

# Walnut bubble may be bursting in Sacramento Valley

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To longtime farmer Dan Silva, the surge in walnut-tree planting has had the feel of a gold rush.

In Yuba and Sutter counties, where Silva's family has farmed since 1904, recently planted English walnut trees abound – their trunks painted a protective white and their leafy limbs beckoning the sun.

“There are more walnuts being planted in California now than I've ever seen before,” Silva said.

Forget almonds, the other nut tree that's become a cash crop in California. In Yuba County, walnuts have become the leading agricultural commodity, surpassing both rice and grapes. In 2014, the walnut harvest was valued at \$83 million – a 360 percent increase from 2004.

In adjacent Sutter County, walnuts outpaced rice as the most valuable commodity for the first time this past year. Walnut acreage also is on the rise in Yolo and Sacramento counties.

The increased planting reflects a historic spike in walnut prices, caused in part by demand from countries such as China and Turkey.

In 2009, the in-shell value of English walnuts was 85 cents per pound in California, according to the U.S. Department of Food and Agriculture. By 2014, the average per-pound price had nearly doubled to \$1.62. During that time, walnut theft became an issue in the Sacramento Valley, forcing counties to adopt ordinances making it illegal to sell walnuts before Nov. 1, just after the end of harvest season.

But this year many farmers, including Silva – who, along with his son Chris, runs the California Valley Nut Co. in Yuba City – are worried there's a walnut bubble and it may be bursting. Although Chris Silva said per-pound prices are around \$1.65 so far, that's down from 2013's average of \$1.86. And in other parts of the state, [growers have expressed concern](#) about prices dropping to as low as \$1.10 per pound.

It takes four to seven years for a walnut tree to start producing. A single walnut tree can yield more than 100 pounds of nuts. New trees, planted as prices began to rise, have started to bear fruit, and farmers such as Dan Silva fear an oversaturation in the market. “The excess planting is sure to cause a problem,” he said.

The growth in walnut production is a statewide phenomenon. In 2014, California produced 570,00 tons of walnuts. By contrast, the state produced 272,000 tons of walnuts in 2002. This year, the USDA is forecasting a record crop of 575,000 tons.

Silva is part of that trend. This year, he is adding 50 acres to the 250 acres of walnuts he currently farms, despite a possible slowing in prices. Silva said he ordered more trees and micro-jet irrigation equipment at the top of the market, and he plans to forge ahead using what he purchased.

He's doing so amid the historic four-year drought. Sutter County has seen a 25 percent reduction in water allocations for some farmers.

Other farmers in the area also have plans for expansion despite a softening world market.

“Even though prices are going down, we're going to increase our planting,” said Matt Conant, who farms walnuts across 800 acres in Rio Oso, in Sutter County. Conant said he plans to add 150 acres of walnut orchards to his operation.

The Conant family has been farming since the 1920s. They originally planted prunes, peaches and apricots. Then alfalfa. Walnuts were planted as an experiment. Today, Matt Conant farms walnuts almost exclusively.

“I’m really concerned we’re overplanting walnuts and haven’t developed the market to support the planting we already have,” Conant said. “We may be shooting the golden goose.”

Farmers said they’ve seen a decrease in demand from China, which has experienced strong walnut crops of its own over the past two years. Further complicating matters, the dollar continues to surge – an unwelcome development for farmers who rely on foreign markets.

Another factor leading to a walnut glut is a shift in the way walnut orchards are planted. Many new orchards pack trees in a higher-density pattern than seen previously. The USDA says the 2015 crop shows an average of 72 trees per acre, up from less than 46 trees per acre in 1990.

The potential turbulence in the market hasn’t gone unnoticed at the California Walnut Board. The industry organization has launched a \$15 million TV, print and digital marketing campaign – the first in its history. The goal: growing the domestic market, said Dennis Balint, executive director of the walnut board.

“Only about 21 percent of the households in the U.S. buy walnuts on a regular basis,” Balint said. “We were waiting for a time when we thought we needed to create demand domestically.”

That time has arrived, and the board’s focus is welcomed by Silva, who said he is searching for a more stable customer base. In the past, he exported 100 percent of his product – with almost half of his walnuts going to China and the rest going to Turkey.

The Chinese market is a volatile one, Silva said. The U.S. and China account for more than 75 percent of total walnut production. However, only 1 in 4 Chinese walnut crops is considered strong enough to temper that country’s demand for U.S. walnuts, Silva said.

Silva believes California growers may have priced themselves too high this past year. “China has gotten aware of the situation,” he said. “It may be they realized we were abusing them on prices.”

Selling to Turkey brings different obstacles, he said. That country prefers to import walnuts still in shells. However, in-shell walnuts are subject to a 42 percent tax.

Meanwhile, other countries, such as India and Chile, are jumping on the walnut bandwagon, which likely will drive down walnut prices.

“That’s going to take its toll,” Silva said.

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English walnut in-shell price per pound in California

2009 – 85 cents

2010 – \$1.02

2011 – \$1.45

2012 – \$1.51

2013 – \$1.86

2014 – \$1.62

Source: USDA; figures derived from price per ton