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Commodity Profile: English Walnuts

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California is the main producer of English walnuts in the United States and produces 99 percent of the nation's walnuts. The term "English" applied to walnuts is a misnomer. It apparently refers to the English merchant marines whose ships transported the nuts for trade around the world. There are two species of walnuts, the English (*Juglans regia*), which originated in Persia, and the black walnut, which is native to the United States.

In California, there are over 30 varieties of commercially produced walnuts, all of which are hybrids of the English walnut. The Northern California black walnut is primarily used as the rootstock for English walnut cultivars. The black walnut is of high flavor, but due to its hard shell and poor hulling characteristics it is not grown commercially for nut production. The Eastern American Black walnut is grown east of the Rocky Mountains primarily for wood and veneer.

The California walnut industry is made up of over 5000 walnut growers and about 55 walnut processors. A federal marketing order is in place for walnuts, which established the Walnut Marketing Board and regulates that all walnuts be inspected and certified as meeting strict USDA specifications.

Production

California production of walnuts amounted to 325,000 tons in 2003, higher than the five year average (1999-2003) for California production of 286,000 tons. Production has clearly increased from 260,000 tons in 1993 (five year average for 1989-1993 totaled 236,000 tons). However, production has fluctuated over the years due to the alternate bearing cycles of walnut trees. Harvests were particularly low at 208,000 tons in 1996 and 227,000 tons 1998.

Total walnut acreage in California has been increasing. In 1993, walnut trees were grown on 175,000 acres. By 2003, acreage had risen 17 percent to 205,000 acres.

Consumption

Per capita consumption of walnuts has changed little during the 1990s, decreasing slightly from 0.45 pounds per person in 1990 to 0.43 pounds per person in 2001.

Tariff rates and policy changes resulting from NAFTA

The United States charges 7 cents per kilogram on in-shell walnut imports and 26.5 cents per kilogram on shelled walnut imports from countries with which the United States maintain normal trade relations. Trade partners without normal trade status with the United States face tariffs of 11 cents per kilogram and 33.1 cents per kilogram for shipments of in-shell and shelled walnuts into the United States.

Canada did not impose a tariff before signing the Canadian-U.S. Free Trade Agreement (CUSTA) in 1988. Before NAFTA became effective in 1994, Mexico imposed a tariff of 20 percent on walnut imports from the United States. The Mexican tariff was eliminated immediately upon NAFTA's implementation.

The U.S. tariffs for imports from Canada were eliminated over 5 years in the case of in-shell walnuts and over 10 years in the case of shelled walnuts. The tariffs for imports from Mexico were eliminated upon NAFTA's implementation in 1994.

Exports

The United States is a net exporter of walnuts with California being the only walnut exporting U.S. state. In 2003, walnut exports were \$213.9 million, ranking among California's top ten export commodities. In 2003, the export value in 2003 was up 16 percent from 2002 and up 77 percent from 1989. Shelled walnuts made up the majority of the export value at \$122.1 million. In-shell walnut exports accounted for \$91.6 million.

According to the California Walnut Marketing Board, the industry shipped approximately 40 percent of the harvested crop overseas.

The top export destinations in 2003 for California walnuts were the European Union (Spain, Germany and Italy received 40 percent of exports) and Japan (16 percent). Canada accounted for 9 percent of total walnut shipments from the United States and Mexico for 1 percent.

Total exports rose constantly during the first half of the 1990s from \$120.8 million in 1989 to \$201.4 million in 1996 (a 66 percent increase). In 1997, the value of exports fell to \$153 million and was even lower at \$147.5 million by 1999 (Figure 1). In 2000, exports began to recuperate, reaching \$213.9 million in 2003.

Throughout the 1990s, in-shell walnuts were the most important walnut export product of the United States. In 1989, two-thirds of the exports were in-shell walnuts. However, by 2001, shelled walnuts had a higher export value than in-shell walnuts. Shelled walnut exports consistently increased in value from \$34.3 million in 1989 to \$122 million in 2003 (Table 1).

Walnut exports to Canada were valued at \$18.2 million in 2003 and have more than quadrupled since 1989 (Table 2). From 1989 to 1990, total value of walnuts exported to Canada doubled to \$8.8 million. Exports averaged \$11.9 million during the 1990s. In 2003, exports jumped to \$18.2 million, with shelled almonds making up 79 percent of the export value. In 1989, the value of exports was almost equally made up of shelled and in-shell walnut shipments (Table 2). In-shell walnuts in 2003 were slightly higher than in 1989.

Trade with Mexico has fluctuated during the post-NAFTA era. U.S. walnut exports to Mexico were relatively low until 1993, the year before NAFTA, when they

surged to \$1.8 million (Figure 4). Exports were \$5.7 million in 1998 and peaked a year later at almost \$15 million. In 2003, walnut exports to Mexico fell to \$1.7 million. The majority of exports in 2003 consisted of shelled walnuts.

Imports

In 2003, the total shelled walnut imports into the United States were valued at \$395,000, down from \$1.7 million in 2001, and came mainly from Brazil, China and the Ukraine. Walnuts were imported from Canada and only a small quantity of in-shell walnuts (valued at \$6,000) entered from Mexico.

Prices

When taking into account inflation and adjusting for 1996 dollars, California walnut prices were in 2002 at \$976 per ton lower than at \$1,285 in 1989. However, prices fluctuated strongly during the last decade, ranging from \$1,580 per ton in 1996 to \$846 per ton in 1999.

Sources

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Tables and Figures

Table 1: Total California walnut exports, in million \$, 1989-2003

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Shelled	38.7	51.0	67.3	60.7	66.4	66.6	77.9	72.6	72.6	77.1	78.0	92.0	98.4	122.2
In-shell	91.5	85.4	77.1	80.5	88.1	110.6	123.4	80.4	77.9	70.4	91.4	87.1	85.4	91.7
Total	130.2	136.4	144.5	141.2	154.5	177.2	201.4	153.0	150.5	147.5	169.3	179.1	183.9	213.9

(Source: U.S. Customs Service)

Table 2: Walnut exports to Canada, in \$ million, 1989-2003

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Shelled	2.3	4.9	8.6	9.8	8.1	7.5	7.4	8.8	8.0	8.6	9.3	10.0	12.6	12.7	14.3
In-shell	2.1	3.9	3.6	3.6	3.6	3.5	3.2	3.8	3.2	2.7	3.0	3.2	3.0	3.6	3.8

(Source: U.S. Customs Service)

Figure 1: California walnut acreage, 1991-2003

(Source: National Agricultural Statistical Service)

1000 acres

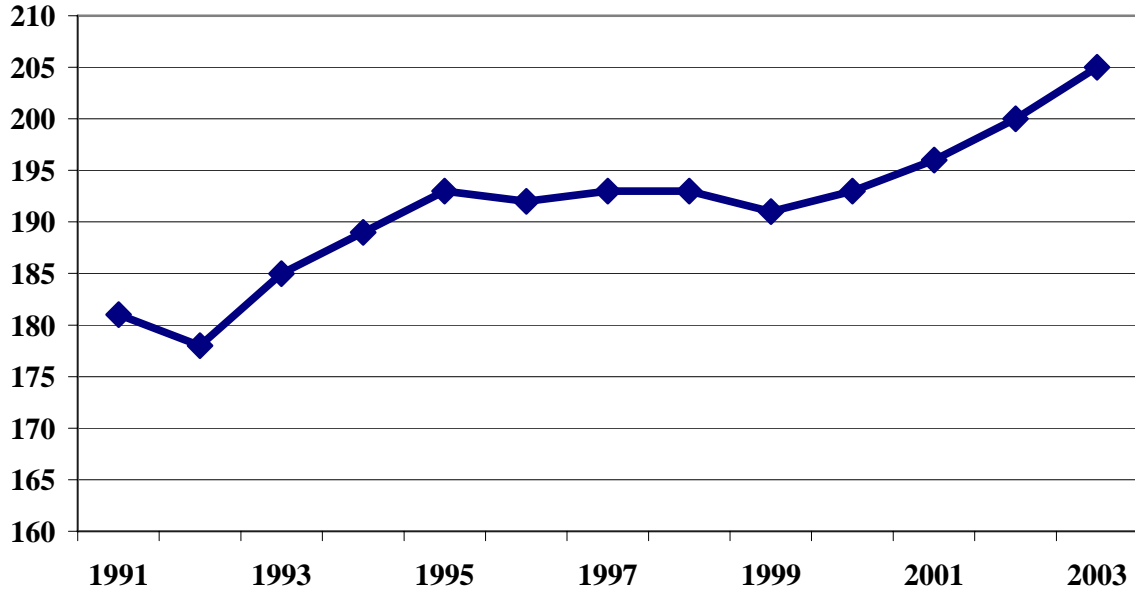


Figure 2: Production of California Walnuts, 1991-2003

(Source: National Agricultural Statistical Service)

tons

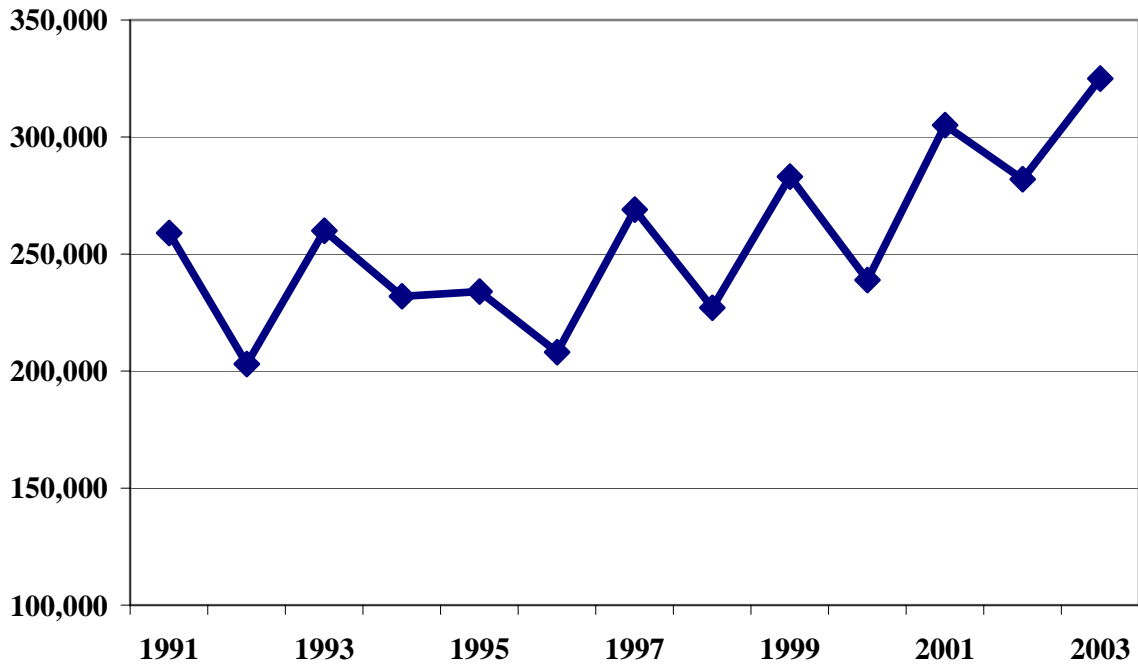


Figure 3: Total U.S. Walnut Exports, 1989-2003
 (Source: U.S. Customs Service)

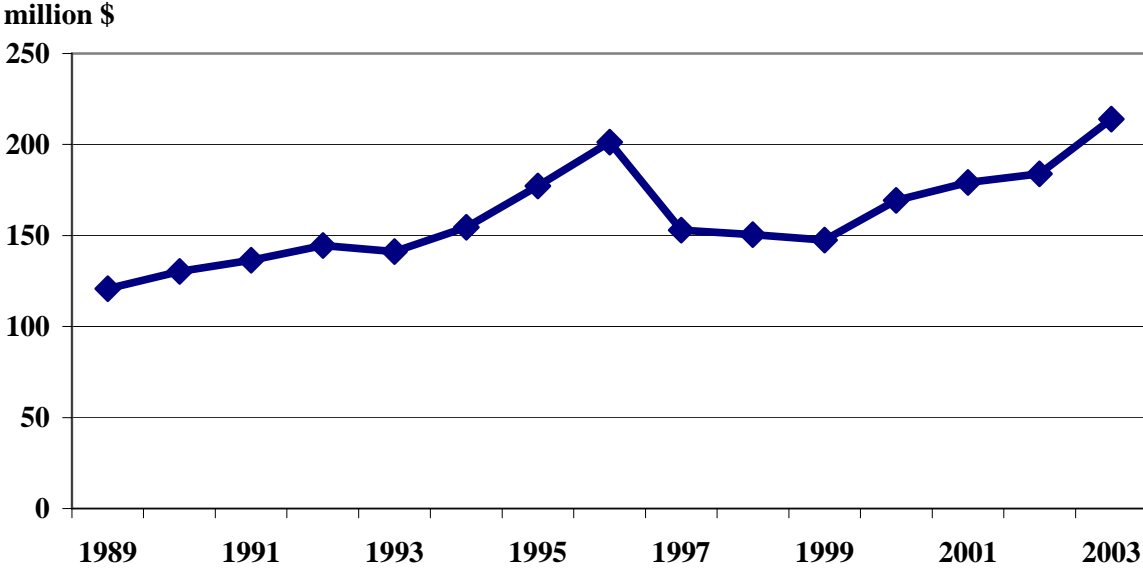


Figure 4: U.S. walnut exports to Canada and Mexico, 1989-2003
 (Source: U.S. Customs Service)

