

### April 2016 Walnut Report

April 2016 shipments were 94.2 million inshell equivalent pounds. This is a record for the month of April and 14.2 million pounds (+18%) more than April 2015.

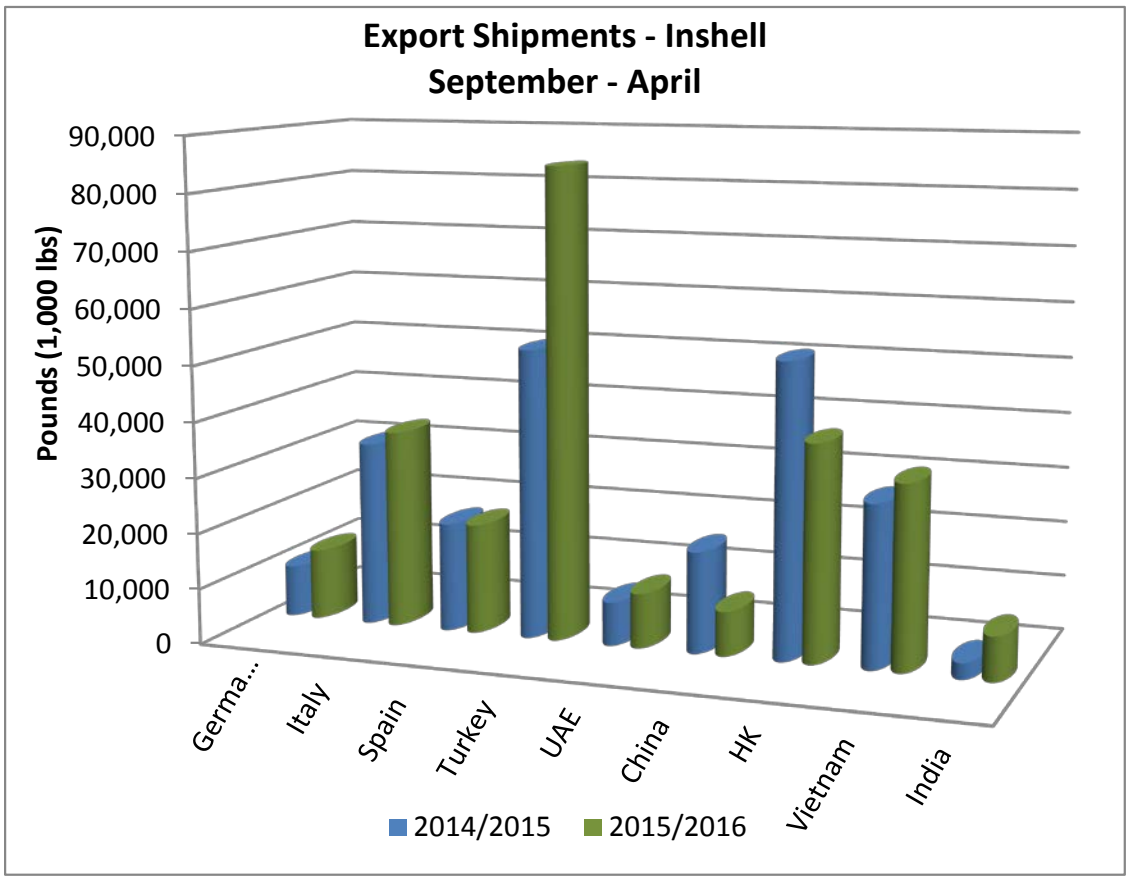
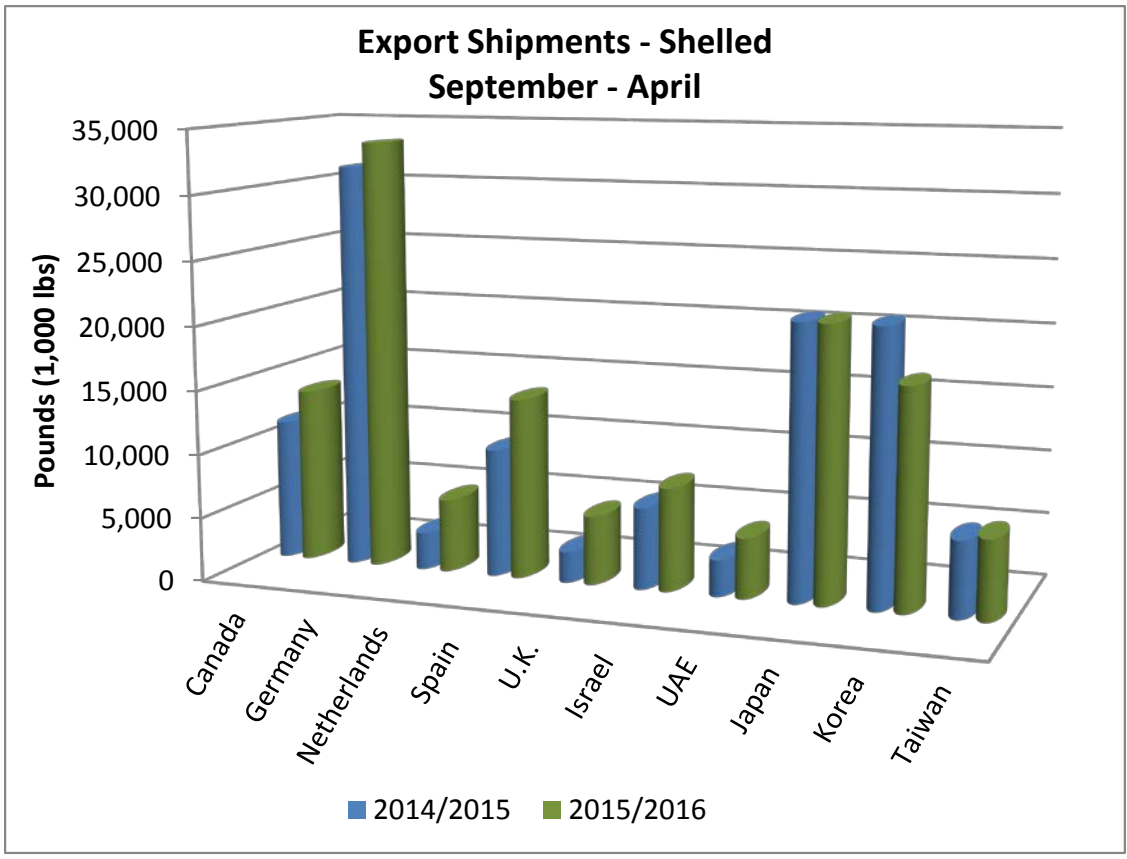
#### 2015 Walnut Supply (1,000 pounds)

Carry-in from prior season:	167,022
2015 Crop Receipts:	1,202,706
Total available for shipment:	1,369,728
<b>Less: shipments to date thru Mar 31:</b>	<b>927,162</b>
Remaining supply:	442,566

- Inshell shipments were 7.3 million pounds for the month of April, a decrease of 2.2 million pounds (-23%) compared to April of 2015.
- Season to date inshell shipments are 285.1 million pounds through April, an increase of 24.4 million pounds (+9%) compared to the same period last season.
- Shelled shipments were 38.4 million pounds for the month of April, an increase of 7.1 million pounds (+23%) compared to April of 2015.
- Season to date shelled shipments are 283.1 million pounds through April, an increase of 35.6 million pounds (+14%) 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 - Apr 2016</u>		<u>Sep 2014 - Apr 2015</u>		% Change Shelled	% Change Inshell
	Shelled	Inshell	Shelled	Inshell		
USA	116,472,602	13,817,376	108,821,653	14,928,976	7%	-7%
Canada	13,676,316	2,224,681	11,060,233	1,823,759	24%	22%
Germany	33,633,147	12,737,684	31,701,485	9,287,168	6%	37%
Italy	3,119,622	35,784,788	1,894,750	33,341,625	65%	7%
Netherlands	5,741,576	2,061,467	2,912,937	3,128,637	97%	-34%
Spain	14,152,827	19,849,042	10,026,445	19,663,809	41%	1%
U.K.	5,385,140	445,736	2,435,974	565,968	121%	-21%
Israel	8,086,652	1,088,129	6,389,806	904,475	27%	20%
Egypt	1,552,110	1,621,048	978,101	1,427,003	59%	14%
Saudi Arabia	2,582,562	462,506	1,796,072	608,745	44%	-24%
Turkey	1,437,835	84,621,308	304,660	52,249,446	372%	62%
UAE	4,729,265	9,882,348	2,849,417	7,879,833	66%	25%
Australia	6,311,160	84,000	6,394,360	22,046	-1%	281%
China	1,624,810	8,021,244	1,264,550	18,233,427	28%	-56%
Hong Kong	1,320,670	38,836,167	990,378	52,676,380	33%	-26%
Vietnam	898,538	33,025,305	0	29,166,544	n/a	13%
Thailand	2,581,379	2,552,990	216,149	2,659,167	1094%	-4%
India	10,010	8,002,536	77,520	2,925,814	-87%	174%
Japan	21,326,317	0	21,341,155	0	0%	n/a
Korea	17,080,234	975,720	21,347,313	986,567	-20%	-1%
Taiwan	6,227,888	207,577	5,951,970	101,138	5%	105%



### April Shipments

April walnut shipments from California of 94 million pounds represent the highest shipment figure for the month of April on record. April was the 5<sup>th</sup> consecutive month of strong shipments (with monthly records set in 3 of the past 5 months). With prices for most items substantially discounted compared to the past few seasons, buyers have returned to the market viewing walnuts as a good value. As lower prices continue to make their way down to the consumer level, we anticipate demand continuing to grow.

### Inventory

The calculated remaining inventory in California at the end of April was about 443 million pounds. According to these numbers, current inventory in California is about 47 million pounds (+12%) larger than this time last season. So the question we have (along with buyers all over the world)...Who is holding this inventory in California because we cannot find product available to sell?

- If California shipments for the remainder of the season are equal to those of last season, the carryout (calculated) would be about 212 million pounds (+45 million pounds or +27% from this season's carry-in). If shipments for the remainder of the season are 20% higher than last season, the carryout would be essentially equal to this season's carry-in.
- We have to question the accuracy of the reporting. On one hand, it appears there are plenty of walnuts remaining in California to ship. On the other hand, we cannot find walnuts for sale in California.
- Growers in California are sold out. There are no inshell or light color kernels available for sale. Most are even reporting that they are well sold on combo.
- Just a few months ago, the market was in a freefall as growers held large inventories. Then, by mid-April, most growers were sold out of product. 2016 crop harvest doesn't start until October.
- With a lack of liquidity in the market, higher prices are being reported by second hand traders and the occasional spot offer in California.

### Chilean Walnuts

A month ago, it appeared the lack of availability in California would play right into the hands of Chilean walnut growers who were in the midst of harvest. Expectations were for a crop of about 80,000 inshell metric tons and quality from early harvest was good. With growers just beginning to harvest Chandler variety, record rainfall came to the primary growing regions in Chile and caused severe damage to the crop.

Estimates of crop loss (walnuts that will not be harvested) range from 20%-40% of the crop. Additional product was harvested but quality has been compromised. Quality problems include dirty shells, yellow kernels and mold. Growers immediately suspended all new sales and shipments while they try to complete harvest and evaluate what they have in terms of quantity and quality.

Some growers are continuing to ship contracts that were arranged prior to the rain while others are attempting to invoke Force Majeure to cancel or renegotiate contracts. Substantial crop damage was done and certainly there will be some shipments cancelled and others shipped with lower than anticipated quality. While there are few offers in the market, prices moved substantially higher (especially for product harvested prior to the rain).



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### Market Comments

With a lack of available product from California or Chile, we've seen market prices move up from the lows we experienced a couple of months ago. We anticipate the market remaining tight for the coming months as there will be no new supply available until October.

Looking forward to 2016 crop from California, it is too early to know anything about yield or quality. Weather in the growing regions has been advantageous so far and California received much better rain and snow this season (although we are still in a drought and water will continue to be a concern....especially in the southern half of California). We recommend staying patient for new crop. There is no reason to book forward at this time. If too many buyers try to come into the market too early, we are likely to see prices pushed quickly back up. If this occurs and California has another record crop, it may make for another difficult marketing season.

Let us know if we may be of further service.

Best regards,  
DERCO FOODS