

## June 2016 Walnut Report

June 2016 shipments were 38,218 inshell equivalent tons. This is a record for the month of June and 6,978 tons (+22%) more than June 2015. This is the third consecutive record monthly shipment and five of the past six months have been records.

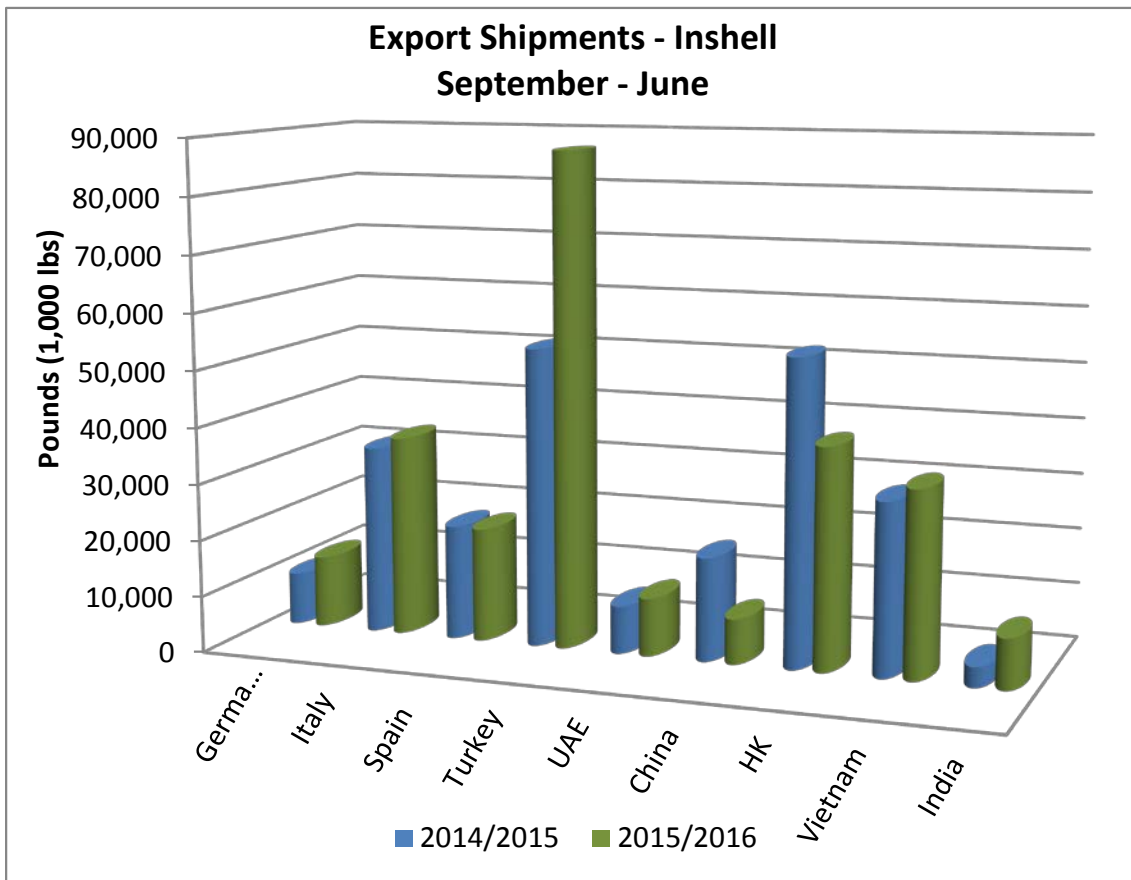
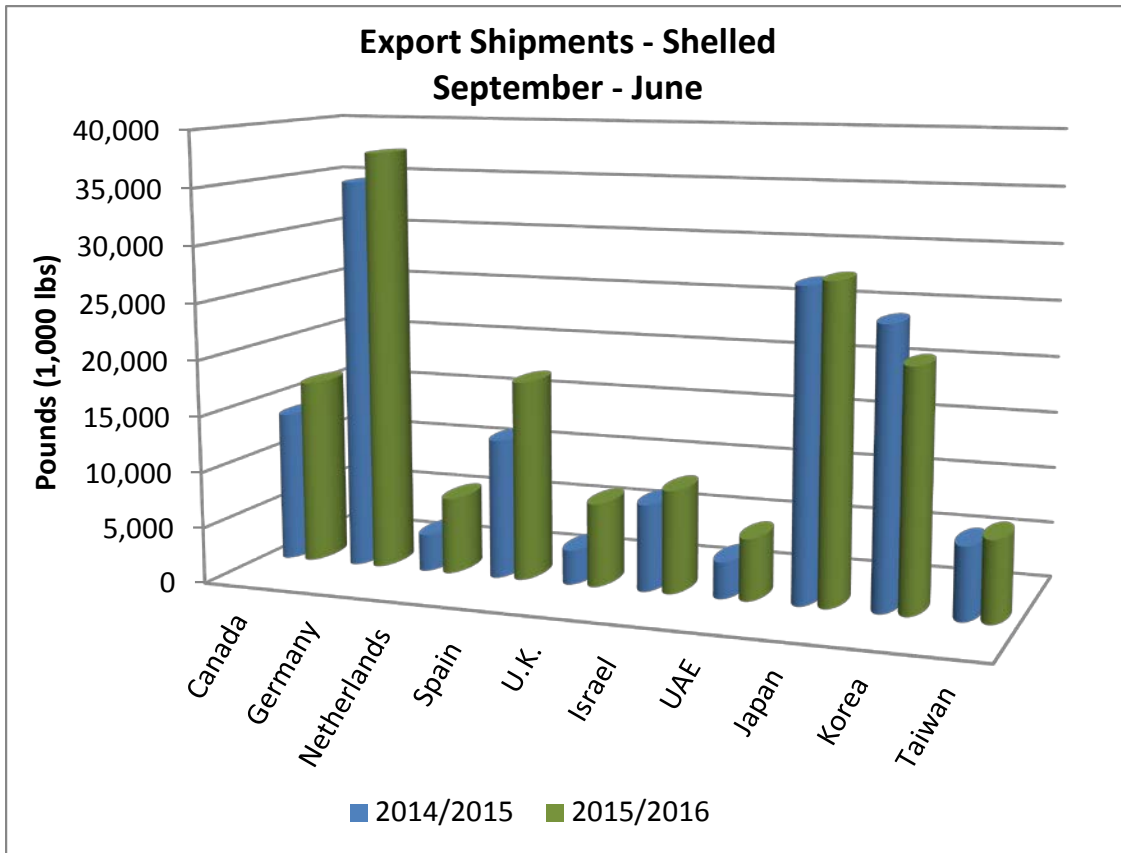
### 2015 Walnut Supply (inshell tons)

Carry-in from prior season:	83,511
2015 Crop Receipts:	601,353
Total available for shipment:	684,864
<b>Less: shipments to date thru Jun 30:</b>	<b>545,404</b>
Remaining supply:	139,460

- Inshell shipments were 2.2 million pounds for the month of June, a decrease of 749 thousand pounds (-2%) compared to June of 2015.
- Season to date inshell shipments are 293.4 million pounds through June, an increase of 25.1 million pounds (+9%) compared to the same period last season.
- Shelled shipments were 32.7 million pounds for the month of June, an increase of 6.3 million pounds (+24%) compared to June of 2015.
- Season to date shelled shipments are 351.6 million pounds through June, an increase of 51.1 million pounds (+17%) 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 - Jun 2016</u>		<u>Sep 2014 - Jun 2015</u>		% Change Shelled	% Change Inshell
	Shelled	Inshell	Shelled	Inshell		
USA	149,838,543	15,406,097	136,308,151	15,517,585	10%	-1%
Canada	16,550,868	2,419,681	13,497,228	1,896,546	23%	28%
Germany	37,641,847	12,737,684	34,994,156	9,287,168	8%	37%
Italy	3,392,088	35,740,788	1,947,621	33,620,208	74%	6%
Netherlands	6,842,025	2,370,111	3,347,797	3,084,545	104%	-23%
Spain	17,847,587	20,310,594	12,489,675	20,407,441	43%	0%
U.K.	7,440,207	445,736	3,084,129	599,588	141%	-26%
Israel	9,160,272	1,044,129	7,744,531	904,478	18%	15%
Egypt	1,741,656	1,621,048	978,101	1,471,371	78%	10%
Saudi Arabia	2,774,938	506,598	2,028,550	696,745	37%	-27%
Turkey	2,233,835	87,713,982	339,860	53,176,888	557%	65%
UAE	5,515,689	10,316,185	3,254,034	8,467,798	70%	22%
Australia	8,337,960	84,000	7,665,635	22,046	9%	281%
China	1,861,810	8,021,244	1,648,900	18,396,187	13%	-56%
Hong Kong	1,549,946	39,220,945	1,101,711	54,121,208	41%	-28%
Vietnam	1,005,038	33,072,704	610,305	30,581,514	65%	8%
Thailand	2,979,779	2,597,082	266,944	2,659,167	1016%	-2%
India	10,010	8,968,094	84,520	3,625,555	-88%	147%
Japan	28,043,220	0	27,541,349	0	2%	n/a
Korea	21,287,396	975,720	24,681,833	986,567	-14%	-1%
Taiwan	7,219,918	207,577	6,480,330	101,138	11%	105%





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### June Shipments

June walnut shipments from California were 38,218 inshell equivalent tons. This record shipment for the month of June is the 6<sup>th</sup> consecutive month of strong shipments (with records set in 5 of the past 6 months). Buyers in most markets view walnuts as a good value with prices recalibrated from the higher levels we saw the past few seasons. Most major markets have shown improved demand the past few months including the domestic market where lower prices are now making their way through to the retail level and spurring demand. Looking ahead to the 2016 crop, we expect demand to remain strong based on current market prices and shortage of product in many key markets.

### Inventory

The calculated remaining inventory in California at the end of June was about 139,460 inshell tons. According to these numbers, current inventory in California is about 7 thousand tons (+5%) larger than this time last season. The reality in California is that most growers are sold out of most items. Remaining inventory available for sale consists largely of combination/amber color kernels and pieces.

After 6 consecutive months of strong shipments, what once appeared to be a large carryout now appears to be much more manageable and in line with last season. A carryout between 75,000 – 90,000 inshell equivalent tons appears likely.

### 2016 Crop Outlook

Current expectations for the 2016 California walnut crop remain in the 630,000 – 650,000 ton range. This is reflective of new acreage coming into production and the appearance of stronger yields than last season in some varieties. Several early heat spells with temperatures above 40 degrees Celsius have growers concerned about sunburn. With 2-3 months remaining until harvest, this risk remains as California is still in the midst of summer. Some yellowing of hulls has been reported but it is too early to know the amount or severity of any damage that has taken place thus far.

The outlook for the 2016 Chinese walnut crop is also positive with growers reporting good weather conditions throughout the different growing regions. Expectations for a record crop in China may act to temper demand for California origin walnuts.

Early business is taking place with buyers wanting to reserve production space for early shipment periods. Buying interest has come from the domestic market, China, Turkey, India and the Middle East. Most California growers are mindful of the large crop expectations and happy to book early production space. If early shipments (October and November) are strong, we could see upside to the market for later shipment periods. If early shipments are weak, we could see some downside....but we believe the downside is limited as most markets are showing good demand at current levels.

Please let us know if we may be of further service.

Best regards,  
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