

## April 2020 Walnut Report

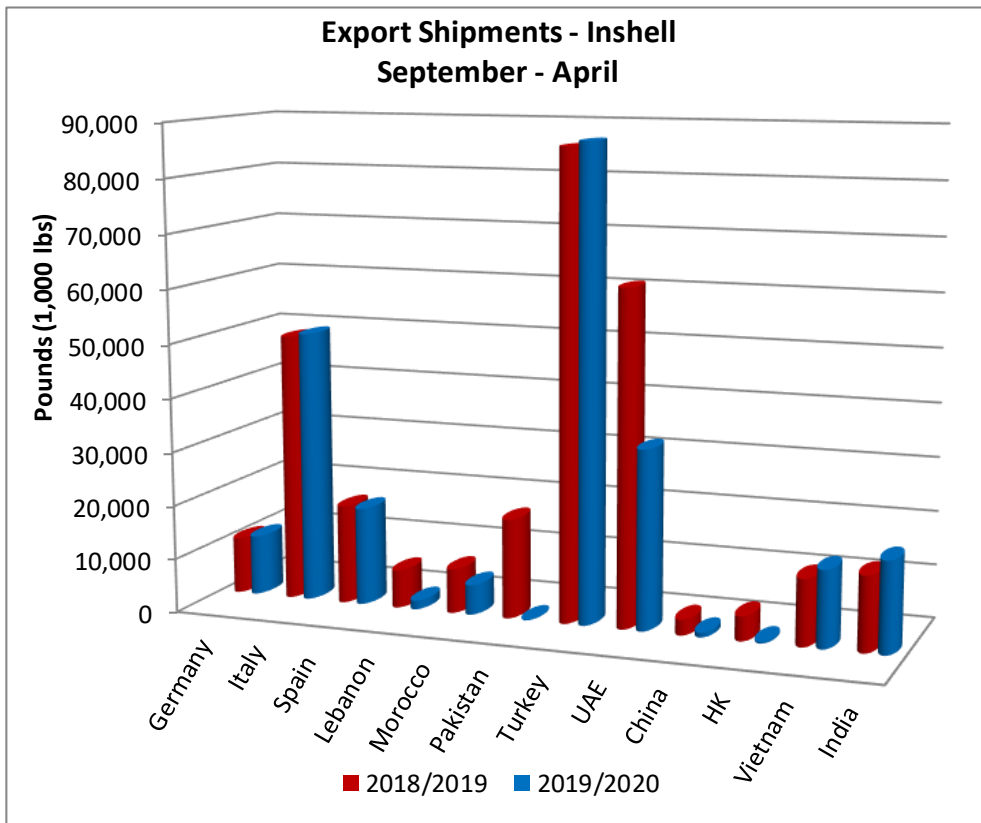
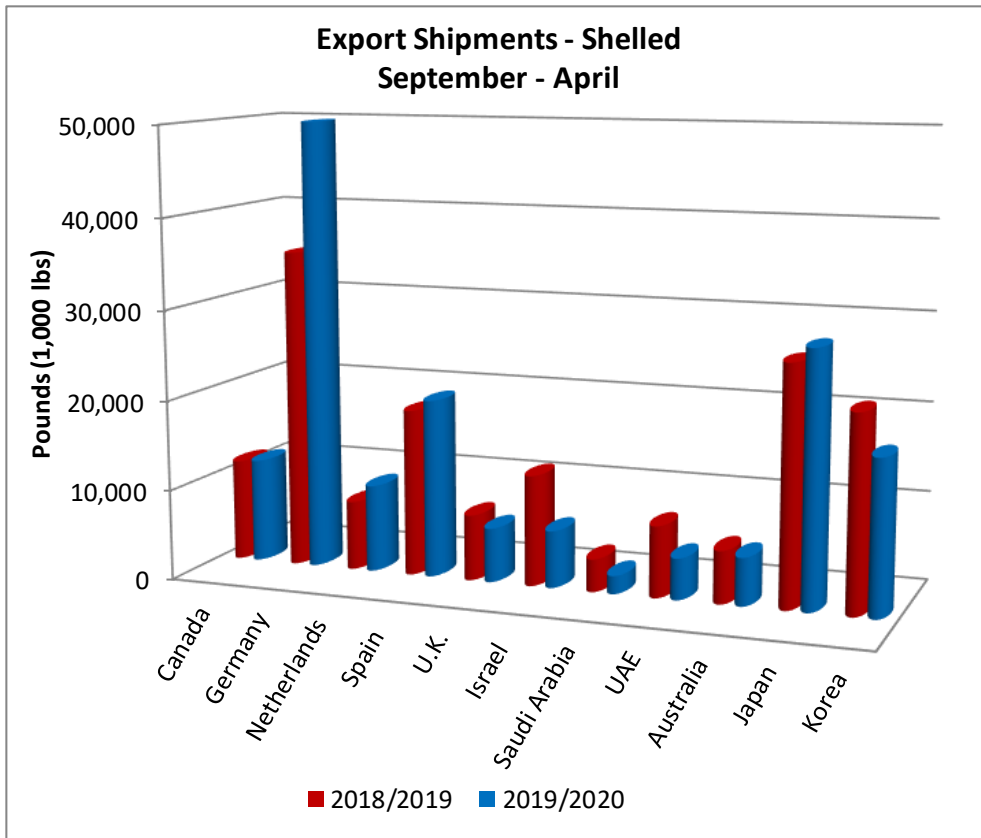
### 2019/20 Walnut Supply (inshell tons)

Carry-in from prior season:	66,179
<u>2019 Crop Receipts:</u>	<u>650,730</u>
Total available for shipment:	716,909
<u>Less: shipments to date thru Apr 30:</u>	<u>507,709</u>
Remaining supply:	209,200

- Inshell shipments were 8.1 million pounds for the month of April, an increase of 705 thousand pounds (+10%) compared to April 2019.
- Season to date inshell shipments are 269.7 million pounds through April, a decrease of 63.8 million pounds (-19%) compared to the same period last season.
- Shelled shipments were 36.0 million pounds for the month of April, a decrease of 4.1 million pounds (-10%) compared to April 2019. Domestic shipments were down -31% compared to April 2019 as the initial surge in demand from COVID-19 came to a quick end.
- Season to date shelled shipments are 328.1 million pounds through April, a decrease of 6.9 million pounds (-2%) 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 18 - Apr 19	Sep 19 - Apr 20	% Change	Sep 18 - Apr 19	Sep 19 - Apr 20	% Change
USA	15,033,595	9,558,022	-36%	142,445,330	141,432,295	-1%
Canada	2,971,535	2,175,048	-27%	11,335,726	11,556,858	2%
Germany	10,512,714	11,194,332	6%	35,499,552	51,222,850	44%
Italy	49,839,647	50,536,431	1%	4,928,491	3,742,452	-24%
Netherlands	2,347,017	2,138,466	-9%	7,704,373	9,695,310	26%
Spain	18,419,478	18,219,741	-1%	18,554,796	19,821,337	7%
U.K.	280,830	211,182	-25%	7,311,826	6,023,942	-18%
Egypt	1,762,802	2,266,232	29%	1,167,410	909,678	-22%
Israel	1,465,704	573,116	-61%	12,281,430	6,344,534	-48%
Jordan	1,784,254	661,288	-63%	3,289,226	1,618,953	-51%
Lebanon	7,062,896	1,645,798	-77%	168,046	-42,000	-125%
Morocco	8,238,179	5,558,084	-33%	0	0	0%
Pakistan	18,488,947	88,184	-100%	42,328	0	-100%
Saudi Arabia	1,235,484	460,433	-63%	3,624,540	2,010,794	-45%
Turkey	86,262,887	87,274,050	1%	170,292	494,596	190%
UAE	61,868,114	33,231,916	-46%	7,908,373	4,587,520	-42%
Australia	25,463	2,000	-92%	5,828,873	5,320,234	-9%
China	2,884,964	861,337	-70%	2,079,280	947,500	-54%
Hong Kong	4,559,257	275,355	-94%	1,226,842	594,200	-52%
Vietnam	12,335,811	14,246,089	15%	192,480	62,750	-67%
India	13,891,233	16,859,689	21%	223,740	1,346,726	502%
Japan	0	0	0%	26,389,401	28,048,444	6%
Korea	674,857	842,160	25%	21,656,068	17,112,893	-21%





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April is often an inflection point in the California walnut industry. This is the time of season when many smaller packers exit the market for the season, weather begins to turn warmer (bringing cold storage into play), and harvest gets active in Chile. This season we can add the worldwide outbreak of COVID-19 and the related measures implemented to a differing degree in almost every market. Honest and respectable buyers are honoring contracts and paying for product as it arrives. Dishonest buyers are making excuses related to COVID-19, falling market prices and anything else they can think of to justify defaulting on contracts. We look forward to supporting those companies who pay their bills and honor their contracts.

Inshell shipments were up about 10% compared to April 2019 after disappointing shipment figures during March. This was driven by stronger than anticipated shipments to Italy, Iraq, Lebanon and Turkey. This is also reflective of attractive pricing in California for remaining stocks in comparison to opening offers from Chile.

Shelled shipments were down about -10% compared to April 2019 after strong shipments during March. The initial surge in demand from the domestic market for kernels at the outset of COVID-19 came to a quick end once supermarket shelves were restocked. This leads to questions of whether domestic demand increased over the past couple of months or if demand was simply pulled forward. Remaining inventory is largely held by packers with cold storage and access to year around markets which has allowed prices to stabilize.

Calculated inventory in California as of April 30 is just above 200,000 tons, about 11% above April, 30 2019. Assuming shipments the remainder of the season (May – August) are about equal to the same period last season, the carryout would be about 100,000 tons. This is higher than we've seen the past couple of seasons. To achieve a carryout of about 75,000 tons, shipments the remainder of the season need to be about 20% higher than last season.

New sales activity to export markets was slow in April. Buyers in many overseas markets are digesting inventory and working through limitations on their ability to sell, distribute, ship and collect accounts receivable in local markets. Turning inventory into cash is slow which has importers hesitating to take on additional purchases. Once some of the restrictions are eased and product again begins to move, we anticipate inventories selling quickly and some markets may experience short term lack of supply.

As harvest in Chile finishes most growers are indicating receipts well short of the 120-130,000 MT expectations. Some quality shortcomings have also been reported depending on the growing region and availability of water. Sales are steady but slower than experienced in past seasons. The smaller crop is offsetting the slower pace of sales allowing pricing to remain steady for most items.

It is much too soon to speculate on the 2020 California walnut crop. Thus far, we have seen good conditions through walnut bloom. We'll learn more in June as we see the crop develop.

Please let us know if we can be of service.

Best regards,  
DERCO FOODS