

February 2013 Walnut Report

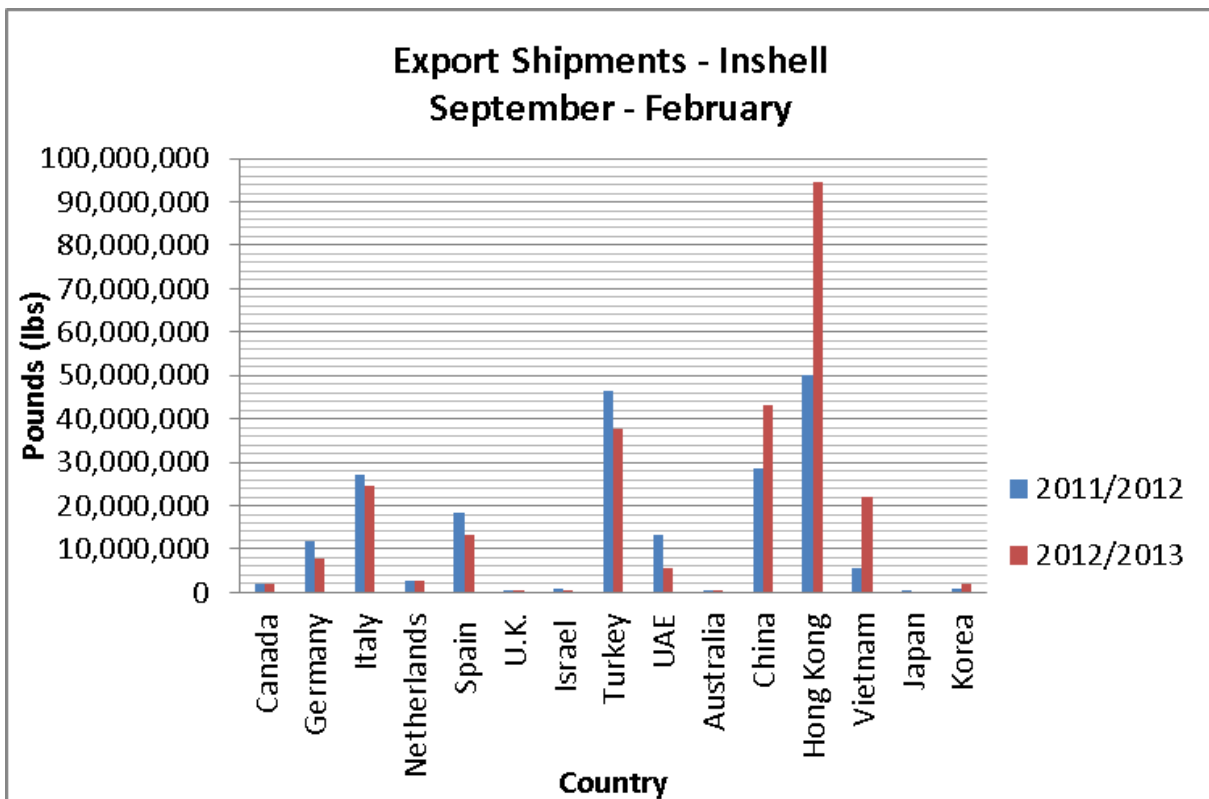
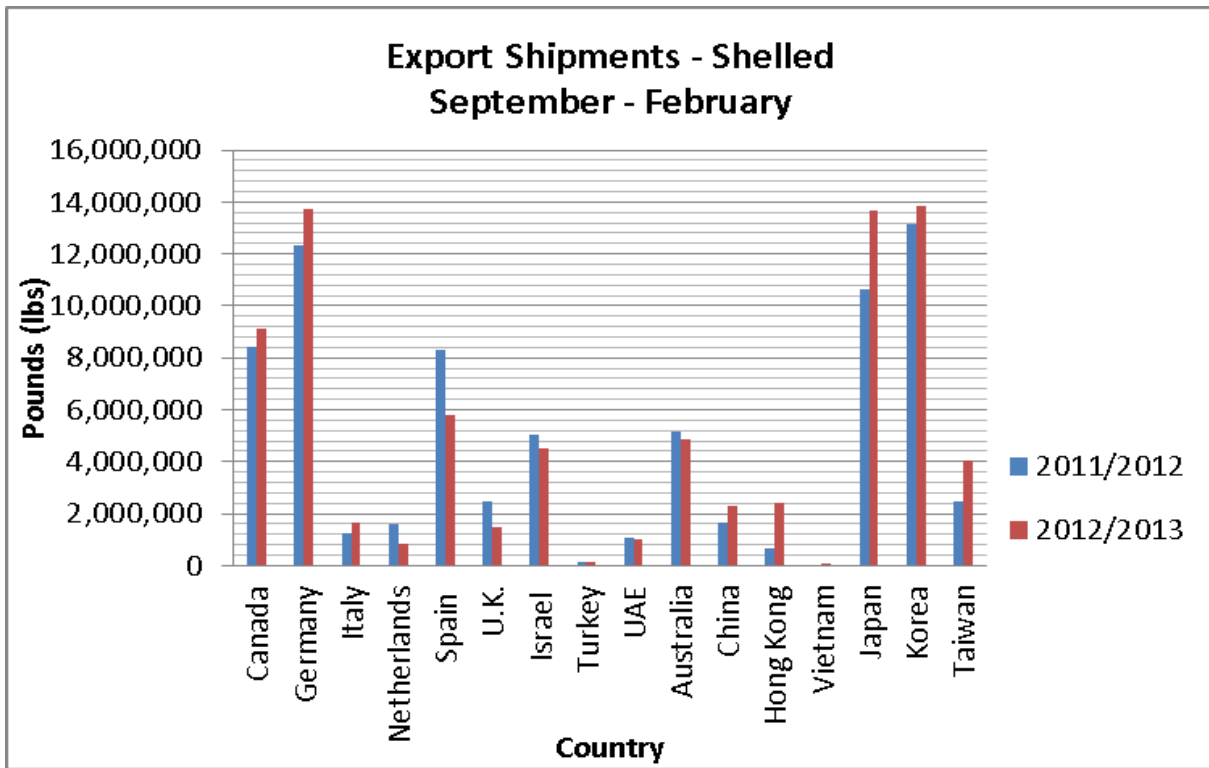
Overall February 2013 shipments were 41,191 inshell equivalent tons compared to 29,111 inshell equivalent tons for February 2012. This is an increase of 42%.

- Inshell shipments were 32 million pounds in February 2013 compared to 7 million pounds in February 2012, an increase of 372%.
- Shelled shipments were 22 million pounds in February 2013 compared to 22 million pounds in February 2012.
- Season-to-date (September 2012 through February 2013) inshell shipments are up 20% compared to the 2011/12 season.
- Season-to-date (September 2012 through February 2013) shelled shipments are up 3% compared to the 2011/12 season.
- Season-to-date (September 2012 through February 2013) overall shipments are 333,946 inshell short tons, compared to 309,311 inshell short tons shipped last year during the same period. This is an increase of 8%.
- Crop receipts of 494,481 inshell short tons is an increase of about 35,000 short tons, or 8%.

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

| Country | Sep 2012 - Feb 2013 | | Sep 2011 - Feb 2012 | | % Change Shelled | % Change Inshell |
|-------------|---------------------|------------|---------------------|------------|------------------|------------------|
| | Shelled | Inshell | Shelled | Inshell | | |
| USA | 86,461,774 | 14,513,441 | 88,140,163 | 15,148,985 | -2% | -4% |
| Canada | 9,118,421 | 2,072,106 | 8,406,902 | 1,797,870 | 8% | 15% |
| Germany | 13,725,048 | 7,776,741 | 12,331,558 | 11,811,579 | 11% | -34% |
| Italy | 1,646,993 | 24,609,965 | 1,276,539 | 27,013,829 | 29% | -9% |
| Netherlands | 852,257 | 2,728,799 | 1,573,080 | 2,702,288 | -46% | 1% |
| Spain | 5,789,186 | 13,234,988 | 8,287,447 | 18,433,037 | -30% | -28% |
| U.K. | 1,484,508 | 132,184 | 2,482,682 | 352,736 | -40% | -63% |
| Israel | 4,530,887 | 633,730 | 5,042,615 | 712,118 | -10% | -11% |
| Turkey | 133,760 | 37,576,297 | 129,600 | 46,311,330 | 3% | -19% |
| UAE | 1,023,745 | 5,776,404 | 1,077,907 | 13,379,229 | -5% | -57% |
| Australia | 4,847,120 | 99,069 | 5,175,049 | 52,360 | -6% | 89% |
| China | 2,286,037 | 43,072,911 | 1,650,000 | 28,758,405 | 39% | 50% |
| Hong Kong | 2,392,090 | 94,468,435 | 645,158 | 50,027,961 | 271% | 89% |
| Vietnam | 2,090 | 21,970,218 | 0 | 5,636,117 | 0% | 290% |
| Japan | 13,681,024 | 0 | 10,662,212 | 87,100 | 28% | 0% |
| Korea | 13,849,141 | 1,937,566 | 13,156,901 | 776,623 | 5% | 149% |
| Taiwan | 4,022,765 | 104,720 | 2,470,660 | 48,280 | 63% | 117% |

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

| | |
|--|----------------|
| Carry-in from 2011/12 season: | 49,018 |
| <u>2012 crop production (thru Jan 31):</u> | <u>494,481</u> |
| Total available for shipment: | 543,499 |
| <u>Less shipments to date:</u> | <u>333,946</u> |
| Remaining supply: | 209,553 |

- Shipments to Asia continue to drive the growth in total shipments from California.
- February 2013 shipments of inshell walnuts to China, Hong Kong and Vietnam were over 25 million pounds compared to just over 3 million pounds in February 2012. This is a significant increase in purchases for arrival after Chinese New Year.
- China, Hong Kong & Vietnam have collectively purchased 89% more inshell California walnuts so far this season, an increase of 37,544 inshell short tons compared to the same period last year.
- Shelled walnut shipments for the month of February were even with prior year. Key export markets including Japan, Korea and Germany were up versus February 2012, while domestic shipments were down over 12%.
- The 3% season-to-date increase in shelled walnut shipments is driven by growing demand from Asia (Japan, Korea, Taiwan, China and Hong Kong).
- Shipments of inshell walnuts to the Middle East were strong for the month of February, up 80% over February 2012. Season-to-date inshell shipments to the Middle East remain down 26% (over 17 million lbs) led by Turkey (down 19%) and U.A.E. (down 57%).
- Demand from Europe continues to be weak.
- Strong demand from China continues to be the story for California walnuts. Higher shipments of inshell walnuts are making up for weakness in other regions.
- Due to strong inshell demand, California producers are directing more volume to the inshell market, creating a shortage of certain shelled products and keeping shelled prices firm.
- Looking forward:
 - With Chilean walnut harvest set to begin in March, what impact will that product have on California shipments to key markets including Turkey, Korea and China.?
 - Will inshell demand from China continue to support the market?
 - Season-to-date shipment are 8% larger than prior year, correlating to season-to-date crop receipts which are 8% larger than prior year. Will this trend continue for the remainder of the season?

Let us know if we may be of further service.

Best regards,
DERCO FOODS