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## February 2019 Walnut Report

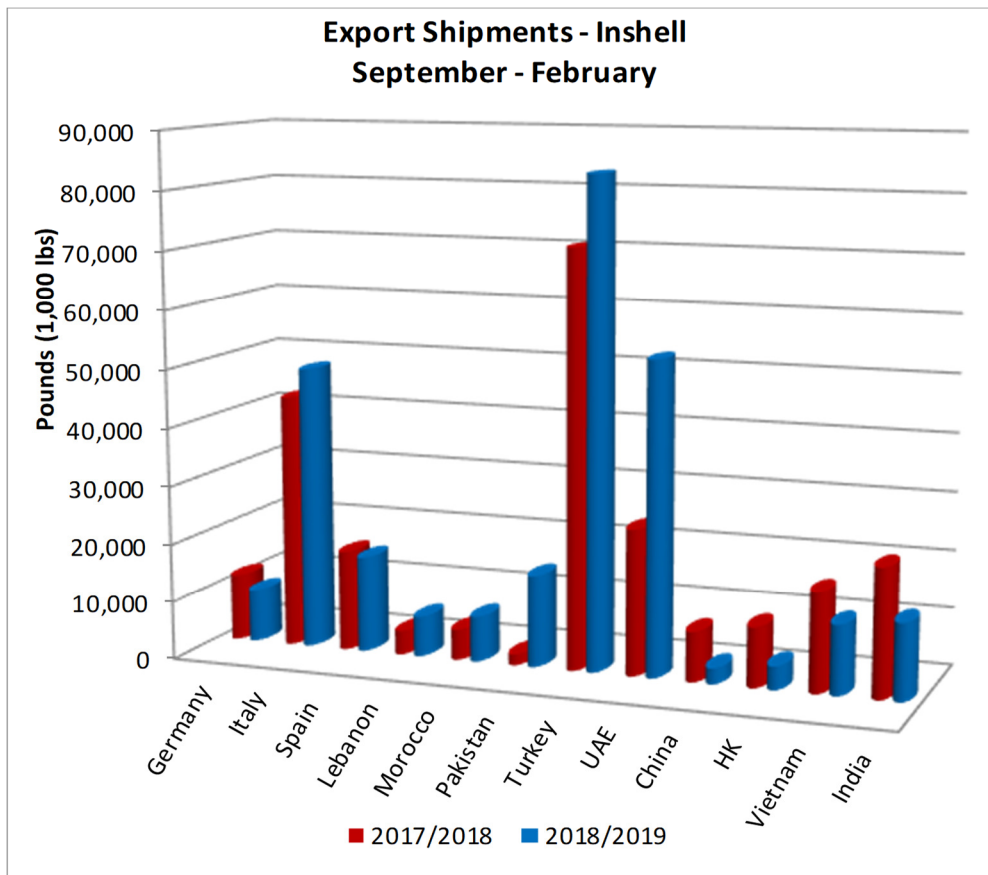
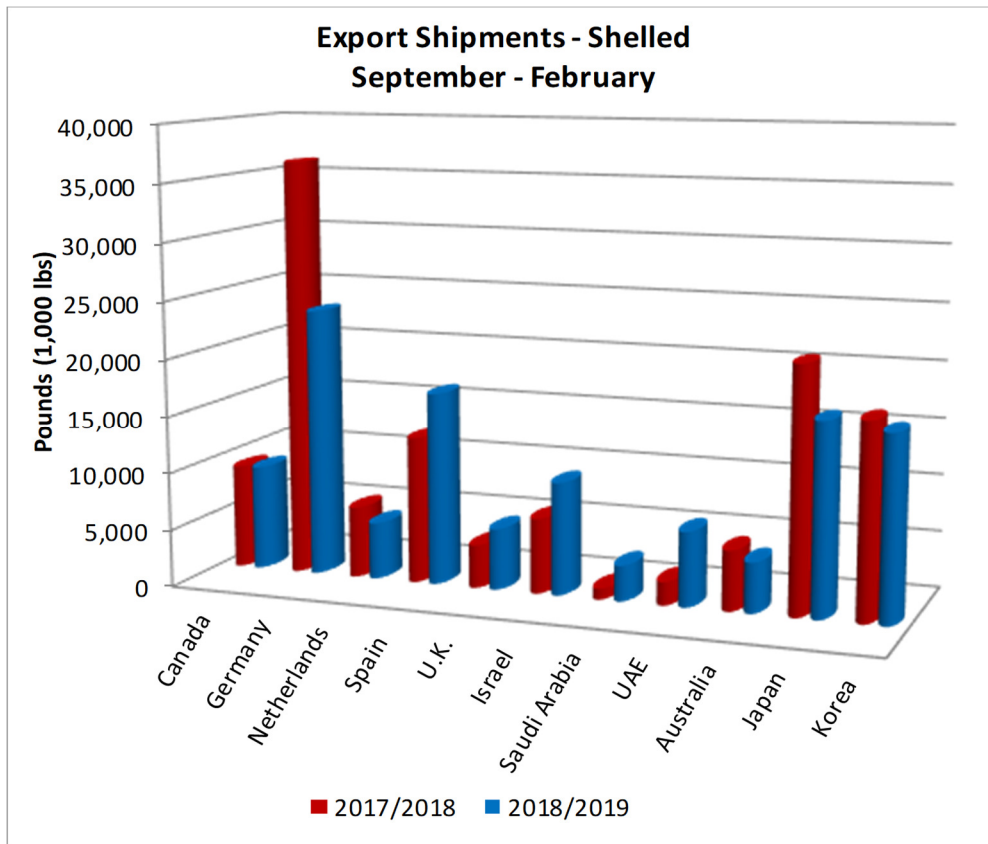
### 2018/19 Walnut Supply (inshell tons)

Carry-in from prior season:	63,539
<u>2018 Crop Receipts:</u>	<u>672,723</u>
Total available for shipment:	736,262
<u>Less: shipments to date thru Feb 28:</u>	<u>435,437</u>
Remaining supply:	300,825

- Inshell shipments were 34 million pounds for the month of February, an increase of 17.2 million pounds (+100%) compared to February 2018.
- Season to date inshell shipments are 308 million pounds through February, an increase of 35.1 million pounds (+13%) compared to the same period last season.
- Shelled shipments were 43 million pounds for the month of February, an increase of 7.8 million pounds (+22%) compared to February 2018.
- Season to date shelled shipments are 248 million pounds through February, an increase of 13.6 million pounds (+6%) compared to the same period last season.

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

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 17 - Feb 18	Sep 18 - Feb 19	% Change	Sep 17 - Feb 18	Sep 18 - Feb 19	% Change
USA	16,853,118	13,837,866	-18%	91,470,929	105,014,250	15%
Canada	2,548,662	2,663,551	5%	9,101,053	9,159,629	1%
Germany	11,543,736	9,147,610	-21%	36,518,973	23,542,932	-36%
Italy	43,719,161	48,782,267	12%	2,947,737	3,949,719	34%
Netherlands	2,916,298	2,013,186	-31%	6,208,084	4,952,259	-20%
Spain	17,361,282	16,656,693	-4%	12,819,700	16,888,142	32%
U.K.	924,975	236,738	-74%	3,755,828	5,339,277	42%
Egypt	1,028,818	1,718,710	67%	406,562	1,029,030	153%
Israel	486,384	1,028,948	112%	6,548,830	9,815,494	50%
Jordan	352,752	1,674,024	375%	715,500	2,827,226	295%
Lebanon	4,139,336	6,930,804	67%	0	126,046	n/a
Morocco	5,295,583	7,841,519	48%	0	0	0%
Pakistan	1,902,596	15,890,170	735%	0	42,628	n/a
Saudi Arabia	352,552	1,058,208	200%	954,987	3,107,517	225%
Turkey	71,446,153	83,524,003	17%	879,527	106,001	-88%
UAE	25,114,624	53,514,832	113%	2,038,855	6,501,816	219%
Australia	8,267	2,205	-73%	5,221,396	4,377,783	-16%
China	8,567,394	2,727,327	-68%	1,813,350	1,767,280	-3%
Hong Kong	10,282,097	4,032,451	-61%	963,700	986,846	2%
Thailand	0	1,455,036	n/a	400,618	123,490	-69%
Vietnam	17,095,574	11,940,049	-30%	99,680	66,480	-33%
India	22,066,608	13,139,845	-40%	0	146,410	n/a
Japan	0	0	0%	21,297,004	16,700,775	-22%
Korea	1,340,012	674,857	-50%	16,965,424	16,041,606	-5%



February 2019 walnut shipments from California were a record 65,941 inshell tons. This is an increase of 17,416 (+36%) over February of 2018 and exceeds the prior record for the month of February by 14,738 tons (+29%). This is the 3<sup>rd</sup> consecutive month of record shipments for the California walnut industry.

- Inshell walnut shipments of 34,355 tons is up 100% from February 2018. This was driven by strong shipments to Turkey and U.A.E. Much of this business was contracted in January prior to recent price increases and is being driven by demand for the Ramadan holiday. Season to date inshell shipments are now up 35,129 tons (+13%) with strong shipments to Western Europe and the Middle East being partially offset by lower shipments to China.
- Shelled walnut shipments of 43,009 tons are up 22% from February 2018. This was driven by strong shipments to the U.S. domestic market, Canada, the Middle East and Japan. Attractive pricing earlier this season encouraged buyers to increase their purchases. There are reports of domestic buyers still needing additional shelled walnuts due to better than anticipated retail sales so far this season.

The California walnut industry is well sold for the 2018/19 crop year. Most packers are sold out of inshell walnuts with buyers now covering future needs from Chile. Kernels are available but packers are comfortably sold and seeing steady demand from the US market. Lower prices are being well received in both the domestic and export markets. Buyers are taking advantage and buying now for later deliveries.

- Assuming shipments for the remainder of the season are the same as last season, the carry-out would be about 81,000 inshell tons, which is manageable.
- Assuming shipments for the remainder of the season are 10% greater than last season, the carry-out would be about 60,000 inshell tons. This would be in line with last season. A carry-out below 60,000 tons would result in a difficult transition to new crop.

Most export markets are now turning to the upcoming Chilean walnut crop. Harvest will start in the coming weeks for early varieties with the larger Chandler harvest coming in April. The inshell market for Chilean walnuts has been active for several weeks. Opening prices this season took into account the larger crop as well as competing prices from other origins. Growers in Chile have not forgotten the pain experienced last season when prices opened at high levels and then moved lower throughout harvest and the following months. This season the strategy was to open at attractive levels to encourage good volume and allow the market to slowly move higher in an organized manner. So far, this has been the case. Prices from before or during Gulfood (30mm Chandler at \$2.70/kg) are now considered attractive as the market has increased by about \$0.20/kg on inshell. Most packers are fully committed for early inshell Serr as well as first shipments of inshell Chandler. Kernel markets are not yet active.

California is well positioned to ship the remainder of the 2018/19 crop while holding prices relatively stable. It is too early to know what the 2019 California crop will look like but the growing region has received plenty of rain and chilling hours. Chandler variety makes up the largest percentage of the California crop and those trees should be well rested entering the 2019 bloom. On the other hand, Tulare variety produced very heavy in 2018 and is expected to be a lower producer this coming season due to the somewhat alternate bearing cycle typical of this variety. Overall, we expect a good crop assuming a normal growing season with 800,000 inshell tons appearing reachable.

Chile is continuing to grow both in terms of crop size as well as in importance as a southern hemisphere producer of 'new crop' walnuts March/April onwards. As supply continues to become more abundant, more stable and is priced more competitively with California, buyers will continue to view Chile as an attractive option for walnut supply through the summer months (in the Northern hemisphere). Expectation is for the Chilean walnut market to remain fairly steady as sales continue to accumulate for their 2019 crop.

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

Best regards,  
DERCO FOODS