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

June 2024 Walnut Report

2023/24 Walnut Supply (inshell tons)

Carry-in from prior season:	140,805
2023 Crop Receipts:	823,549
Total available for shipment:	964,354
Less: *Approx shipments to date thru Jun 30:	767,740
Remaining unshipped supply:	196,614
Less: *Approx commitments as of Jun 30:	115,000
Remaining supply available for sale:	81,614

**Estimated inshell equivalent tons using meat yield of 43.0% for calculation purposes*

Shipments

Total season to date shipments through June are about 767,000 inshell equivalent tons, an increase of 81,000 tons (+12%) compared to the same period last season.

- Inshell walnut shipments were 5.2 million pounds for the month of June, a decrease of -1.7 million pounds (-25%) compared to June 2023.
- Season to date inshell shipments are 317.2 million pounds through June, an increase of +81.7 million pounds (+35%) compared to the same period last season.
- Shelled walnut shipments were 40.9 million pounds for the month of June, an increase of +0.5 million pounds (+1%) compared to June 2023.
- Season to date shelled shipments are 523.9 million pounds through June, an increase of +67.9 million pounds (+15%) compared to the same period last season.
- Season to date shipments are 93% of the 2023 crop or 80% of total supply (2023 crop + Carry-in).

Purchase Commitments

Future purchase commitments (sold but not yet shipped) as of June 30 were about 115,000 inshell equivalent tons. This is indicative of buyers locking in attractive pricing for future shipment periods.

- Adding season to date shipments of 767,740 tons + purchase commitments of 115,000 tons, the 2023 crop is 107% committed and the 2023 total supply is 92% committed.
- Assuming shipments for the remaining five months of this marketing season are equal to those of the same months last season, the carryout would be reduced to a more manageable level of about 110,000 inshell equivalent tons.

The projected carry-out from the 2023 crop into the 2024 crop is currently estimated between 100,000 – 110,000 inshell equivalent tons. This is down considerably from the carry-in to the 2023 crop which exceeded 140,000 tons. Many items including inshell and high half count kernels are already difficult to procure in California.

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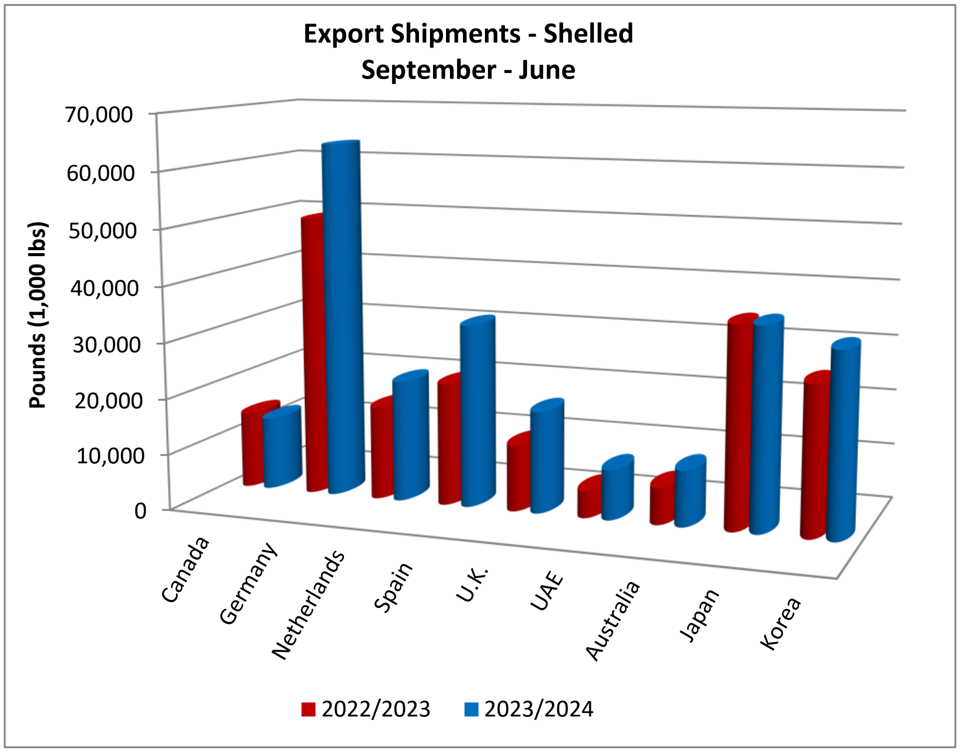
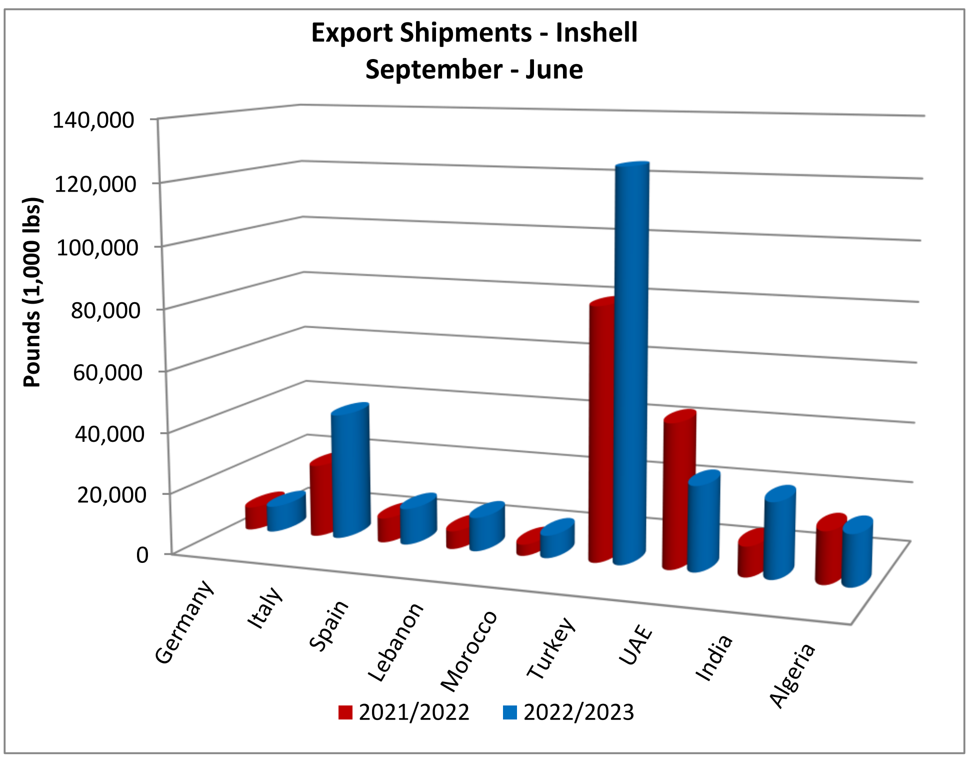
Season to date shipments by key market are illustrated below. The biggest increases of inshell shipments are to Italy, (+74%), Spain (+48%), Iraq (+710%), Lebanon (+88%), Morocco (+100%), Turkey (+53%), and India (+150%). The biggest increases of kernel shipments are to USA (+8%), Germany (+27%), Italy (+63%), Netherlands (+29%), Spain (+49%), UK (+53%), Israel (+27%), UAE (+85%), Australia (+52%), and Korea (+23%). Good quality and low prices resonated in markets all over.





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Summary

With record production in 2023 and a larger carry-in, California prices dropped to levels where buyers had confidence to purchase big volumes throughout most of the season. Good quality from California was well received in all markets which further encouraged buyers to take additional orders in the spring months.

California is now well positioned to cut into the carryover heading into the 2024 crop year. Not only will the carryover of inventory in California be less than the past few seasons, but the inventory level in many overseas markets will also be less than we've seen for several years. The Chilean crop was short of expectations and some items are already nearly sold out.

Expectations in California are for a smaller crop compared to last season although it's too early to accurately forecast. Many California growers are expecting a 10-20% drop in production compared to last season which would put the 2024 crop in the range of 660,000 – 740,000. It is worth noting that the California growing region is in the midst of a 2-week period of high temperatures in the 43-45 degree range. Certainly this does not help the walnuts but it is too early in the season to compare this to the 2022 crop where we saw these temperatures in late August and September. The orchards have plenty of water and appear to be healthy overall. We will know more in the coming weeks about any damage that may occur but typically it is later season heat that causes the most problems.

Markets are firming for 2023 crop walnuts from all origins due to lack of available inventory. Early 2024 crop California business is being done at levels 30-35% higher than where the market opened last season. While this seems like a big jump (as a percentage), the prices we have seen the past 2-3 seasons are simply not sustainable. Looking ahead to the coming season and the overall supply/demand outlook, the industry is better positioned for success than we have seen in recent years.

Please let us know if our offices in Dubai, India, China, or the US may be of further assistance.

Best regards,
DERCO FOODS