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

December 2019 Walnut Report

2019/20 Walnut Supply (inshell tons)

Carry-in from prior season:	66,179
2019 Crop Receipts (thru Dec 31):	639,409
Total available for shipment:	705,588
Less: shipments to date thru Dec 31:	287,636
Remaining supply:	417,952

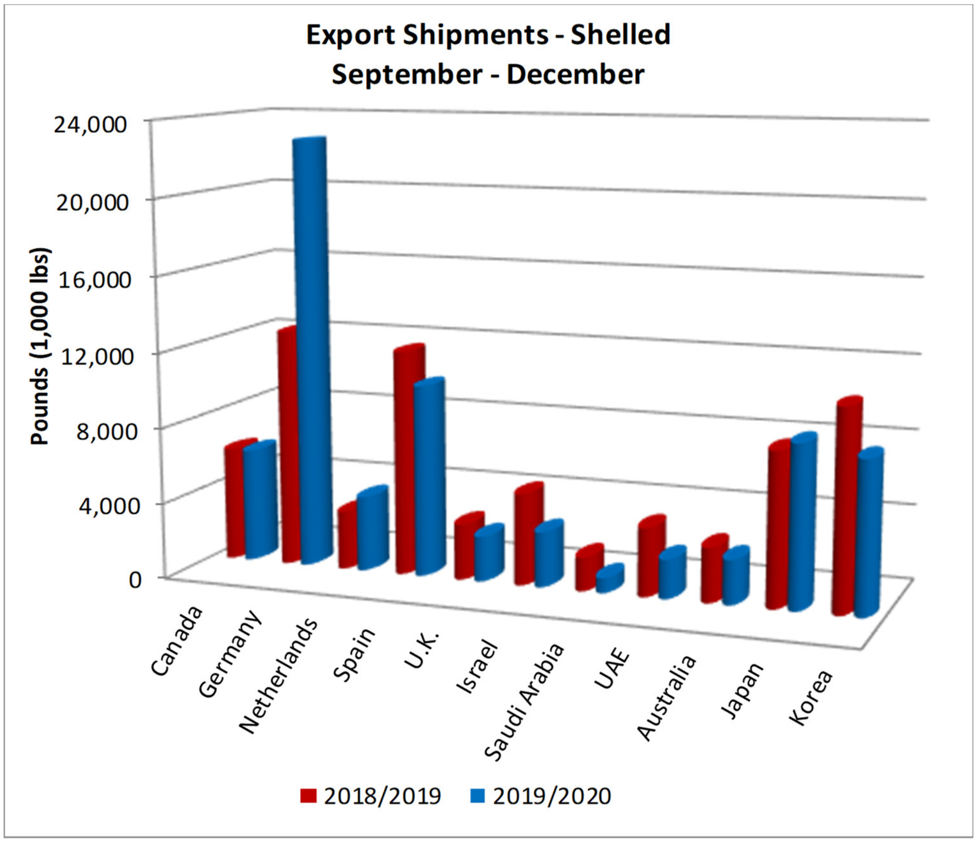
- Crop receipts through December 31 are 639,409 inshell tons. Assuming this is close to the final crop receipts, this is a decrease of 33,000 inshell tons (-5%) compared to the 2018 crop.
- Inshell shipments were 38.9 million pounds for the month of December, a decrease of 16.0 million pounds (-29%) compared to December 2019.
- Season to date inshell shipments are 217.4 million pounds through December, a decrease of 9.3 million pounds (-4%) compared to the same period last season.
- Shelled shipments were 43.7 million pounds for the month of December, equal to December 2019.
- Season to date shelled shipments are 157.5 million pounds through December, equal to the same period last season.

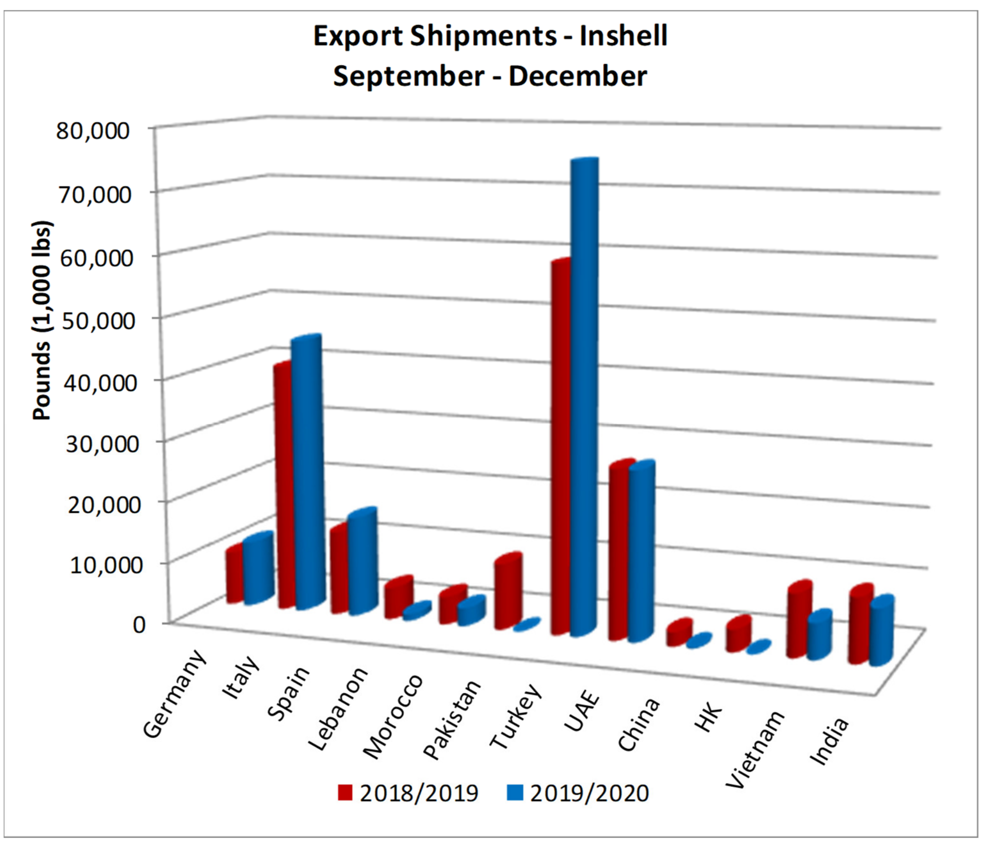
Below are some of the major walnut markets and the relative statistics (in pounds):

	Inshell Pounds			Shelled Pounds		
	Sep 18 - Dec 18	Sep 19 - Dec 19	% Change	Sep 18 - Dec 18	Sep 19 - Dec 19	% Change
USA	12,008,682	8,214,669	-32%	73,333,113	74,935,104	2%
Canada	2,575,151	2,097,257	-19%	6,032,433	6,024,623	0%
Germany	8,795,330	10,753,404	22%	12,640,066	22,836,100	81%
Italy	40,727,160	45,156,157	11%	2,451,726	2,220,789	-9%
Netherlands	1,668,937	1,712,698	3%	3,109,354	3,980,452	28%
Spain	13,795,784	16,412,797	19%	11,937,249	10,188,172	-15%
U.K.	236,738	211,182	-11%	2,958,195	2,401,969	-19%
Egypt	1,058,212	1,763,680	67%	582,100	512,358	-12%
Israel	865,800	440,932	-49%	4,843,222	2,912,626	-40%
Jordan	1,321,656	396,736	-70%	1,545,326	756,020	-51%
Lebanon	5,221,420	1,123,418	-78%	84,046	-42,000	-150%
Morocco	4,535,723	2,997,612	-34%	0	0	0%
Pakistan	10,804,474	0	-100%	42,328	0	-100%
Saudi Arabia	925,932	88,184	-90%	1,777,333	798,820	-55%
Turkey	59,567,128	75,396,875	27%	64,001	124,800	95%
UAE	27,648,816	27,675,836	0%	3,617,307	2,066,437	-43%
Australia	0	0	0%	2,877,953	2,349,065	-18%
China	2,328,723	244,049	-90%	1,130,380	490,750	-57%
Hong Kong	3,679,715	0	-100%	640,487	244,748	-62%
Vietnam	10,272,245	5,904,799	-43%	66,480	40,000	-40%
India	10,560,802	9,067,233	-14%	60,667	758,374	1150%
Japan	0	0	0%	8,088,666	8,533,246	5%
Korea	605,697	825,404	36%	10,539,542	8,001,670	-24%

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





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

Crop receipts through December 31 of 639,409 inshell tons should be close to final. This represents a decrease in production of about 33,000 inshell tons (-5%) compared to the 2018 crop.

Season to date shipments through December 31 of 287,636 inshell tons are 1.5% less than the same period last season. With smaller supply and shipments in line with last season, remaining marketable supply of 418,000 inshell tons is about 27,000 inshell tons (-15%) less than last season.

December inshell walnut shipments were down -29% compared to December of 2018. This was driven in part by a pattern of earlier purchasing in most inshell markets compared to last season when early-season purchases were curtailed by inventories from the prior crop year. This season most major markets had little inventory as harvest began so buyers were active early.

December shelled walnut shipments are nearly identical to December 2018. Shipment increases of +4% to North America and +12% to Europe were offset by decreases of -24% to the Middle East and -7% to Asia.

Looking at a few key export markets:

- Western Europe: Season to date shipments of inshell and shelled walnuts are strong, driven by active early season purchases. December shipments were slower as most buyers wanted early shipments to target holiday consumption.

- Middle East and North Africa: Season to date inshell walnut shipments are about equal to last season (-0.41%) while shelled walnut shipments are substantially less (-44%) than the same period last season. Strong shipment increases have been seen to Algeria, Egypt and Turkey due to good demand and lack of inventory when harvest began (partially because the 2019 Chilean crop was short of expectations leaving these markets short of product). Shipments are down to Lebanon due to political and economical instability and Pakistan due to the stop of product flow into India. We are optimistic that buyers in this region will make another round of purchases in the coming weeks as product needs to be shipped by mid-February in order to arrive in time for Ramadan.

- China: Season to date walnut shipments to China, Hong Kong and Vietnam are sharply down compared to prior seasons. While tariffs are often cited, the real driver of lower shipments to China is increasing domestic production in China. Only a few years ago, Chinese walnut production could not keep up with growing demand. New plantations are now producing and the Chinese crop is expected to continue increasing. This means that China is unlikely to import any serious volume of California walnuts in the near future and that China will continue emerging as a competitor to California for other export markets.

- India: Shipments to India are down season to date which can be attributed to tariffs of 110%. Shipments are disappointing when coupled with the decrease in shipments to Pakistan (most of which were sold into India last season). India is poised to be a key growth market once tariffs are relieved.

New business has slowed in most markets over the past few weeks which is common during this time of year. We anticipate a more active market in the coming weeks as buyers re-evaluate inventory after holidays, make purchasing decisions for Ramadan and evaluate demand between now and first arrivals from Chile.

Looking ahead to Chilean walnuts, we are watching crop development closely in light of the low rainfall and snowfall totals in the region. Reports indicate that growers in the Northern producing regions will be the most severely affected. We don't know what effect the drought conditions will have on the crop (reduced tonnage, darker color, shrivel, etc.) or the severity of any damage. We won't know the quantity or quality of the crop until harvest. With pre-season sales likely to begin within a month, we expect to hear plenty of discussion about the drought and crop.

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

The market has been sluggish over the past few weeks and December shipments are down compared to December 2018. This is also the time of season when many of the small and mid-sized growers in California want to sell their remaining inventory before the weather turns warm and Chilean harvest begins. These factors often cause weakness in prices during January until markets become more active.

With less overall supply and season to date shipments in line with last season, California is well positioned to market the remainder of the crop in an orderly manner. With the coming Chilean crop likely to be limited in growth due to drought conditions, overall supply is manageable. We anticipate good demand in the coming months which should keep market prices steady.

Current price indications (subject to confirmation):

- Inshell Jumbo/Large Chandler $1.42/lb
- Chandler LHP20 $3.40/lb
- Chandler LHP40 $3.55/lb
- Chandler LH80 $3.75/lb
  FAS California

Please let us know if we can be of service.

Best regards,
DERCO FOODS