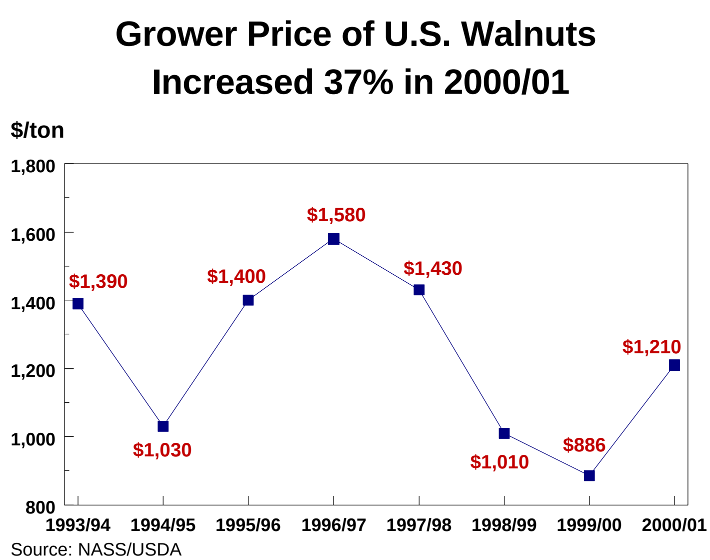
Walnut Situation and Outlook

Walnut production in selected countries in 2001/02 is forecast at 708,262 metric tons, 4 percent above the previous year's output, due primarily to a larger U.S. crop. Exports from China, the world's largest producer, are forecast to remain stable, due to strong domestic demand. World walnut supplies are forecast to increase by 3 percent with a major increase in U.S. production of walnuts. This will likely lower U.S. grower prices, which fell 49 percent from 1996/97 to 1999/00. With expected lower world prices and significantly larger U.S. production of walnuts compared to the previous year, both world consumption and U.S. exports are forecast to increase. The United States is the world's second largest walnut producer and the largest exporter.

United States

The 2001/02 U.S. walnut crop is forecast at 254,012 tons, 17 percent above last year's crop, due to the alternate-bearing nature of the crop. U.S. exports in 2001/02 are expected to reach 108,611 tons, up 5 percent from the previous year, due to higher production and strong worldwide demand. In 2000/01, U.S. grower prices increased 37 percent from the previous year, reversing a three-year declining trend. The major increase in U.S. production of walnuts forecast for 2001/02 is expected to lower grower prices once again. However, this should spur world consumption and contribute to higher levels of U.S. exports in 2001/02. Shipments to Mexico, Australia, Egypt, and some Latin America countries were down in 2000/01 from 1999/00 but were up for Canada, Japan, Israel and the major European markets.



The 2001/02 walnut crop is on the way to being the second largest on record and is expected to contain probably the best quality of any walnut crop harvested in California. This large quality crop, combined with support from the Market Access Program (MAP), as well as publicity following the publication of the several health studies showing the health benefits associated with walnut consumption, is expected to translate into a good export year for walnuts. Exports to MAP-targeted countries of Canada, Germany, Italy, Israel, Japan, Korea and Spain are all slated to grow from 5 to

20 percent over the next 3 years. Spain, Japan, and Germany are still the top three markets, reflecting the strong consumer base in these countries. Also, Germany is the traditional trade center for nuts.

China

China's walnut production has increased for the last several years because of increased planting and bearing acreage, improved walnut varieties, and better tree management. Walnut production in 2000/01 surpassed the initial forecast by 10,000 tons. This was primarily due to the bearing cycle of walnut trees in Southern China and to very favorable weather conditions. However, walnut production in 2001/02 is forecast at 310,000 tons, the same as last year, due mainly to unfavorable weather conditions and the downturn in the bearing cycle of walnut trees. While there is no official data on walnut consumption, it is believed that most walnut consumption takes place in areas of production. The exception is that as walnut demand increases in some urban areas or during holidays such as the Chinese mid-Autumn festival, provincial trade increases to meet growing domestic consumption. It is estimated that 75 to 80 percent of domestically produced walnuts are sold raw each year to individual consumers. There is another estimated 10 to 20 percent of walnuts sold to processors. It is expected, however, that as Chinese companies refine processing technology, processed walnuts will gain some ground in domestic sales. Growing production and stable exports indicate that walnut consumption is growing. This increase is attributable mainly to rising incomes of many Chinese, who not only are demanding greater diversification in snack food preferences and baked goods, but also are becoming increasingly aware of the health benefits of nuts.

China's walnut imports have decreased. However, one trend surfacing is an increase in the volume of imported walnuts of Chinese origin. This occurs when a company within a special economic trading zone may have purchased walnuts from a production base within China. Then, a Chinese importing company may purchase walnuts from this company. The company then sends walnuts from the production base to the procurer and the paperwork gets routed through these special trading zones.

The volume of Chinese exports continues to grow. However, as a percentage of production, walnut exports have been stable. Traders have mixed sentiments regarding whether growing domestic consumption will have a negative impact on China's ability to export walnuts in the future. Traders report that China's market share of international walnut trade is shrinking. Chinese traders feel this is because of the increased production and exports from regional competitors, particularly India. Major export markets of shelled walnuts include the United Kingdom, Canada, Japan and France.

Turkey

The 2001/02 Turkish walnut crop is forecast at 68,000 tons, a slight decrease from last year. This was due mainly to unusually hot and dry weather conditions. Walnuts grow naturally throughout most of Turkey and in the past, they were generally not cultivated but simply harvested from natural forests. However, during the last couple of decades, increasing demand and prices have made walnut cultivation more attractive, leading to increased investment in cultivation. The lack of a systematic crop survey and widely divergent estimates from government and non-official sources make it difficult to accurately estimate production. However, sources agree that walnut production is expected to gradually rise in the next 3-5 years, as new trees with improved varieties reach bearing age and acreage is increased. Per capita consumption is relatively stable in Turkey, with 50 percent of the crop production used for home consumption and the remainder marketed. Most of the marketed walnuts are consumed whole, with only a limited amount being processed. Walnut trade is very limited. Most imports are inexpensive, lower quality nuts from neighboring countries. Higher quality domestic nuts are usually exported.

India

India's 2001/02 walnut production is forecast at 28,000 tons, a decrease of 10 percent from last year's record crop. This is due to lower yields caused by early-season drought and the trees' alternating bearing cycle. Exports are expected to decline to 14,000 tons based on lower domestic supplies and forecast to re-surge to 16,000 tons in 2002/03 based on forecast record production. The current year (2000/01) export estimate has been raised 11 percent to 15,500 tons, based on strong demand from the EU and the United States (due to a smaller crop). Major export destinations during the Indian fiscal years 1999 and 2000 were Spain, Egypt, Germany, Netherlands, U.K., Greece, Italy, and the United States. There are no restrictions on walnut exports and no government export subsidies. Given the high tariffs and strong domestic production, there are few opportunities for imports.

France

In 2001/02, France's walnut production is forecast at 28,000 tons, close to its 2000/01 level. While the weather during the growing period has been favorable, storms in August 2001 have damaged the walnut crop in some regions, but it is still difficult to fully assess their impact. The crop is expected to be of average quality. According the various studies by the French Fruits and Vegetables Technical Institute (CTIFL), French walnut consumption has been relatively stable for several years, at around 17,000 tons. No significant change in consumption is expected for 2001/02.

The 2001/02 import demand for walnuts in France is not forecast to increase significantly, as the crop would be similar to last year. French imports of U.S. in-shell walnuts fell sharply in 2000/01, as the hike in value of the U.S. dollar made U.S. in-shell walnuts uncompetitive compared to shelled eastern European or Chinese walnuts, despite the superior quality of U.S. walnuts. For the same reason, French walnut exports rose significantly in 2000/01, especially to Spain. The United States lost its rank as France's leading supplier of in-shell walnuts in 2000/01, replaced by Moldova and Austria, whereas Moldova provided the bulk of shelled imports. Germany is traditionally France's principal export market for walnuts, although sales declined in 2000/01. Spain is also becoming a large customer for French in-shell walnuts.

Italy

The 2001/02 crop is forecast at 8,000 tons, down 50 percent from the previous year, due to the cyclical nature of the crop and weather developments. Weather conditions have been unfavorable, with cold temperatures reported in mid-April (following a period of unusually warm temperatures), which negatively affected the walnut trees. Production is not expected to expand in the near future, due to declining acreage and lower productivity of older trees. Italy's walnut imports for 2001/02 are expected to increase 67 percent, due to decreased domestic supplies. Excluding minor quantities from France and eastern Europe, most of Italy's imports are U.S. in-shell walnuts, which have accounted for over 80 percent of total in-shell shipments in the past 2 years.

Chile

Chile's 2001/02 walnut crop is forecast to increase 4 percent to 12,250 tons as a result of grafting of existing orchards to higher-yielding varieties, replacement of uprooted orchards with improved varieties, and overall increases in planted area. Exports are forecast to increase slightly in 2001/02, as a result of the higher output. Export volume is also expected to rise in the coming years, reflecting the forecasted expansion in production and better quality, once improved orchards come into bearing. Brazil is the largest Chilean export market both for in-shell and shelled walnuts, far surpassing any other market. Argentina is the second largest market for both in-shell and shelled walnuts. Exports are highly dependent upon Brazilian demand and prices. Only minute volumes of the highest-quality nuts, which can meet the often demanding size and grade specifications of customers such as Germany, are exported to Europe.

The FAS Attaché Report search engine contains detailed reports on Tree Nut Competition or Market Intelligence for 16 countries, including Chile, China, France, India, Italy, and Turkey. (For information on production and trade, contact Erik Hansen at 202-720-0875. For information on marketing contact Ingrid Mohn at 202-720-5330. Also, visit the tree nuts web page at: http://www.fas.usda.gov/htp/horticulture/nuts.html)

WALNUTS: PRODUCTION, SUPPLY AND DISTRIBUTION IN SELECTED COUNTRIES

Country/ Marketing Year 1/	Beginning Stocks	Production	Imports	Total Supply and Distribution	Exports	Domestic Consumption	Ending Stocks
				Metric tons, in-shell basis			
Chile							
1998/99	246	11,300	1	11,547	9,841	1,470	236
1999/00	236	10,000	113	10,349	8,700	1,545	104
2000/01	104	11,800	100	12,004	10,000	1,800	204
2001/02	204	12,250	100	12,554	10,500	1,800	254
2002/03 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A
China							
1998/99	0	251,000	700	251,700	27,000	224,700	0
1999/00	0	274,246	2,582	276,828	29,398	247,430	0
2000/01	0	310,000	500	310,500	32,500	278,000	0
2001/02	0	310,000	1,000	311,000	33,000	278,000	0
2002/03 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A
France							
1998/99	0	24,600	9,500	34,100	16,000	18,100	0
1999/00	0	29,045	11,800	40,845	20,500	20,345	0
2000/01	0	27,800	12,200	40,000	23,000	17,000	0
2001/02	0	28,000	12,000	40,000	21,000	19,000	0
2002/03 F	0	27,000	12,000	39,000	21,000	18,000	0
India							
1998/99	7,850	30,000	0	37,850	12,350	15,000	10,500
1999/00	10,500	28,000	0	38,500	12,000	16,500	10,000
2000/01	10,000	31,000	0	41,000	15,500	17,000	8,500
2001/02	8,500	28,000	0	36,500	14,000	17,000	5,500
2002/03 F	5,500	32,000	0	37,500	16,000	17,500	4,000
Italy							
1998/99	1,500	12,000	15,194	28,694	989	26,705	1,000
1999/00	1,000	18,000	18,000	37,000	1,800	29,200	6,000
2000/01	6,000	16,000	12,000	34,000	1,500	29,500	3,000
2001/02	3,000	8,000	20,000	31,000	1,000	28,000	2,000
2002/03 F	2,000	13,000	16,000	31,000	1,000	28,000	2,000
Turkey							
1998/99	4,500	70,000	2,000	76,500	500	69,000	7,000
1999/00	7,000	70,000	5,000	82,000	500	72,500	9,000
2000/01	9,000	69,000	8,000	86,000	500	75,500	10,000
2001/02	10,000	68,000	8,000	86,000	500	76,000	9,500
2002/03 F	9,500	70,000	7,000	86,500	500	77,000	9,000
U.S.A. 2/ 3/ 4/ 5/							
1998/99	74,099	205,931	171	280,201	99,552	116,684	63,965
1999/00	63,965	256,734	194	320,893	98,199	155,765	66,929
2000/01	66,929	216,817	200	283,946	103,273	119,334	61,339
2001/02 F	61,339	254,012	224	315,575	108,611	131,075	75,889
2002/03	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total							
1998/99	88,195	604,831	27,566	720,592	166,232	471,659	82,701
1999/00	82,701	686,025	37,689	806,415	171,097	543,285	92,033
2000/01	92,033	682,417	33,000	807,450	186,273	538,134	83,043
2001/02	83,043	708,262	41,324	832,629	188,611	550,875	93,143
2002/03 F	N/A	N/A	N/A	N/A	N/A	N/A	N/A

1/ Marketing Years: March - Feb. for Chile; Aug. -July for the United States; Sept. -Aug. for Italy and Turkey; Oct. - Sept. for China, France, and India

2/ U.S. export and import data come from the Bureau of the Census with forecasts by Foreign Agricultural Service (FAS)/USDA.

3/ U.S. domestic shelling ratios for U.S. exports and imports for 1998/99, 1999/00 are .414 and .416 respectively and originate from National Agricultural Statistics Service (NASS)/USDA. For 2000/01 and 2001/02, FAS used shelling ratios of .412 and .414 respectively, averages based on the preceding three years.

4/ U.S. stock data comes from theWalnut Marketing Board (WMB).

5/ U.S. production forecast for 2001/02 by NASS.

F=Forecast.

SOURCES: U.S. Agricultural Attache Reports, Bureau of the Census, WMB, and NASS/USDA

U.S. Exports of Walnuts to Principal Markets 1/

Marketing Years 1996/97 - 2000/01

Destination	1996/97	1997/98	1998/99	1999/00	2000/01
	metric tons, shelled and in-shell total				
Argentina	611	209	237	287	138
Australia	1,371	2,129	1,749	1,582	1,410
Bahamas; The	12	21	14	13	0
Bahrain	0	0	0	0	10
Bermuda	15	19	14	11	0
Brazil	3,014	1,248	1,740	1,070	889
Canada	4,670	4,148	3,984	4,834	5,361
Chile	20	0	0	0	202
China	10	0	0	152	0
Costa Rica	2	5	1	11	12
Ecuador	248	149	181	96	108
Egypt	309	730	136	480	400
European Union	52,161	41,208	38,894	34,709	41,283
Guatemala	6	8	21	23	77
Hong Kong	161	196	127	671	68
Israel	2,483	3,439	2,629	3,034	3,184
Japan	10,941	7,979	7,157	9,248	12,657
Korea; Republic of	727	1,568	272	598	1,340
Malaysia	17	1	0	14	2
Malta & Gozo	129	207	93	60	132
Mexico	242	3,568	7,210	2,588	2,458
New Zealand	94	98	64	55	48
Norway	539	523	341	255	502
Panama	66	22	190	73	65
Peru	0	0	19	9	0
Philippines	42	20	49	90	156
Saudi Arabia	20	1	1	48	26
Singapore	31	163	54	61	41
South Africa	55	75	21	21	30
Switzerland	320	272	348	34	74
Taiwan	712	1,062	1,111	1,034	1,094
United Arab Emirates	0	0	70	0	27
Uruguay	27	9	22	33	21
Venezuela	311	1,062	565	699	1,092
Other Countries	96	130	142	1,061	351
Grand Total	**79,460**	**70,269**	**67,458**	**62,957**	**73,258**

1/ Marketing years, August - July.
Note: All data from the Bureau of the Census.