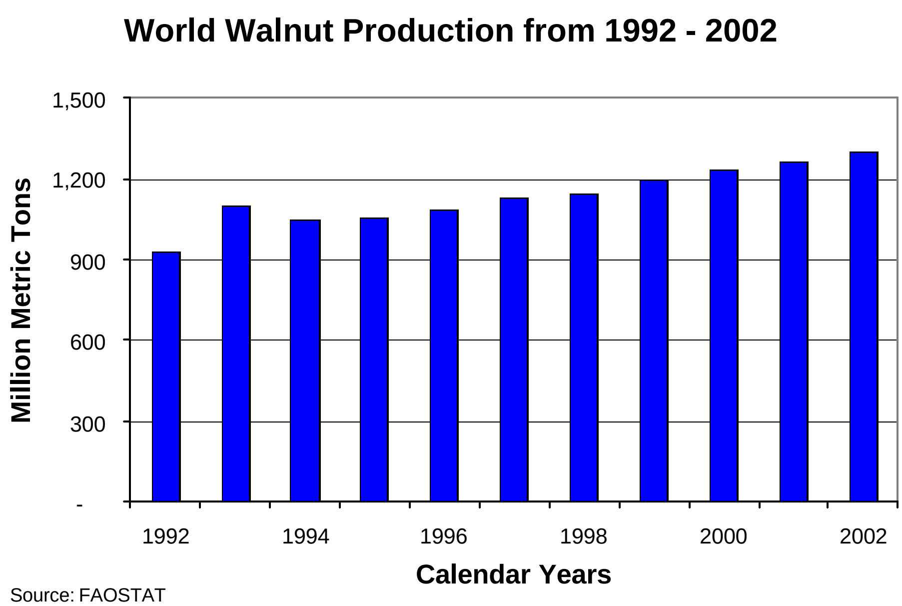
World Walnut Situation & Outlook

Production

According to the Food and Agriculture Organization, the top six walnut producers in Calendar Year (CY) 2002 were China at 285,000 metric tons (22 percent share of the world's production), followed by The United States (256,000 tons, 20 percent share), the Iran (160,000 tons, 12 percent share), Turkey (136,000 tons, 11 percent share), Ukraine (55,000 tons, 4 percent share), and Romania (33,000, 3 percent share). From 1992 to 2002, world production increased 29 percent to 1.3 million tons. While many U.S. walnut growers have expressed concern over the impressive Chinese production figures, high levels of Chinese consumption and the increasing incomes and sophistication of Chinese consumers leave room for imported products to compete (see FAS Attaché Report #CH3120 for further details).

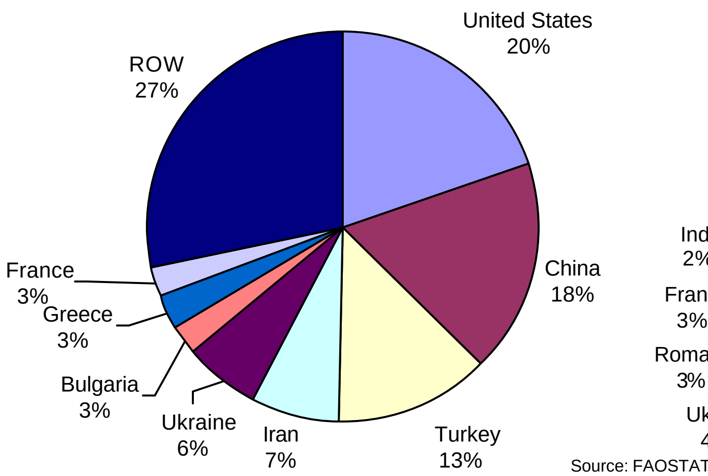


U.S. walnut production for Marketing Year (MY) 2002/03 was 255,825 tons, down 10 percent from the prior marketing year. While this year's crop was in a downswing of the production cycle, this crop is still the third largest on record. Production for MY 2003/04 is forecast to be a record 285,760 tons, up 12 percent from MY 2002/03 and up 3 percent from the large MY 2001/02 crop.

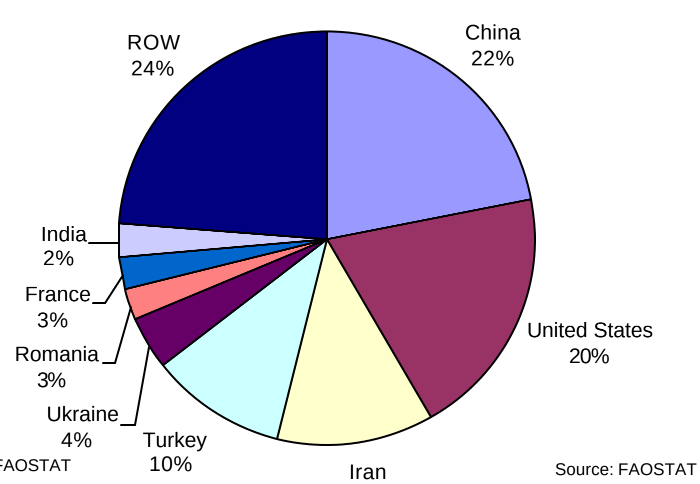
Walnut production in Turkey is expected to grow as increasing demand and market prices attract producers. The MY 2003/04 production forecast for Turkey is 69,000 tons, up 15 percent from the prior marketing year. Public and private sector interest in walnut production has resulted in the development and propagation of improved varieties. While total walnut acreage has gradually been increasing, there is a definite shift towards planting the improved varieties, which will boost future yields.

France is the leading European walnut producer. However, French walnut production is expected to be severely curtailed in MY 2003/04 due to the drought. In addition, the harvest is expected to have an increased share of smaller nuts which will result in lower grower prices.

World Walnut Production for 1992



World Walnut Production for 2002



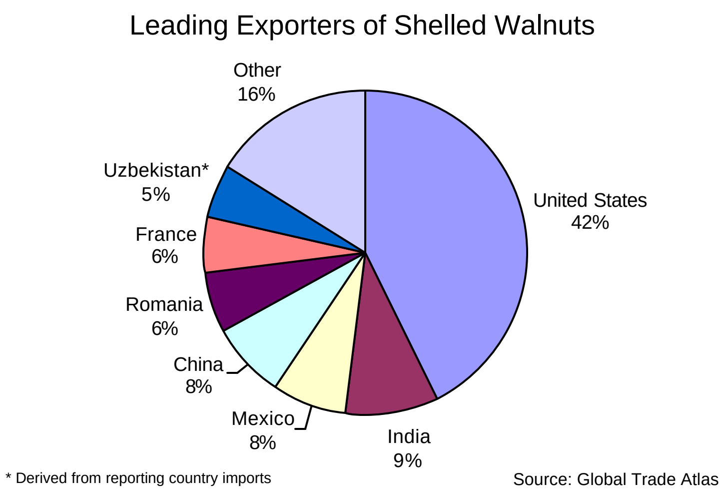
Favorable weather conditions have raised estimates of the Indian walnut crop to be higher than last year even though they are in the downswing of the production cycle. The expected tree nut size is up 10 percent from last year. No pest or diseases were reported. With the upswing in the production cycle, MY 2004/05 is forecast to be 33,000 tons assuming normal weather. The majority of walnuts are grown under rain fed conditions with little or no irrigation; the crop is very susceptible to weather conditions. The area of planting has not increased due to stagnant grower prices and conflict in the Kashmir region.

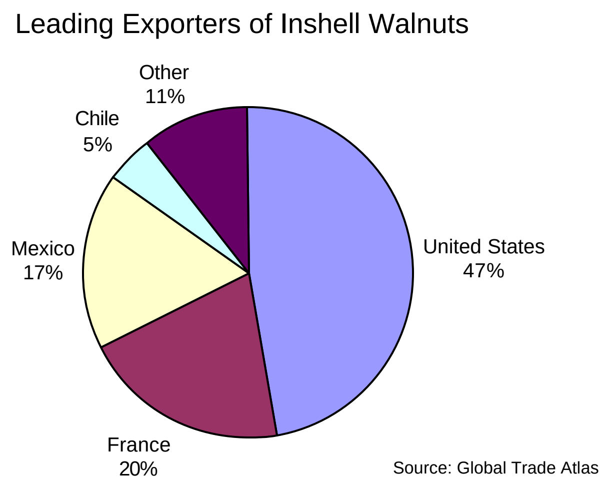
The weather has also impacted the Italian walnut crop, but not as severely as France. While the crop is expected to be smaller, decent weather in the Campania region has created a good harvest of good quality with larger nut size. Planted area is not expected to expand greatly in the near future.

Exports

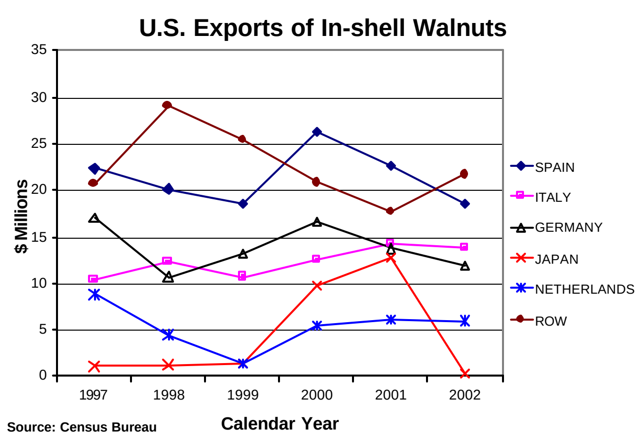
According to Global Trade Atlas, a total of $404.8 million dollars of walnuts were exported by the reporting countries. Of this, 62 percent of the value was shelled walnuts at $251 million with in-shell walnuts accounting for 38 percent valued at $153 million.

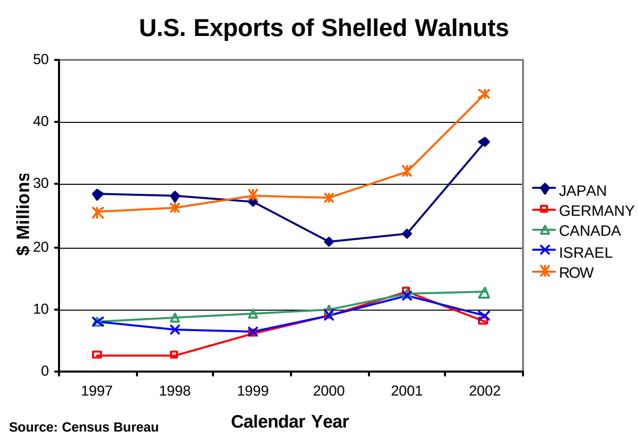
United States





In both commodities, the United States is the leading exporter with over 45 percent share of exports among the countries in the GTA database. Since 2000, exports of walnuts (shelled and in-shell) have grown 9 percent to reach $183 million in CY 2002. Of this, 40 percent or $72 million were in-shell walnuts while the remaining 60 percent ($111 million) were shelled walnuts. Leading exports destinations for in-shell U.S walnuts are primarily EU countries (Spain, Italy, and Germany). Leading destinations for shelled exports include Japan, Germany, Canada and Israel.





However, the U.S. walnut exports statistics to Japan are misleading. For CY 2002, many in-shell walnut exports to Japan were reclassified by the Department of Commerce as shelled walnuts, which accounts for the sudden decline of in-shell walnuts exports and a concurrent surge in shelled walnut exports to Japan. It is unclear how long the misclassification occurred, and it may affect 2000 and 2001 data.

France

France is the largest producer and exporter of walnuts in the European Union. Most French exports are to neighboring European countries. France is an important competitor in main U.S market. While France is a net exporter, recent increases in imports indicate a market opportunity for foreign producers to serve the in-shell market due to the prevalence of smaller size nuts among the French harvest. However, as most in-shell walnut consumption is seasonal, this will not be a long-term prospect. The U.S. best market opportunity is in shelled walnuts and pieces. The in-shell market is dominated by the domestically produced and appellation labeled walnuts.

India

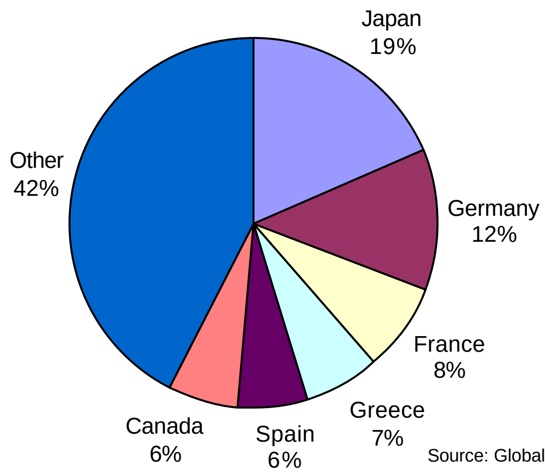
The bulk of India's exports of shelled walnuts are sold to European countries, primarily Spain, Greece, Germany and France. Exports depend upon domestic prices and demand. Domestic demand is growing in India and the prices have remained firm. The present tight stocks and strengthening rupee has caused the export forecast to be lowered. However, given the strong domestic production and relatively high tariffs, there is little chance for imports.

China

Reported exports of Chinese walnuts indicate a general upward trend. However, most of the Chinese export market is to regional neighbors and the Middle East. The Chinese do not feel threatened within this territory, as their nuts are cheaper with shorter supply routes. While China usually imports mostly in-shell walnuts, lowered tariffs and increased knowledge of shelled nuts in the bakery sector have increased imports of shelled walnuts. Improvements of in-shell production of walnuts have reduced the need for importing in-shell walnuts. Chinese shelled walnuts are finding markets in developed countries. Germany and Japan are key markets for Chinese shelled exports.

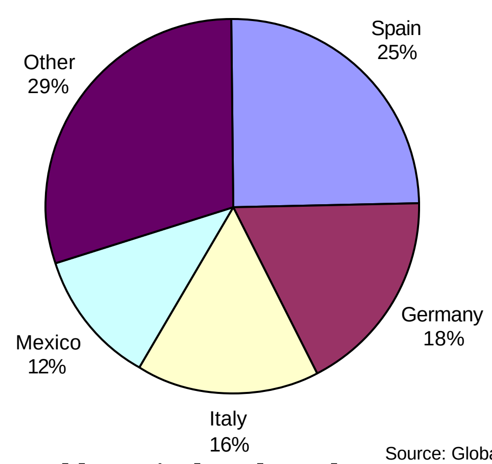
Imports

Leading Importers of Shelled Walnuts



Source: Global Trade Atlas

Leading Importers of Inshell Walnuts



Source: Global Trade Atlas

The top five walnut importers (shelled and in-shell) in 2002 were Germany ($53.4 million), followed by Spain ($47.6 million), Japan ($46.5), Italy ($28.5 million), and Mexico ($19.7 million), according to Global Trade Atlas statistics. For EU external trade, the United States is the most important trading partner. The United States has 26 percent of EU imports of shelled walnuts and 91 percent of in-shell imports. The second largest supplier of in-shell walnuts to the EU is India with 18 percent of the import market. For shelled walnuts, Chile is the second largest supplier to the EU with nearly 5 percent of the market in CY 2002.

Germany

Germany as the world's largest importer of walnuts, imported $29.8 million of shelled and $23.6 million of in-shell walnuts in CY 2002. The United States was the dominant supplier for both categories, with 28 percent of shelled and 53 percent of in-shell walnut imports. Shelled imports from the United States have gradually been increasing since 1997 from 13 percent to 28 percent. German imports of in-shell walnuts have undergone a steady decline since 1997, the U.S. market share has also decline from 67 percent in 1997 to 53 percent in 2002.

Spain

In CY 2002, Spain imported $33 million of in-shell walnuts and $14.6 million of in-shell walnuts. In both categories, the United States was the leading supplier of walnuts to Spain accounting for 73 percent and 49 percent of imports respectively. France is increasing its share of the in-shell marketing, accounting for 21 percent of Spanish imports in CY 2002. India is the main U.S. competitor for Spain's shelled market with 32 percent of the market in CY 2002.

Japan

In CY 2002, Japan imported over $46 million of walnuts, of which 98 percent were shelled walnuts. The leading supplier to Japan is the United States supplying 88 percent of shelled and 91 percent of in-shell imports. However, walnut imports from China are expected to be a source of increasing competition.

Italy

In CY 2002, Italy imported $28 million worth of walnuts. Of this, 75 percent were in-shell walnuts and 25 percent were shelled walnuts. The United States is the predominant supplier of in-shell accounting for 72 percent of Italian imports. However, Chile has recently edged the United States as the main supplier of shelled walnuts. In CY 2002, Chile surpassed the United States in exports, claiming 22 percent of Italian shelled imports compared to 21 percent for the United States.

Mexico

Mexico's walnut trade is mostly with the United States. Mexico's total walnut imports for CY 2002 were $19.7 million with 78 percent as in-shell walnuts and 12 percent as shelled. The United States supplies 100 percent of in-shell and 95 percent of shelled walnut Mexican imports.

(The FAS Attaché Report search engine contains reports on the walnut industries for more than 4 countries, including China, France, Spain, Italy, and India. For information on production and trade, contact Kyle Cunningham at 202-720-2083. For information on marketing contact Ingrid Mohn at 202-720-5330.)