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March 2019 Walnut Report

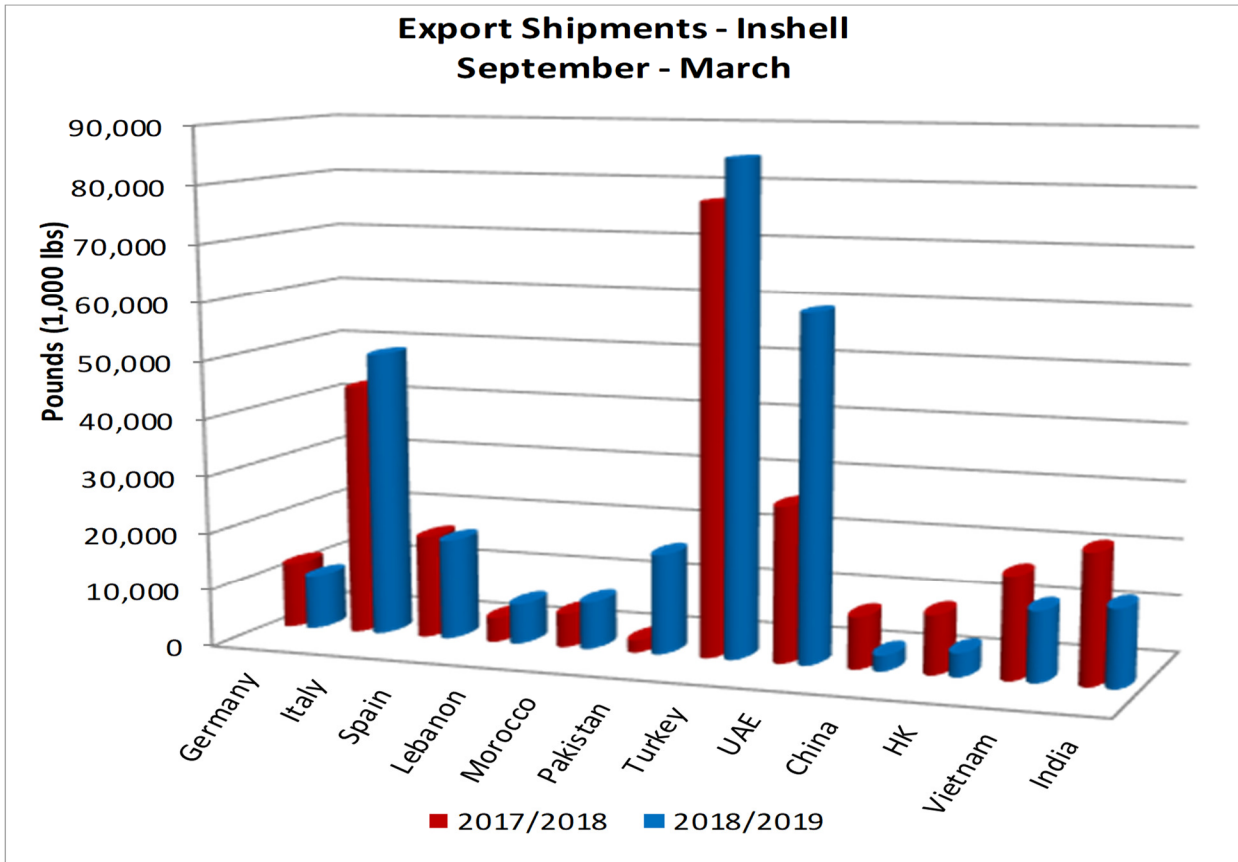
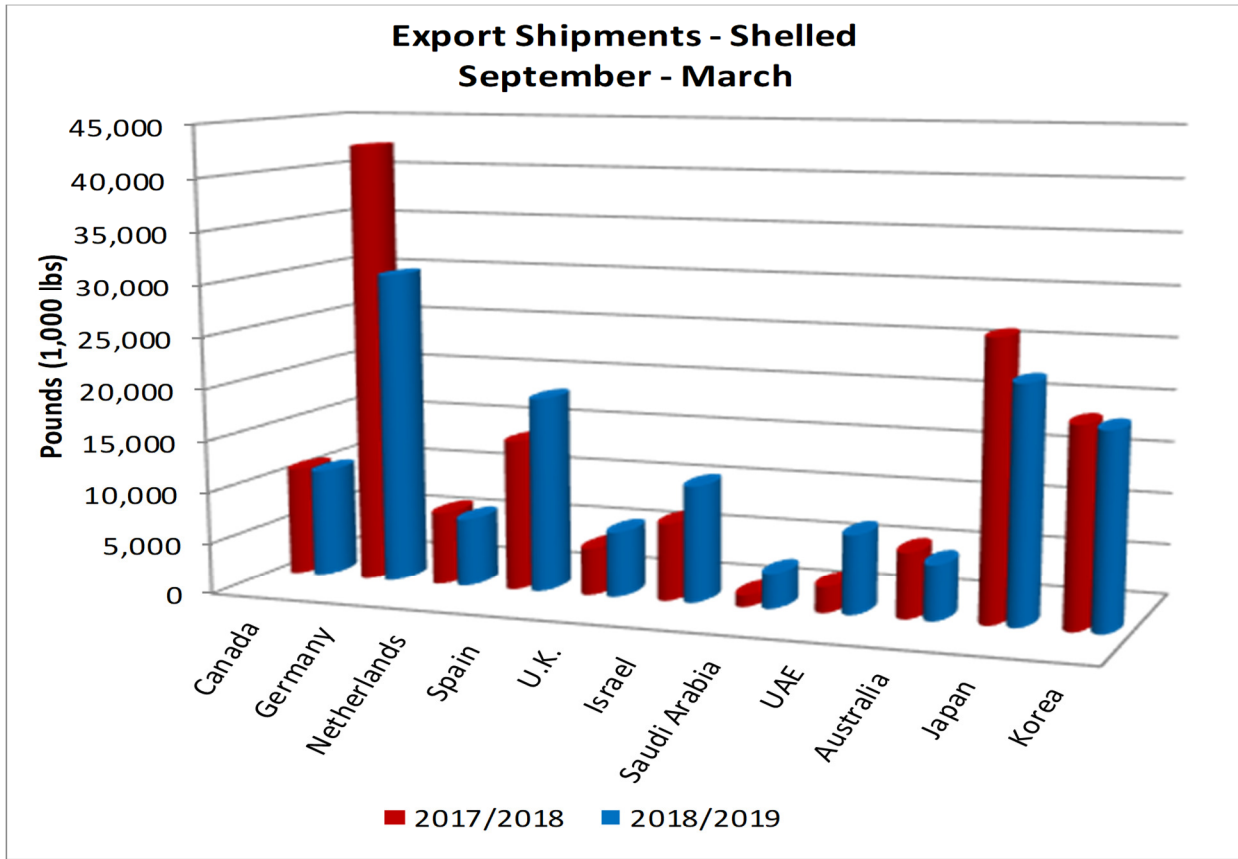
2018/19 Walnut Supply (inshell tons)

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 Mar 31:</u>	<u>498,708</u>
Remaining supply:	237,554

- Inshell shipments were 17 million pounds for the month of March, an increase of 2.4 million pounds (+17%) compared to March 2018.
- Season to date inshell shipments are 325 million pounds through March, an increase of 37.6 million pounds (+13%) compared to the same period last season.
- Shelled shipments were 48 million pounds for the month of March, an increase of 10.6 million pounds (+28%) compared to March 2018.
- Season to date shelled shipments are 297 million pounds through March, an increase of 24.2 million pounds (+9%) 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 - Mar 18	Sep 18 - Mar 19	Change		Sep 17 - Mar 18	Sep 18 - Mar 19	Change	
USA	18,041,556	14,599,887	-19%	104,184,087	123,271,026	18%		
Canada	2,711,404	2,825,827	4%	10,597,750	10,531,594	-1%		
Germany	11,543,736	9,544,438	-17%	42,625,425	30,299,912	-29%		
Italy	43,891,437	49,839,647	14%	3,236,490	4,546,798	40%		
Netherlands	3,086,052	2,089,079	-32%	7,108,045	6,629,693	-7%		
Spain	18,022,482	17,626,529	-2%	14,627,707	18,898,248	29%		
U.K.	1,253,966	280,830	-78%	4,636,130	6,381,905	38%		
Egypt	1,159,795	1,718,710	48%	511,722	1,125,390	120%		
Israel	486,384	1,377,612	183%	7,567,374	11,322,102	50%		
Jordan	396,848	1,740,162	338%	841,500	3,037,226	261%		
Lebanon	4,271,612	7,018,804	64%	0	168,046	n/a		
Morocco	5,912,507	8,238,179	39%	0	0	0%		
Pakistan	2,164,855	17,562,935	711%	0	42,328	n/a		
Saudi Arabia	441,288	1,146,392	160%	1,134,507	3,419,720	201%		
Turkey	77,841,221	85,110,157	9%	901,527	128,001	-86%		
UAE	27,182,067	59,941,629	121%	2,532,940	7,677,087	203%		
Australia	8,267	25,463	208%	6,370,086	5,383,673	-15%		
China	9,007,797	2,727,327	-70%	2,441,950	1,965,280	-20%		
Hong Kong	10,282,097	4,119,257	-60%	1,032,556	1,051,096	2%		
Thailand	0	1,455,036	n/a	459,638	207,490	-55%		
Vietnam	17,791,126	12,203,719	-31%	100,780	108,480	8%		
India	22,640,356	13,492,585	-40%	0	223,740	n/a		
Japan	0	0	0%	26,635,024	22,613,148	-15%		
Korea	1,340,012	674,857	-50%	19,133,289	18,767,734	-2%		



March 2019 walnut shipments from California were a record 63,249 inshell tons. This is the fourth consecutive month of record walnut shipments from California and is up 13,184 tons (+26%) from March 2018. As an industry, California is well sold and positioned for a very manageable carryover into the next crop year.

- Current expectations in California are for strong shipments in April and May. Shipments after May will likely slow due to lack of availability.
- If shipments the remainder of the season (April – August) match 2018, the carryout would be about 68,000 inshell tons.
- If shipments the remainder of the season (April – August) exceed 2018 by 10%, the carryout would be about 51,000 inshell tons.

Inshell walnut shipments continued at a strong pace in March. They were up compared to March 2018 to Italy (+514%), Algeria (+320%), Pakistan (+538%) and U.A.E. (+211%). Shipments were down to Turkey (-75%) and India (-39%).

- Strong shipments to Pakistan and lower shipments to India are directly related. Due to tariffs on US origin product in India, walnuts are being shipped to Pakistan and imported through Kashmir. Traditional importers are consequently at a cost disadvantage.
- Turkey has been a strong inshell market with season to date shipments up 7.3 million pounds (+9%). This trend changed in March as new business from California slowed. Local market prices remain below origin due to big volume purchases earlier in the season. Most buyers in this market want to sell their remaining inventory of California walnuts ahead of Ramadan. They are now looking to Chilean origin for new purchases.

Shelled walnut shipments also continued at a strong pace in March. The largest volume increase was to the domestic market (+44%) which has been showing impressive growth all season (+18% YTD) as lower prices are resonating at the consumer level. Shipments of kernels were also up to Germany (+11%), Israel (+48%), U.A.E. (+138%), Japan (+11%) and Korea (+26%).

Looking ahead, shipments from California are likely to continue at a strong pace for the next month or two based on business already concluded. New sales are slower based in part on a lack of availability and in part on slowing demand as we enter warmer months. Growers are unlikely to carry over any more inventory than needed as orchards in California have received good water and chilling hours and are now moving through bloom. Chandler orchards in California should be well rested allowing for the potential for a large 2019 California crop (but we still have 5-6 months until harvest).

The 2019 Chilean walnut harvest is well underway. Harvest of Serr variety is coming to a close with most growers reporting volume to be somewhat less than expected. Early Chandler harvest has begun but it's too early to know much in regards to yield.

From a marketing perspective, early production space in Chile is full. There is little availability of inshell Serr. There is good availability of inshell Chandler but growers are only offering for June forward shipment periods. The kernel market has been less active so far. Buyers in several countries are now entering the market to begin transitioning to Chilean origin product for June forward shipments. Chilean growers opened pricing this season at much more aggressive levels hoping to quickly fill early shipment periods and build momentum to move the crop before the 2019 California crop is harvested. With good demand so far, we anticipate a stable market for the near future.

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

Best regards,
DERCO FOODS