

October 2013 Walnut Report

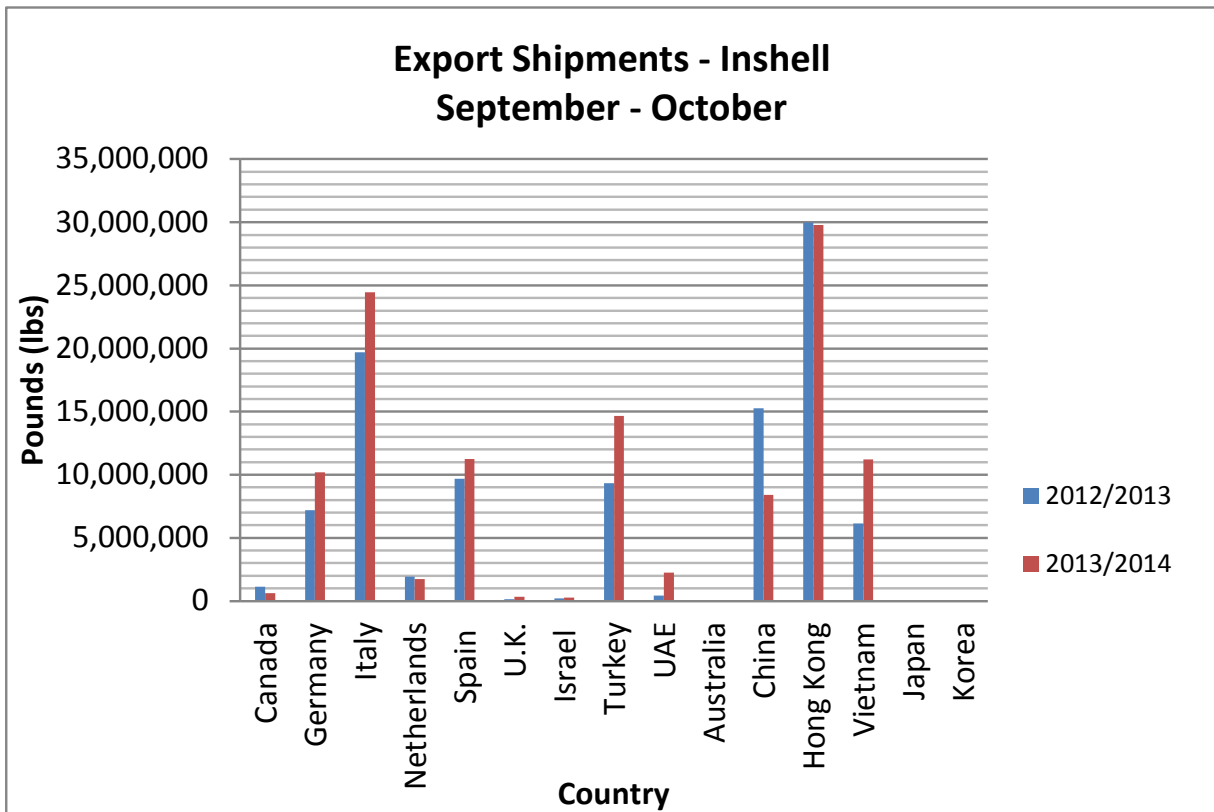
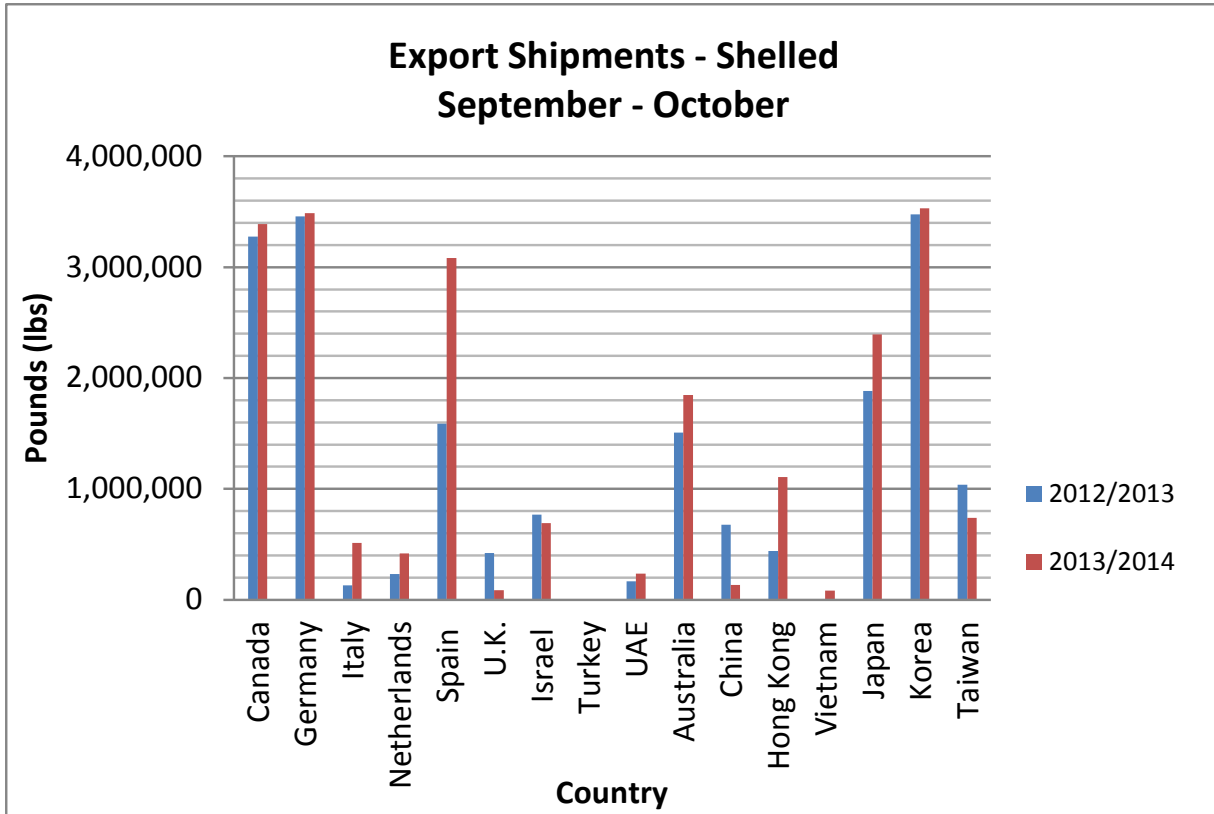
Overall October 2013 shipments were 102,904 inshell equivalent short tons compared to 96,761 inshell equivalent short tons for October 2012. This is an increase of 6%.

- Inshell shipments were 113.5 million pounds in October 2013 compared to 105.6 million pounds in October 2012, an increase of 7.5%.
- Shelled shipments were 40.9 million pounds in October 2013 compared to 39.0 million pounds in October 2012, an increase of 4.8%.
- Season-to-date (September 2013 through October 2013) inshell shipments are up 15% compared to the 2012/13 season.
- Season-to-date (September 2013 through October 2013) shelled shipments are up 4% compared to the 2012/13 season.
- Season-to-date (September 2013 through October 2013) overall shipments are 129,518 inshell short tons, compared to 118,263 inshell short tons shipped last season during the same period. This is an increase of 9.5%.
- Crop receipts of 467,149 inshell short tons. This is 16,776 inshell short tons or 3.7% above prior October. Due to the early and compact harvest this season, the majority of walnuts had been received by handlers by the end of October.

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

Country	<u>Sep 2013 - Oct 2013</u>		<u>Sep 2012 - Oct 2012</u>		<u>% Change</u>	
	Shelled	Inshell	Shelled	Inshell	Shelled	Inshell
USA	35,062,713	6,323,538	35,030,819	7,348,475	0%	-14%
Canada	3,390,788	634,232	3,275,719	1,136,220	4%	-44%
Germany	3,487,867	10,193,011	3,458,763	7,180,591	1%	42%
Italy	512,110	24,449,551	128,040	19,697,529	300%	24%
Netherlands	417,857	1,746,320	232,284	1,919,104	80%	-9%
Spain	3,083,160	11,232,884	1,589,034	9,671,141	94%	16%
U.K.	86,046	329,543	420,230	132,184	-80%	149%
Israel	689,826	264,078	767,578	220,460	-10%	20%
Turkey	0	14,647,704	0	9,333,285	0%	57%
UAE	233,642	2,251,598	166,854	440,736	40%	411%
Australia	1,848,460	56,768	1,506,738	22,046	23%	157%
China	131,494	8,411,745	678,274	15,273,181	-81%	-45%
Hong Kong	1,106,640	29,789,973	440,200	29,971,281	151%	-1%
Vietnam	83,650	11,221,598	0	6,131,114	n/a	83%
Japan	2,392,611	0	1,884,509	0	27%	0%
Korea	3,530,568	0	3,477,765	0	2%	0%
Taiwan	737,260	21,850	1,036,618	44,092	-29%	-50%

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

	<u>2013/14</u>	<u>2012/13</u>	<u>Difference</u>	<u>% Change</u>
Carry-in from prior season:	45,888	49,018	-3,130	-6.4%
Crop production:	*485,000	497,000	-12,000	-2.4%
Total available for shipment:	530,888	546,018	-15,130	-2.8%
Less: shipments to date thru Oct 31:	129,518	118,263	+11,255	+9.5%
Remaining supply:	401,370	427,755	-26,385	-6.2%

*We've estimated final crop receipts at 485,000 inshell short tons based on season to date shipments and estimates provided by growers in California.

- 2012/13 crop carry-out was 45,888 inshell short tons, down 6.4% from last season and the lowest carry-out since 2007/08.
- Last season, harvest was 91% complete at the end of October. Harvest of the 2013 crop started early and was mostly complete by the end of October. Some growers estimate that between 97%-98% of the harvest was complete by the end of October 2013. This would put the 2013/14 crop size between 475,000 and 485,000 inshell short tons.
- With expectations of lower final crop receipts and shipments ahead of last season, growers are confident and anticipate prices will stay firm. California has less inventory to sell between November and August than they did at this time last season. Higher prices are controlling demand.
- Export markets are showing resistance at current market levels but business continues to get done. Most buyers are purchasing what they need for the near future and waiting to see if prices stay at current levels.
 - Europe is largely covered for holiday demand. Season to date shipments are up 26% for inshell and 23% for shelled, led by strong shipments to Germany, Italy and Spain. Buying interest in the new year will depend on holiday sales. We anticipate buyers returning to the market in December and January.
 - China appears to be largely covered for Chinese New Year demand with season to date sales for China, Hong Kong and Vietnam down a combined 3.8% or 1.9 million pounds compared last season. Second hand traders are now receiving new crop shipments and reselling at prices below California. We anticipate buyers returning to the market in December and January, depending on sales demand for Chinese New Year.
 - Middle East has been actively buying with season to date inshell shipments to Turkey up 57% (5,314,419 pounds) and U.A.E. up 411% (1,810,862 pounds) versus last season. Demand has now slowed as importers work to sell the product which they've already purchased. We anticipate buyers returning in January and forward in anticipation of Ramadan demand.
 - Japan is up 27% (508,102 pounds) over last season. Shipments to Japan, which is a mature market, continue to grow.
 - Korea is flat compared to last season, with shipments up just 2%. We anticipate stronger demand in January when the tariff on walnuts is decreased by 5%.
- Overall, we view this shipment report as neutral. Crop receipts are higher than this time last season due to timing of harvest. It appears the crop will end up short of last season, but the difference is minimal. Shipments are also ahead of last season due in part to early harvest. Prices opened higher this season than last but demand has been steady.

Let us know if we may be of further service.

Best regards,
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