

Walnut Situation and Outlook

as of April, 1948

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Walnut production in the United States—California and Oregon—now is about 70,000 tons per year compared with 56,680 tons in the prewar period—1935–1939.

Total acreage has been almost constant for about 10 years, but yields have been and still are increasing with age of the trees.

Production in southern California is decreasing and is being more than replaced by increasing production in northern California.

Supplies of other competing tree nuts—domestic production and imports—are increasing faster than walnut supplies.

About one third of the domestic production of walnuts is now being shelled.

The more remunerative domestic in-shell market is now taking about 25% more walnuts than before the war.

Imports and exports of walnuts during and since the war have been of little importance.

Walnut prices already are adjusting downward to postwar conditions.

Prices

Farm prices for walnuts in California have ranged from 8¾¢ a pound in 1932 to 28½¢ in 1946. During the 1920's farm prices averaged 18½¢ a pound, 11¢ during the 1930's and 20¢ for the period 1940–1946.

Parity prices for walnuts are mentioned here because the diversion control program cannot operate when actual farm prices reach parity, nor is it likely that any subsidies will be forthcoming if actual prices are anywhere near parity prices. Farm prices for walnuts have been considerably below parity except for the years 1930, and 1943 through 1946.

Walnut prices are, of course, determined basically by supply and demand. The marketing control program attempts to increase returns by affecting supplies in the various outlets, and advertising programs attempt to raise prices by affecting demand. Both of these programs no doubt have raised farm prices, although it is impossible to measure exactly their effects. In addition, government subsidies also have increased farm prices.

Supply

Supply is made up of domestic production, imports, and carryover.

Domestic production does vary and is an important factor affecting prices from year to year.

Imports are less important than they were formerly, but with the war over they may be more important in the future than they have been for the last 10 years.

Carryover is considered to be a rather important factor. The industry feels that a large carryover in the hands of the trade is more price-depressing than an increase in production of the same size as the carryover.

Demand

Demand consists of (a) the consumer's desire for walnuts coupled with (b) purchasing power to buy.

Since 1930 domestic purchasing power has been the most important factor determining the level of farm prices for walnuts, and doubtless will continue to be. When domestic purchasing power changes, other things remaining equal, walnut prices also can be expected to change.

Many things affect the consumers' desire for walnuts, such as the season, changes in ideas of diets, the quality of walnuts offered for sale, and the quality and volume of competing nuts available, etc.

While consumer demand in relation to supply determines retail prices, there is another factor which is quite important in determining the level of farm and wholesale prices and that is trade demand.

Trade demand is not for consumption but for resale. The trade, when purchasing walnuts must attempt to estimate what consumers will pay for walnuts. Trade demand is very sensitive to price and market changes. Prospects of advancing prices stimulate trade demand, while an increase in size of carryover, as in 1947, dampens demand.

Factors Affecting Price

It is apparent that no single factor alone determines farm prices for walnuts.

In any season there are usually several prominent factors affecting walnut prices. Sometimes most of them may be (a) operating in the same direction to lower prices, or (b) at other times in the opposite direction to raise prices, or (c) they may be operating in different directions so that their effects on prices are

neutralized. Examples of such situations are as follows: (1) In the early 1930's increasing production coincided with sharp declines in purchasing power and prices fell drastically; (2) during World War II purchasing power increased greatly at the same time competing foreign nuts were not generally available and prices rose sharply; (3) price factors tended to offset one another in 1947, when record purchasing power and a modest-sized crop, both price-raising factors, were more than offset by a very large carryover, increased volume of competing nuts, and average poor quality of the 1948 walnut production.

Outlook

In the next five to 10 years supplies of walnuts should increase from domestic production and perhaps from increased imports. Supplies of competing tree nuts, both domestic and foreign, will increase also. Export outlets for walnuts appear small.

Satisfactory outlets for walnuts are dependent upon adequate domestic purchasing power. If domestic purchasing power declines, lower prices for walnuts seem inevitable. Prices for walnuts in any one year will, of course, be dependent not only on purchasing power but upon the size of the crop, its quality, carryover and the volume of competing nuts.

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