

September 2020 Walnut Report

2019/20 Walnut Supply (inshell tons)

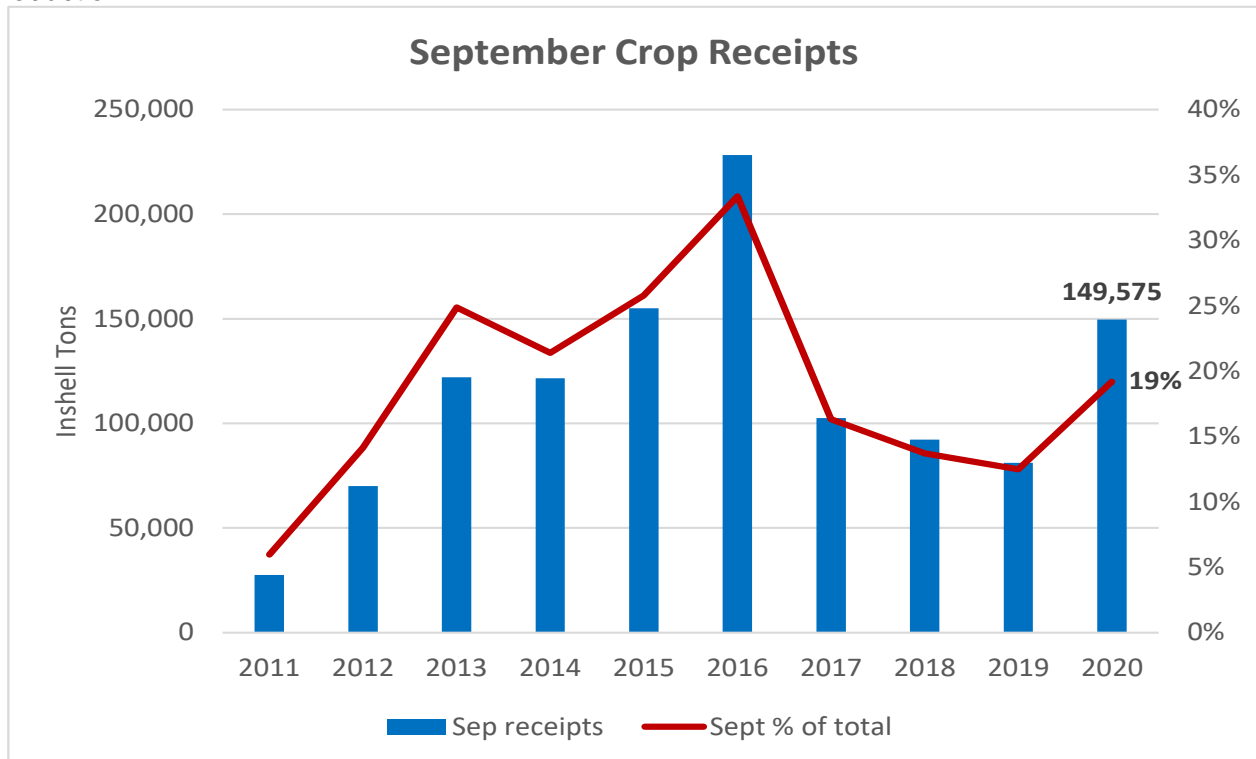
| | |
|---|----------------|
| Carry-in from prior season: | 63,985 |
| <u>2020 Crop Receipts:</u> | <u>780,000</u> |
| Total available for shipment: | 843,985 |
| <u>Less: Shipments to date thru Sep 30:</u> | <u>29,132</u> |
| Remaining supply: | 814,853 |

- Crop receipts through September 30 are 149,575 inshell tons. This is up 68,404 tons (+84%) over September of 2019. This increase is indicative of a larger crop and an earlier start to harvest
- Inshell walnut shipments were 5.8 million pounds for the month of September, an increase of 1.7 million pounds (+41%) compared to September 2019.
- Shelled walnut shipments were 22.9 million pounds for the month of September, an increase of 1.7 million pounds (+8%) compared to September 2019.

Regarding crop receipts:

- Assuming the Objective crop estimate of 780,000 inshell tons, the crop was 19% received as of September 30th.
- On average, over the past 9 years, the crop is 19% received as of September 30th.
- Over the past 9 years, by September 30th, the crop has been as much as 33% received (2016) and as little as 6% received (2011).
- Reports from the field indicate that the 2020 harvest started a few days earlier than 2019. Early receipts indicate strong production but it's too early to know if the estimate will be achieved.

The below chart shows receipts as of September 30th over the past 10 years in tons and as a % of final production:





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

| | <u>Inshell Pounds</u> | | | <u>Shelled Pounds</u> | | |
|-------------|-----------------------|-----------|----------|-----------------------|------------|----------|
| | Sep-19 | Sep-20 | % Change | Sep-19 | Sep-20 | % Change |
| USA | 283,187 | 868,599 | 207% | 16,925,840 | 17,792,845 | 5% |
| Canada | 9,000 | 48,067 | 434% | 1,059,415 | 1,136,819 | 7% |
| Germany | 0 | 527,340 | N/A | 504,000 | 905,646 | 80% |
| Italy | 748,458 | 1,255,520 | 68% | 0 | 0 | N/A |
| Netherlands | 0 | 88,184 | N/A | 316,560 | 164,725 | -48% |
| Spain | 1,136,936 | 1,660,390 | 46% | 387,000 | 336,000 | -13% |
| U.K. | 0 | 0 | N/A | 190,072 | 250,740 | 32% |
| Israel | 44,092 | 0 | -100% | 42,000 | 123,000 | 193% |
| Turkey | 1,869,449 | 1,014,116 | -46% | 82,800 | 42,000 | -49% |
| UAE | 0 | 0 | N/A | 42,086 | 122,408 | 191% |
| Australia | 0 | 0 | N/A | 180,000 | 276,000 | 53% |
| India | 0 | 166,668 | N/A | 0 | 36,080 | N/A |
| Japan | 0 | 0 | N/A | 850,960 | 664,855 | -22% |
| Korea | 0 | 0 | N/A | 236,240 | 438,852 | 86% |

September is the first official month of the new marketing year and the beginning of walnut harvest in California. The increase in crop receipts compared to September of 2019 can be an indication of bigger overall production (as expected) or an earlier start to harvest (which has been reported by some growers). We will have a much better idea of production at the end of October when the crop is typically about 90% received.

With expectations for a record 780,000 ton crop plus an uncertain global economic outlook, pricing opened at levels 30-35% below the same time last season. Buyers in most markets have been aggressive to purchase at current market prices which has helped the market to stabilize.

Inshell shipments during the month of September were strong at 5.8 million pounds (+41%). This shows stronger production of early varieties and strong demand for inshell. Shipments were up to USA, Germany, Italy, Spain and India while shipments were down to Turkey. We anticipate strong shipments continuing in the coming months as demand has been steady for inshell as buyers lock in attractive pricing.

Shelled shipments during the month of September were also strong at 22.9 million pounds (+8%). The majority of these shipments are from the 2019 crop carryover while some early 2020 crop may also be included. Notable year over year increases were to USA, Canada, Germany, Israel, UAE, Australia and Korea. Reports indicate rapidly growing domestic and export demand which we expect to continue through the coming months as lower pricing circulates through the market.

We anticipate a fairly stable market going forward. Pricing may be limited by big supply from record California production as well as growing crops from China, Eastern Europe and Chile. Pricing is also being supported by strong demand as buyers lock in attractive purchases. This is creating balance in the market leading to robust market activity.

Please let us know if we can be of service.

Best regards,
DERCO FOODS