

### May 2014 Walnut Report

May 2014 shipments were 27,809 inshell equivalent short tons. This is 2,800 tons (-9%) less than May 2013. Season to date shipments through May of 432,592 inshell short tons are 5,312 tons (1%) more than last season.

#### 2013 Walnut Supply

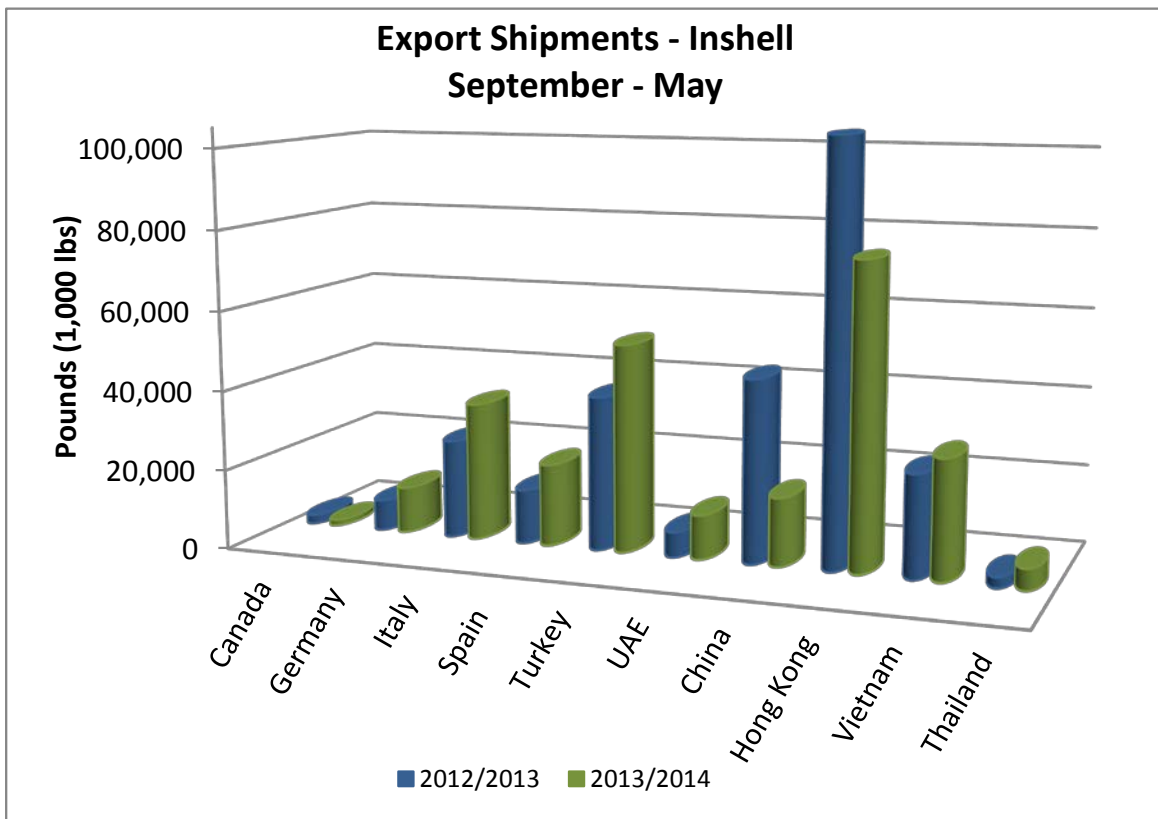
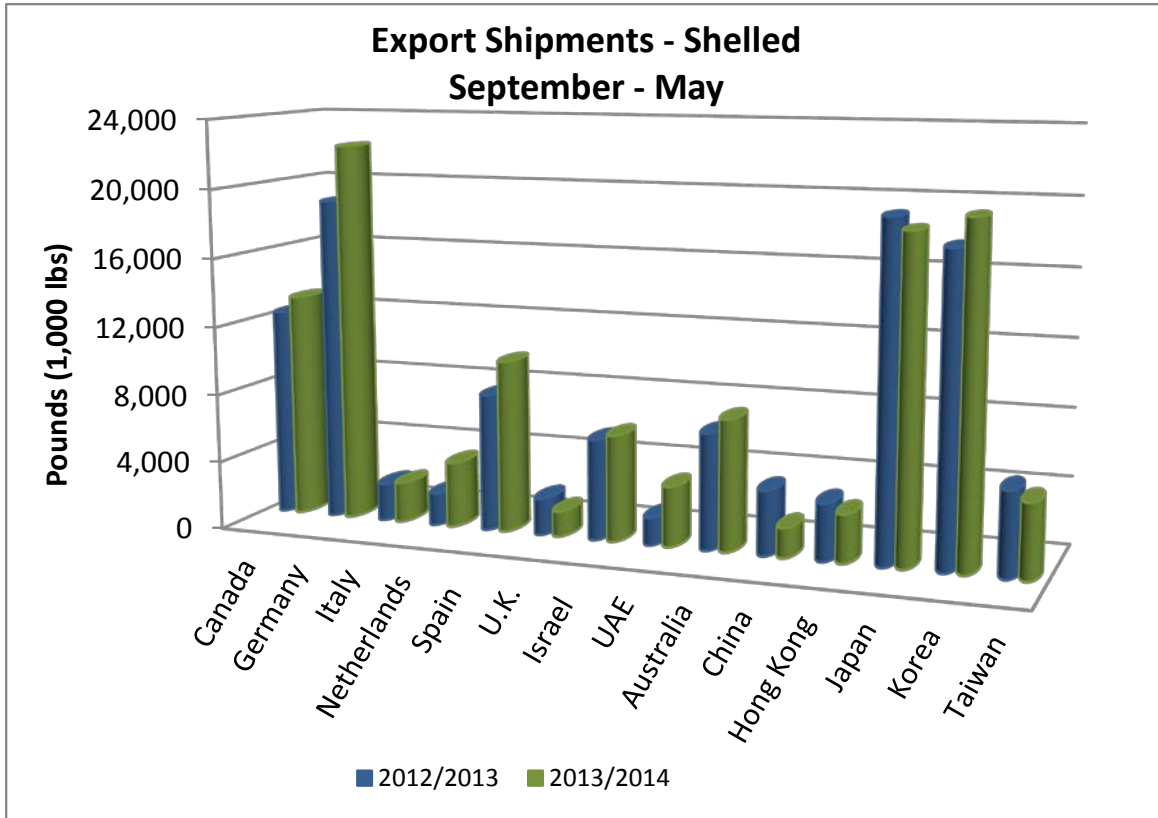
Carry-in from prior season:	45,888
2013 crop receipts to date:	488,971
Total available for shipment:	534,859
<b>Less: shipments to date thru May 31:</b>	<b>432,592</b>
Remaining supply:	102,267

- Computed inventory of 102,267 inshell short tons as of May 31 is 15,752 tons (-13%) less than May 31, 2013. Shipments for June-August 2013 were 70,191 inshell short tons. If shipments are the same this season, the carryout would be only 32,076 inshell short tons.
- Inshell shipments were 2.3 million pounds for the month of May, an increase of 697 thousand pounds (43%) compared to May of 2013.
- Season to date inshell shipments are 293.9 million pounds through May, a decrease of 10.5 million pounds (-4%) compared to the same period last season.
- Shelled shipments were 23.6 million pounds for the month of May, an decrease of 2.8 million pounds (11%) compared to May of 2013.
- Season to date shelled shipments are 253.1 million pounds through May, an increase of 8.8 million pounds (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 2013 - May 2014</u>		<u>Sep 2012 - May 2013</u>		<u>% Change</u>	
	Shelled	Inshell	Shelled	Inshell	Shelled	Inshell
USA	123,770,458	13,388,293	122,355,468	18,147,419	1%	-26%
Canada	13,220,744	1,445,630	12,259,394	2,241,176	8%	-35%
Germany	22,310,374	11,645,293	19,041,283	7,864,925	17%	48%
Italy	2,352,423	34,845,126	2,213,271	24,879,735	6%	40%
Netherlands	3,843,446	3,276,753	1,909,302	2,816,983	101%	16%
Spain	10,090,130	20,699,203	8,058,461	13,753,726	25%	50%
U.K.	1,488,064	390,249	2,156,044	264,460	-31%	48%
Israel	6,223,333	2,910,051	5,899,572	633,730	5%	359%
Turkey	174,851	52,309,898	133,760	38,870,860	31%	35%
UAE	3,518,566	11,172,848	1,611,393	6,376,368	118%	75%
Australia	7,655,337	78,768	6,774,348	99,069	13%	-20%
China	1,721,642	17,182,596	3,763,924	45,843,252	-54%	-63%
Hong Kong	2,800,853	75,863,729	3,326,075	104,628,096	-16%	-27%
Vietnam	626,892	29,989,712	2,231,865	25,720,758	-72%	17%
Thailand	1,294,508	5,333,967	1,325,277	2,666,740	-2%	100%
Japan	18,602,932	0	19,319,493	0	-4%	0%
Korea	19,449,513	858,897	17,778,929	1,937,566	9%	-56%
Taiwan	4,352,765	85,783	4,905,267	192,904	-11%	-56%

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- With little uncommitted 2013 crop inventory remaining in California, May shipments just below last season were expected. Shipments for June-August are expected to continue at a slower pace.
- May 2014 shipments to Europe were up 3% for kernels and 87% for inshell compared to May 2013. Season to date inshell shipments are up 23 million pounds (47%) over prior season while shelled shipments are up 7 million pounds (20%). Europe has shown impressive growth this season despite higher prices. This growth is a pleasant surprise to California growers who had considered the European market as mature with few opportunities for growth.
- The Middle East has also shown strong growth this season compared to last. Season to date inshell shipments to the region are up 23 million pounds (45%) while kernel shipments are up over 2 million pounds (22%). Growth in this region has been led by Turkey, U.A.E., Morocco and Israel.
- Season to date shipments to Asia/Pacific Rim are down sharply versus prior season driven by less demand from China.
  - Shipments of inshell walnuts to the Chinese market (including shipments reported to China, Hong Kong, Vietnam and Thailand) are down 50 million pounds (28%) compared to the same period last season. Shelled walnut shipments to the same region are also down 4.2 million pounds (40%).
  - Shipments to Korea have been a bright spot in Asia with kernels up 1.7 million pounds (9%) season to date compared to last year.
  - Season to date shipments to Japan are down 716 thousand pounds (-4%) compared to last season. Demand has increased sharply from this region after a recent television show highlighted the health benefits of walnuts. It has been difficult for Japanese buyers to cover the sharp spike in demand with little inventory in California.
- Looking forward to the 2014 crop:
  - Trees are well rested after consecutive crops that were short of expectations. Most varieties appear to have a good set with nuts progressing on or ahead of normal.
  - United States Department of Agriculture recently published the 2013 Walnut Acreage Report. This report estimated 280,000 bearing acres for the 2013 crop. If we assume another 10,000 acres will come into production for the 2014 crop and assume some improvement in yield over 2013, a jump in tonnage is expected. Here are a few scenarios:
    - 290,000 acres x 1.76 tons/acre = 510,400 tons (equal to the yield of the 2013 crop)
    - 290,000 acres x 1.84 tons/acre = 533,600 tons (equal to the yield of the 2012 crop)
    - 290,000 acres x 1.90 tons/acre = 551,000 tons (equal to the yield of the 2008 crop)
    - 290,000 acres x 1.98 tons/acre = 574,200 tons (this is the highest yield on record achieved in 2010)
  - Some early inshell business has been reported to China as buyers are low on inventory are looking to lock up early production. Other markets are also low on inventory which is likely to generate strong demand for early shipments.

Let us know if we may be of further service.

Best regards,  
DERCO FOODS