

### December 2014 Walnut Report

December 2014 shipments were 50,638 inshell equivalent short tons. This is 45 tons more than December 2013.

#### 2014 Walnut Supply

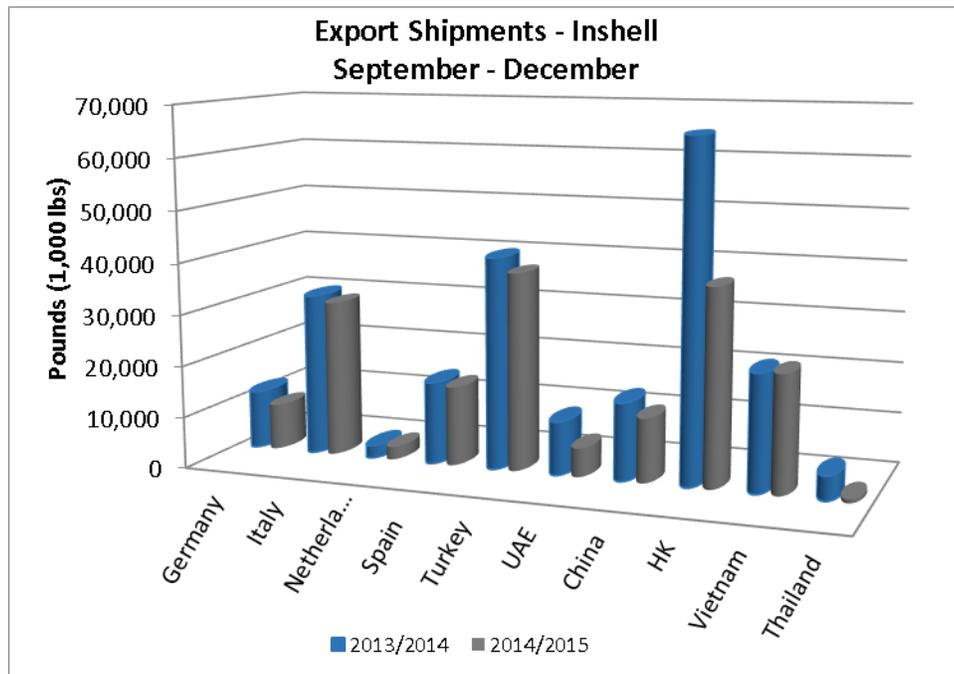
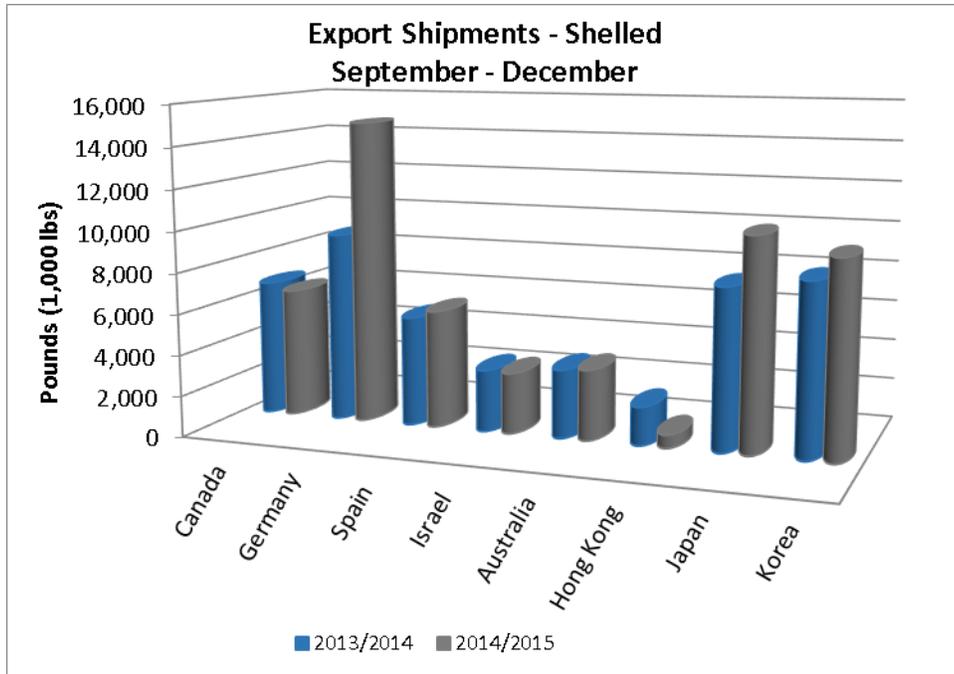
Carry-in from prior season: 38,568  
 2014 Crop Receipts (through Dec. 31<sup>st</sup>): 560,758  
 Total available for shipment: 599,326  
**Less: shipments to date thru Dec 31<sup>st</sup>: 246,500**  
 Remaining supply: 352,826

- 2014 crop receipts through December 31<sup>st</sup> were 560,758 inshell short tons. This is up 72,795 tons (+14.9%) from receipts through December 2013.
- Inshell shipments were 28.9 million pounds for the month of December, a decrease of 5.4 million pounds (-15.6%) compared to December of 2013.
- Season to date inshell shipments are 196 million pounds through December, a decrease of 49.4 million pounds (-20%) compared to the same period last season.
- Shelled shipments were 31.9 million pounds for the month of December, an increase of 2.1 million pounds (+7.2%) compared to December of 2013.
- Season to date shelled shipments are 130.9 million pounds through December, an increase of 6.6 million pounds (+5.3%) compared to the same period last season.

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

Country	<u>Sep 2014 - Dec 2014</u>		<u>Sep 2013 - Dec 2013</u>		% Change Shelled	% Change Inshell
	Shelled	Inshell	Shelled	Inshell		
USA	63,139,910	9,780,688	65,568,514	11,497,962	-4%	-15%
Canada	6,349,677	1,522,204	6,689,292	1,660,014	-5%	-8%
Germany	14,897,478	8,934,388	9,310,389	11,468,925	60%	-22%
Italy	1,120,671	30,508,016	1,127,566	31,736,499	-1%	-4%
Netherlands	1,247,383	2,511,349	1,404,651	2,439,005	-11%	3%
Spain	5,785,233	15,426,705	5,389,442	16,115,398	7%	-4%
U.K.	996,803	395,784	636,064	390,249	57%	1%
Israel	2,984,406	484,828	3,046,059	1,719,295	-2%	-72%
Turkey	46,560	38,425,614	23,100	41,227,975	102%	-7%
UAE	1,586,753	5,566,640	1,968,395	10,424,204	-19%	-47%
Australia	3,455,375	0	3,364,503	56,768	3%	-100%
China	656,100	12,419,595	458,792	15,115,617	43%	-18%
Hong Kong	645,726	37,974,765	1,879,343	65,388,512	-66%	-42%
Vietnam	0	22,766,199	289,650	22,686,172	-100%	0%
Thailand	151,801	705,472	501,785	4,716,494	-70%	-85%
Japan	10,304,473	0	7,858,323	0	31%	0%
Korea	9,488,068	358,384	8,366,618	665,993	13%	-46%
Taiwan	3,111,294	101,138	2,355,970	68,147	32%	48%

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- Shipments of inshell to China (China, Hong Kong, Vietnam and Thailand) are down over 34 million pounds (-32%) compared to the same period a year ago.
  - The reduction in inshell shipments to China is attributed to an increase in the size of the Chinese domestic crop as well as the recent high California walnut prices.
  - There has been some activity this past week for February shipments that will arrive post Chinese New Year, but volumes have been limited.
- Season to date shipments to Western Europe are steady with inshell shipments down 5.5 million pounds (-8.7%) and kernel shipments up 6 million pounds (+32%).
  - Kernel shipments to Germany are up 5.6 million pounds (+60%) versus the same period last year. Strong shipments are expected to continue as some holiday shipments have been delayed due to port congestions.
  - Inshell shipments to Western Europe remain relatively constant to last season with the exception of Germany, which is down 2.5 million pounds (-22%) over last season.
- Shipments through December to the Middle East and North Africa are below last year as countries there continue to purchase cautiously. Inshell shipments to the region are down 10.2 million pounds (-18%) while kernel shipments to the region are up 277 thousand pounds (+4.4%).
  - Inshell shipments are down to Israel (-72%), Morocco (-77%) and U.A.E. (-47%)
  - Kernel shipments are up to Egypt (+161%), Kuwait (+31%) and Saudi Arabia (+49%)
- Shipments of inshell walnuts to India are 1.4 million pounds, 958% increase over this time last year. Last season only 310,000 pounds were shipped to India. Many in California expect India to become an important export destination for California walnuts in the years to come.
- Kernel shipments to Japan through December are up 2.5 million pounds (+31%) compared to the same period last season. Inventories were depleted after an increase in demand driven by news of the health benefits of walnuts in the late spring. There has been minimal buying activity recently as Japan is working through their inventory stocks.
- Kernel shipments to Korea through December are up 1.1 million pounds (+13%) compared to the same period last season. Buyers appear to be well covered but will likely return to the market soon as the tariff on US walnuts reduced by 5% on January 1<sup>st</sup>, 2015.
- New business continues to remain slow with China and the Middle East beginning to come back into the market. Growers who did not participate in the early sales are trying to catch up, and as a result, have driven prices down by about \$0.25-0.35/lb from the highs experienced earlier in the season.
- Demand for light colored inshell and shelled walnuts continues at a steady pace. With limited availability of light colored product remaining in California, we expect that the spread between light product and combo will continue to increase.

Let us know if we may be of further service.

Best regards,  
DERCO FOODS