DERCO FOODS®

2670 West Shaw Lane, Fresno, California 93711 U.S.A.
Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com

November 2017 Walnut Report

November 2017 shipments were 99,091 inshell equivalent tons. This is down 10% (-10,848 tons) compared to November 2016 but is still the second largest November shipment figure on record.

2017 Walnut Supply (inshell tons)

Carry-in from prior season:	55,976
2017 Crop Receipts:	614,565
Total available for shipment:	640,541
Less: shipments to date thru Nov 30:	229,891
Remaining supply:	440,650

- Crop receipts through November 30 are 614,565 inshell tons. It is safe to assume this will be near the final receipt figure for the season. Receipts are down 10% (-69,773 tons) from the 2016 crop. This is the second largest production on record from California.
- Inshell shipments were 78.5 million pounds for the month of November, a decrease of 23 million pounds (-23%) compared to November of 2016.
- Season to date inshell shipments are 197.4 million pounds through November, a decrease of 88 million pounds (-31%) compared to the same period last season.
- Shelled shipments were 52.8 million pounds for the month of November, nearly identical to November of 2016.
- Season to date shelled shipments are 115.7 million pounds through November, a decrease of 16 million pounds (-12%) compared to the same period last season.

November shipments from California were good, trailing only November 2016. Dramatic reduction of inshell shipments to China (including China, HK, Vietnam, Thailand) and Turkey were offset by higher shipments to Western Europe and stable shipments to most other regions.

Now that we have a good idea of total crop receipts, we can evaluate remaining marketable inventory. Marketable supply as of November 30th of about 440,650 inshell tons is about 16,000 tons (-3.7%) less than the industry held at the same period last season. The smaller crop (compared to last season) has been matched by slower shipments leaving the industry in a similar position to last season looking forward.

If shipments the remainder of the season (Dec – Aug) are equal to last season's totals, the carryout would be nearly identical to last season. Assuming shipments trail last season by 10% for the remainder of the crop year, the carryout would increase to about 92,000 inshell tons. With prospects for a large 2018 California crop and growing supply from competing regions (China, Chile, Eastern Europe), growers in California are likely to carry as little volume over as they can. Most growers will want to be sold out this spring with only those servicing annual contracts likely to carry inventory into the summer months.

There is good supply of inshell Chandler remaining in California. Most other varieties have been largely sold including Hartley which had a short crop. If demand slows over the next 1-2 months, we could see the market move lower as growers attempt to sell remaining inventory ahead of warmer spring months and competition from Chile. If demand increases, we are likely to see the market remain fairly stable. Markets to watch include China for post Chinese New Year shipments (as domestic crop inventory is likely to be exhausted) and Turkey/UAE/Middle East/North Africa for product in time to meet Ramadan (as Chilean product will be too late).

DERCO FOODS®

2670 West Shaw Lane, Fresno, California 93711 U.S.A.
Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com

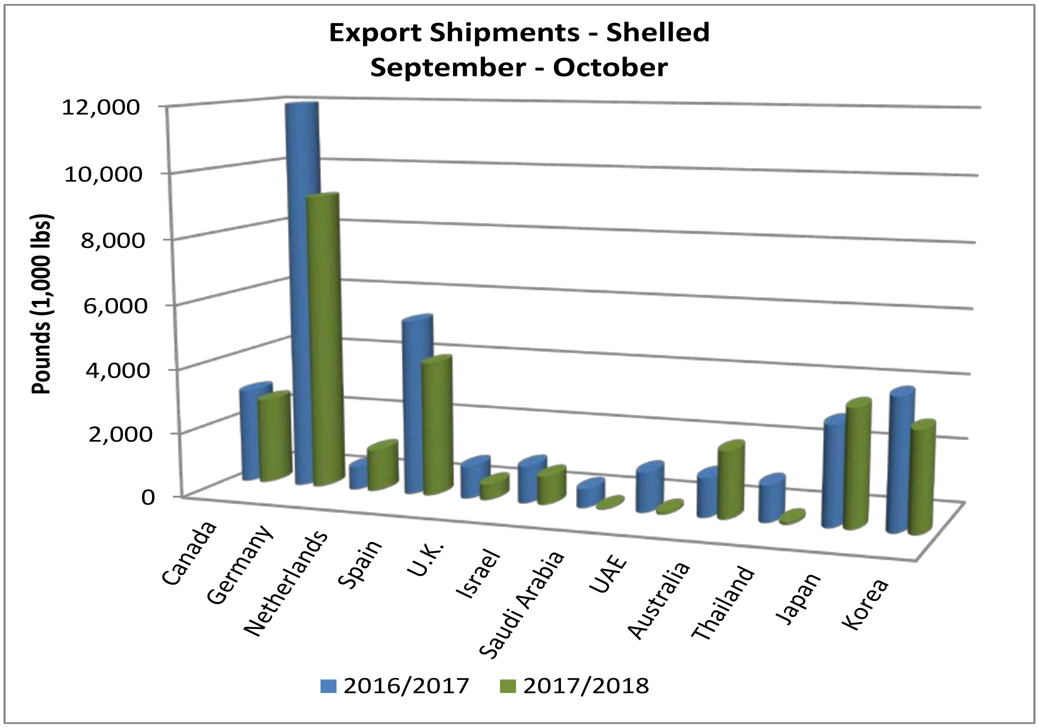
Below are some of the major walnut markets and the relative statistics (in pounds):

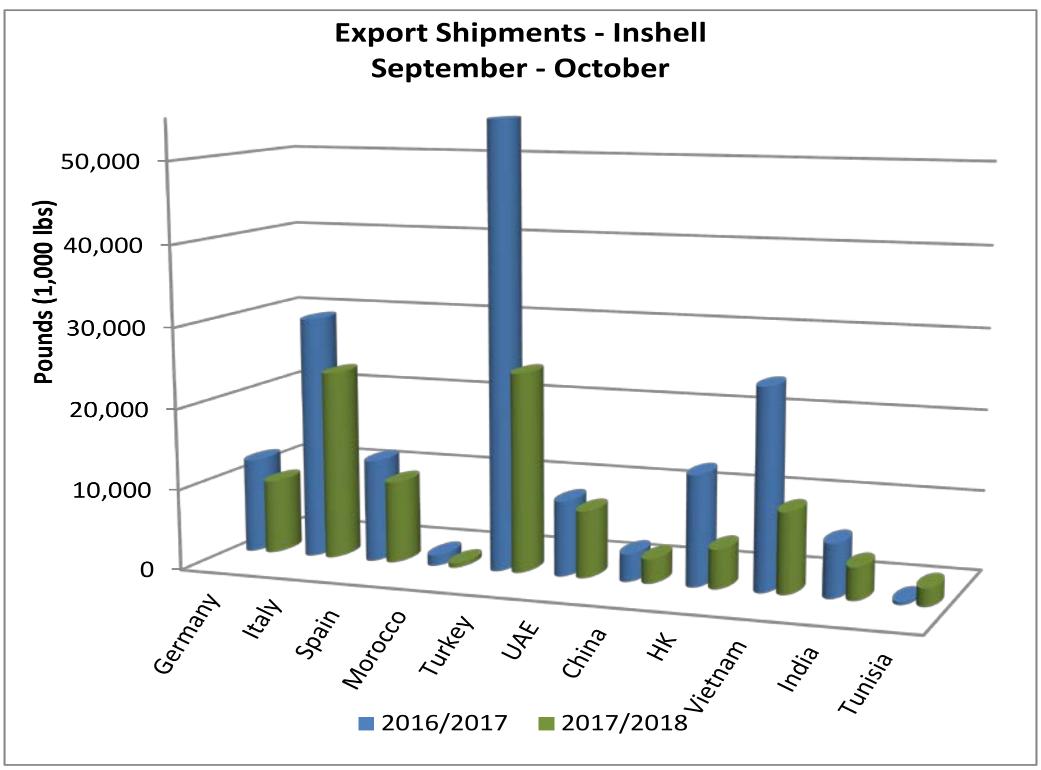
	Sep 2017 - Nov 2017		Sep 2016 - Nov 2016		% Change	% Change
Country	**Shelled**	**Inshell**	**Shelled**	**Inshell**	**Shelled**	**Inshell**
USA	51,859,406	12,980,583	59,304,556	8,467,557	-13%	53%
Canada	4,945,560	2,289,007	5,400,995	1,851,962	-8%	24%
Germany	15,698,965	11,191,276	16,022,358	12,394,755	-2%	-10%
Italy	1,493,321	35,360,223	1,535,236	43,714,800	-3%	-19%
Netherlands	2,666,016	2,485,593	1,492,670	2,227,450	79%	12%
Spain	7,190,520	13,846,261	8,609,513	16,222,507	-16%	-15%
U.K.	1,152,017	309,320	1,892,781	176,276	-39%	75%
Israel	2,205,691	221,012	2,572,336	748,187	-14%	-70%
Jordan	347,200	308,660	863,200	1,144,023	-60%	-73%
Lebanon	0	2,821,171	0	1,848,630	0%	53%
Morocco	0	1,765,426	0	2,907,410	0%	-39%
Saudi Arabia	497,941	220,276	1,661,150	661,196	-70%	-67%
Tunisia	0	2,247,315	128,220	429,897	-100%	423%
Turkey	879,527	48,050,052	230,275	96,839,489	282%	-50%
UAE	786,149	16,479,359	3,795,292	16,293,058	-79%	1%
Australia	2,877,176	8,267	1,785,715	22,016	61%	-62%
China	723,800	5,947,511	1,175,035	4,917,530	-38%	21%
Hong Kong	345,194	8,440,065	572,538	22,848,776	-40%	-63%
Vietnam	99,680	14,235,476	286,400	34,684,842	-65%	-59%
Thailand	291,598	0	1,549,124	353,101	-81%	-100%
India	0	11,284,921	4,400	10,954,416	-100%	3%
Japan	7,964,031	0	6,301,569	0	26%	0%
Korea	8,143,395	373,662	8,777,689	99,606	-7%	275%

Season to date shipments are trailing last season in most markets.

- North America: Domestic shipments are mixed with inshell shipments up 53% but shelled shipments down 13%. Similarly, shipments to Canada are up 24% for inshell while shelled is down 8%.
- Western Europe: Shipments trail last season for inshell and shelled. Inshell shipments are down to Germany (-10%), Italy (-19%) and Spain (-15%). Slower shelled shipments to Germany (-2%), Italy (-3%), Spain (-16%) and U.K. (-39%) are partially offset by higher shipments to Netherlands (+79%).
- Middle East/North Africa: Shipments through November are down nearly 40% for inshell and 54% for shelled compared to last season. The reduction of inshell shipments to Turkey (down 24,000 tons/-50%) is partially offset by increases in inshell shipments to Egypt, Lebanon, Pakistan, Tunisia and U.A.E. Shelled walnut shipments are down to nearly all markets with contributing factors including higher opening prices and slow moving inventory from the 2017 Chilean crop.
- Asia: Inshell shipments are down about 17,000 tons compared to last season (-45%). This reduction is primarily driven by China where buyers have focused on domestic production this season. Production from Western China is growing rapidly and new varieties are producing high meat yields and lighter color. This is an important change in buyer behavior for California to watch as both regions are expected to produce more in future seasons. Higher inshell shipments to India (+3%) are a bright spot and expected to continue growing in the future. Kernel shipments were strong to Australia (+61%) and Japan (+26%) while Korea has been a bit slower so far this season (-7%).

2670 West Shaw Lane, Fresno, California 93711 U.S.A.
Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com





Please let us know if we may be of further service.

Best regards,
DERCO FOODS