

## October 2015 Walnut Report

October 2015 shipments were 188.3 million inshell equivalent pounds. This is 11.6 million pounds (-5.8%) less than October 2014.

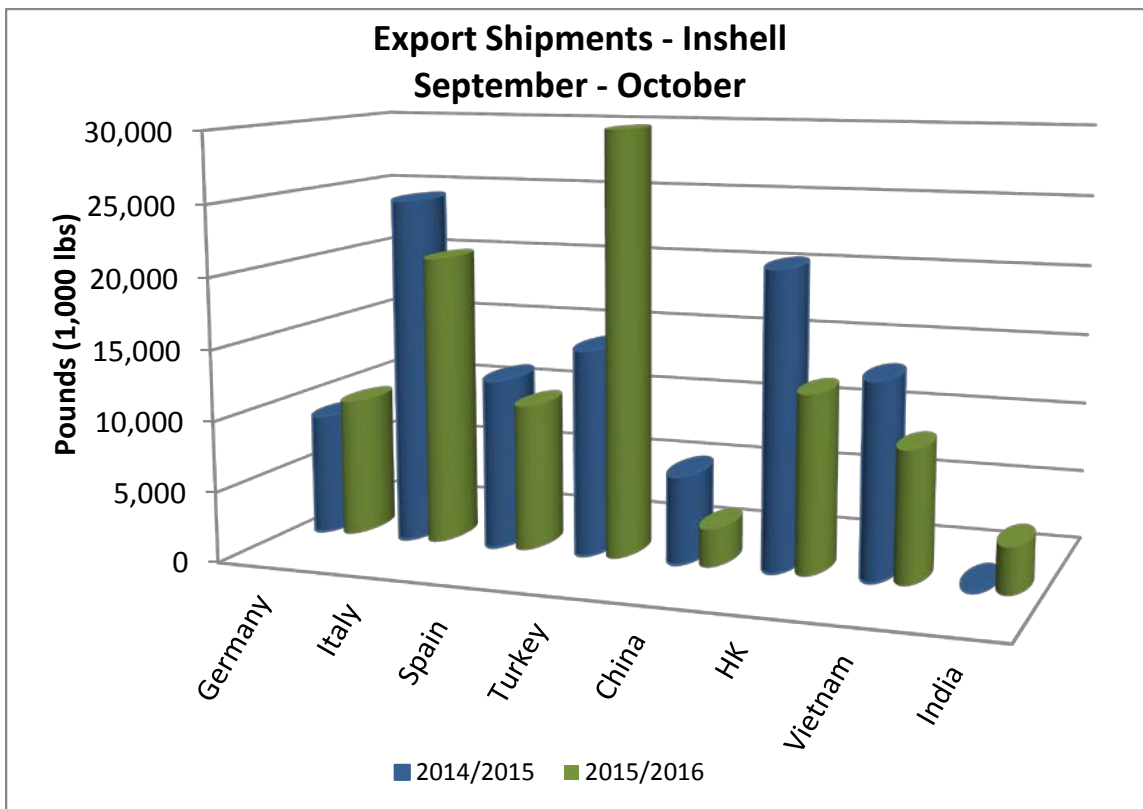
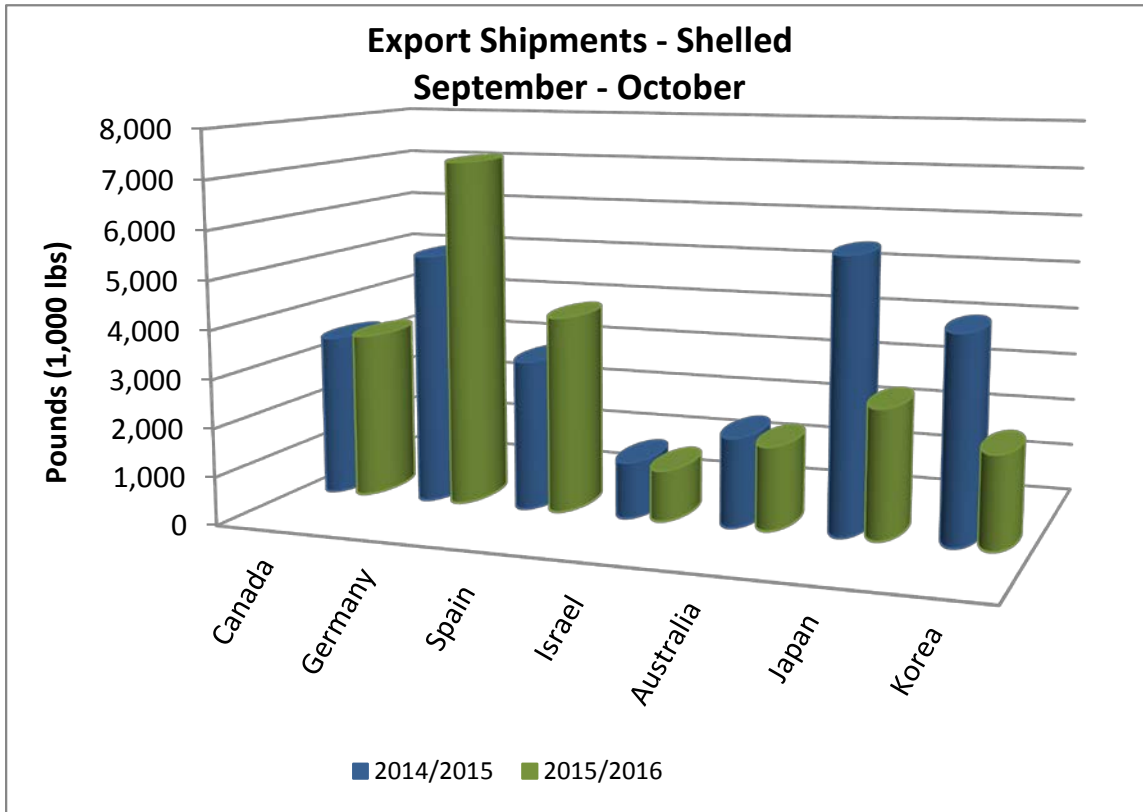
### 2015 Walnut Supply (1,000 pounds)

Carry-in from prior season (estimate):	162,000
2015 Crop Estimate:	1,150,000
Total available for shipment:	1,312,000
<b>Less: shipments to date thru Oct 31:</b>	<b>252,747</b>
Remaining supply:	1,064,275

- Crop receipts through October 31 were 1.09 billion inshell pounds (545,082 inshell tons). This is about 60 million pounds (+5.8%) higher than receipts as of October 31, 2014. Assuming November receipts are similar to last season, the 2015 crop could be just short of 1.2 billion inshell pounds (595,000 tons).
- Inshell shipments were 99 million pounds for the month of October, a decrease of 5.8 million pounds (-5.5%) compared to October of 2014.
- Season to date inshell shipments are 113 million pounds through October, a decrease of 3.6 million pounds (-3.1%) compared to the same period last season.
- Shelled shipments were 39 million pounds for the month of October, a decrease of 2.7 million pounds (-6.5%) compared to October of 2014.
- Season to date shelled shipments are 62 million pounds through October, an increase of 1.2 million pounds (+2.1%) 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 - Oct 2015</u>		<u>Sep 2014 - Oct 2014</u>		<u>% Change</u>	
	Shelled	Inshell	Shelled	Inshell	Shelled	Inshell
USA	32,132,979	5,574,061	31,951,127	5,478,897	1%	2%
Canada	3,453,134	1,276,204	3,371,506	731,180	2%	75%
Germany	7,213,014	9,856,594	5,225,390	8,625,656	38%	14%
Italy	437,032	20,602,430	431,072	24,685,206	1%	-17%
Netherlands	937,468	1,399,259	354,766	1,926,579	164%	-27%
Spain	4,085,885	10,420,775	3,126,167	12,118,619	31%	-14%
U.K.	1,014,220	308,644	568,236	352,736	78%	-13%
Israel	1,056,380	132,184	1,168,703	352,552	-10%	-63%
Turkey	25,000	30,280,488	0	14,678,336	n/a	106%
UAE	686,291	2,078,760	460,683	2,076,420	49%	0%
Australia	1,725,040	0	1,847,810	0	-7%	0%
China	231,740	2,678,352	75,000	6,249,028	209%	-57%
Hong Kong	296,937	12,579,852	152,500	20,961,304	95%	-40%
Vietnam	253,165	9,250,071	0	13,811,340	n/a	-33%
Thailand	20,645	87,192	130,951	440,920	-84%	-80%
India	0	3,255,538	0	177,092	0%	1738%
Japan	2,663,143	0	5,629,861	0	-53%	0%
Korea	1,925,233	0	4,237,335	0	-55%	0%
Taiwan	735,463	0	793,925	79,092	-7%	-100%



Walnut harvest in California was nearly complete as of the end of October. Favorable weather conditions allowed for a quick and efficient harvest season. Reports from the field have indicated good overall color and manageable levels of insect damage. Chandler variety is reported to have lower meat yield, slightly smaller size and a bit more shrivel than the past few seasons.

The market has moved lower driven by weaker demand from several key markets and a record crop. Reasons for the lower market include:

- Inventory carried into the new crop year in overseas markets that allowed buyers to be patient with new crop purchases
- Big new crop receipts in California as well as other origins
- Packers anxious to sell as they did not participate in preseason business
- Inshell packers who were too heavily reliant on only a few markets

At this point some growers are trying to hold prices firm while others continue to entertain lower levels. The result has not been stronger sales, but instead frightened buyers who don't buy from fear of lower prices tomorrow. Some California packers are reported to be renegotiating earlier contracts, which ultimately hurts good buyers who perform as agreed and further weakens the market.

Looking at a few key markets:

- USA: Domestic retailers are reportedly pulling product on existing contracts at a faster than expected pace. This is positive news as consumers appear to be taking advantage of the lower prices that are now hitting the market. While October monthly kernel shipments were down 13%, season to date shipments are up 1%.
- Europe: Kernel shipments to Germany and Spain were strong helping to offset lower inshell shipments to the region. Business has been slower lately as buyers who contracted earlier are patiently waiting to do any further business until they feel the market has stabilized.
- Turkey: Inshell shipments to Turkey are up over 15 million pounds (+106%) versus last season. Strong demand from Turkey has been a welcome relief to inshell packers who have seen slower demand from China.
- UAE: The nut market in Dubai has experienced a complete meltdown over the past couple of months. Despite the trouble in this market, walnut shipments are on pace with last season....it remains to be seen how these shipments will be received upon arrival.
- China/Hong Kong/Vietnam: Shipments of inshell walnuts to this region are down 16.8 million pounds (-41%) versus the same period last season. The past few seasons buyers from China have opened the market and aggressively purchased new crop which gave California a solid base of early sales upon which to base price increases. This season China is facing a large domestic crop, difficult import and money channels, a slowing economy and currency devaluation.
- India: In the second season after approval of phytosanitary protocol for this market inshell shipments are showing rapid growth. Most purchases were done early in the season and will soon start arriving. Sellers in California are optimistic that Indian buyers will come back into the market post Diwali for additional purchases.
- Japan: Season to date kernel shipments are down 2.9 million pounds (-53%) versus the same period last year. Buyers are reported to have 2014 crop inventory which has allowed them to be patient with new crop purchases. Recent offers into this market at lower levels have only acted to further scare buyers away.
- Korea: Season to date kernel shipments are down 2.3 million pounds (-55%) versus the same period last year. Buyers continue to work through the higher priced 2014 crop inventory and have been slow to move into new crop purchases. California growers are optimistic that buyers will enter the market for January forward purchases to take advantage of the lower tariff.

The market remains in a confused state with buyers unsure when to purchase for fear of lower prices tomorrow. Some growers are comfortably sold and holding prices relatively firm. Others are lowering prices to attract sales. Walnuts are among the lower priced tree nuts and present a good value compared to other nuts. Once buyers are confident the market decline is over we are likely to see stronger demand.

Let us know if we may be of further service.

Best regards,  
DERCO FOODS