	43%	-5%
Australia	2,250,890	0	2,811,275	0	-20%	n/a
China	428,740	5,684,676	421,200	11,073,668	2%	-49%
Hong Kong	515,507	24,049,816	369,216	31,294,989	40%	-23%
Vietnam	553,741	19,081,616	0	18,719,588	n/a	2%
Thailand	62,645	1,143,424	151,801	705,472	-59%	62%
India	10,010	4,969,659	21,540	1,015,644	-54%	389%
Japan	4,345,437	0	7,871,505	0	-45%	n/a
Korea	3,553,459	33,600	6,706,607	16,800	-47%	100%
Taiwan	1,795,204	38,925	1,894,194	79,092	-5%	-51%



Walnut receipts are quickly approaching 1.2 billion pounds. The record crop on top of a much larger carry-in both in California and several overseas markets has produced patient buyers and anxious sellers in California. Markets have moved steadily lower over the past few months as many buyers have taken a hand to mouth approach to new crop purchases. A few key markets have been working through higher priced 2014 crop inventory before moving on to make 2015 crop purchases.

In recent weeks, the market has been inconsistent with offers for some products varying by as much as \$0.30/lb depending on the packer. Some handlers are comfortably sold and holding prices stable. Others have taken in substantially more product than they are prepared to market and have aggressively chased sales by pushing prices lower. While there is plenty of walnut inventory in California, good quality inshell walnuts are becoming difficult to find. There was some quality deterioration reported during the late part of harvest. This is causing some packers to shell more product than originally expected as they can sort out defects in kernels more easily than inshell.

Key markets:

- **USA:** Reports from California packers indicate growing demand for walnuts from the domestic market as lower prices are now reaching the consumer level. Shelled shipment numbers tell a different story...down 15% for November and 5% season to date.
- **Europe:** Shipments of both inshell and shelled walnuts to Europe were strong for the month of November. Inshell shipments are up 56% compared to November 2014 and almost flat season to date (down 2.5%). Shelled walnut shipments in November are up 43% compared to November 2014 and up 46% season to date. The large increases are attributed to Germany and Spain for kernels and Italy and Germany for inshell. The market has been quiet recently as buyers are taking delivery of earlier orders and waiting to see how the market reacts before locking in orders for late season shipments.
- **Turkey:** Inshell shipments to Turkey in November are up 32% (5 million pounds) compared to November 2014 and up 67% (21 million pounds) season to date. Strong inshell demand from Turkey has been welcomed by California growers who focus on inshell markets in light of slower demand from China. We anticipate slower demand in the near future as buyers digest earlier purchases. With reports from California of fading light color and growing levels of defects for shrivel and mold, buyers may be better served to focus additional purchases on the pending Chilean crop harvest.
- **UAE:** Walnut shipments to U.A.E. have been fairly strong in light of the environment in the Al Ras market over the past few months. Inshell shipments are down 10% for November and down 5% season to date. Shelled walnut shipments are up 39% for November and up 43% season to date. Many early season shipments are just now arriving at destination. With fewer companies left in this market, we hope for more stability going forward.
- **China/Hong Kong/Vietnam:** Season to date shipments to China/Hong Kong/Vietnam/Thailand is down 19.2% (11.8 million pounds) compared to last season. With prices for local origin moving higher, buyers have shown additional demand for California product in recent weeks. As it is now too late to ship in time for Chinese New Year, most buyers are waiting to evaluate post new year inventory positions before making additional purchases.
- **India:** One of the bright spots for California walnut shipments is India where inshell shipments for November are up 104% and season to date up 389% compared to last year. Most of this business was confirmed earlier in the season with buyers remaining quiet more recently. We anticipate continued strong growth in future years as well as a steep learning curve for buyers new to California walnuts and sellers new to India.



2670 West Shaw Lane, Fresno, California 93711 U.S.A.

Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com

- Japan: Kernel shipments to Japan continue to trail last season with November shipments down 25% and season to date shipments down 45%. Buyers have been working through the last of their 2014 crop inventory and have recently come back into the market to begin replenishing stocks at much lower price levels. Buyers are taking a hand to mouth approach and being rewarded for doing so with cheaper prices.
- Korea: Kernel shipments to Korea trail last season with November shipments down 34% and season to date shipments down 47%. A glut of 2014 crop inventory in Korea kept most buyers off the market for new crop during the first few months of the 2015 season. With the tariff on California walnuts set to be reduced by another 5% on January 1st, we are optimistic that buyers will come back into the market to refill inventory positions. We expect buyers to continue buying only as much as they need so that they do not finish the year with large inventory again.

Season to date shipments have now moved ahead of last season which is good in light of the record crop. California will need to continue shipping aggressively in order to end the season with a manageable inventory position. Patient buyers have been rewarded with lower prices and will likely continue to buy with a hand to mouth approach.

Let us know if we may be of further service.

Best regards,
DERCO FOODS