

January 2017 Walnut Report

January 2017 shipments were 56,106 inshell equivalent tons. This is a record for the month of January and exceeds January 2016 by 12,581 tons (+29%).

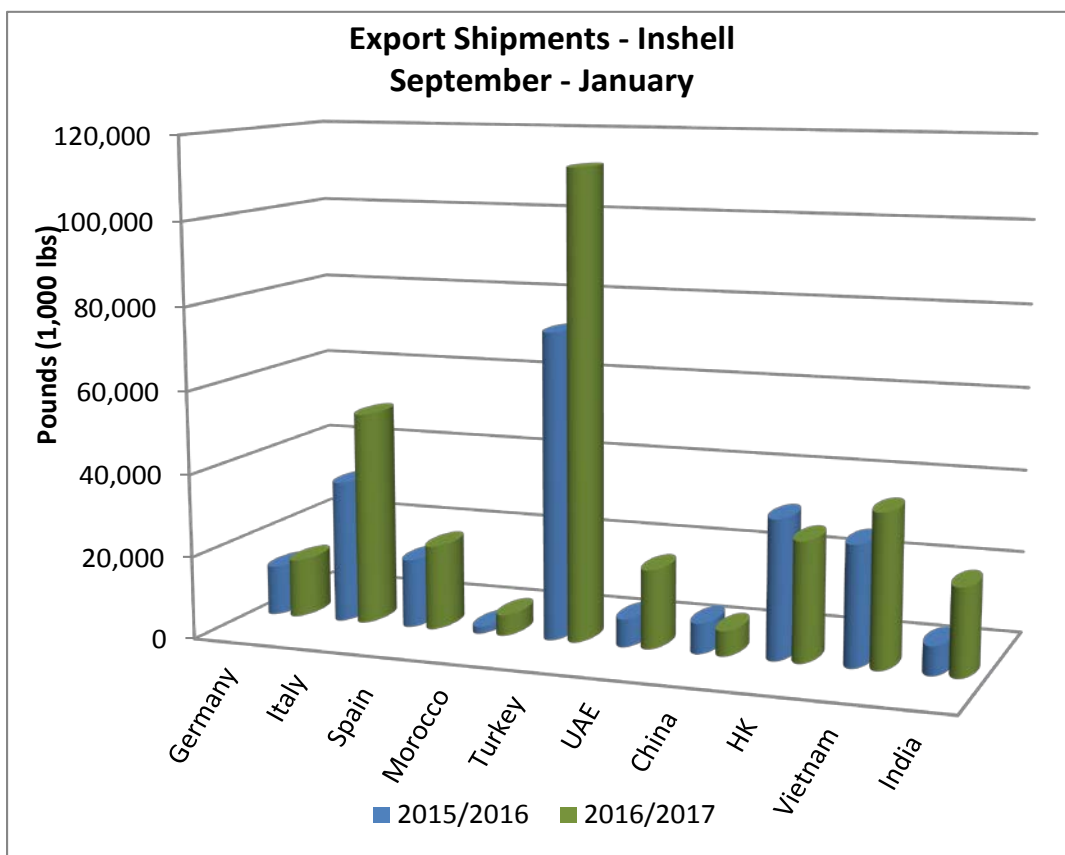
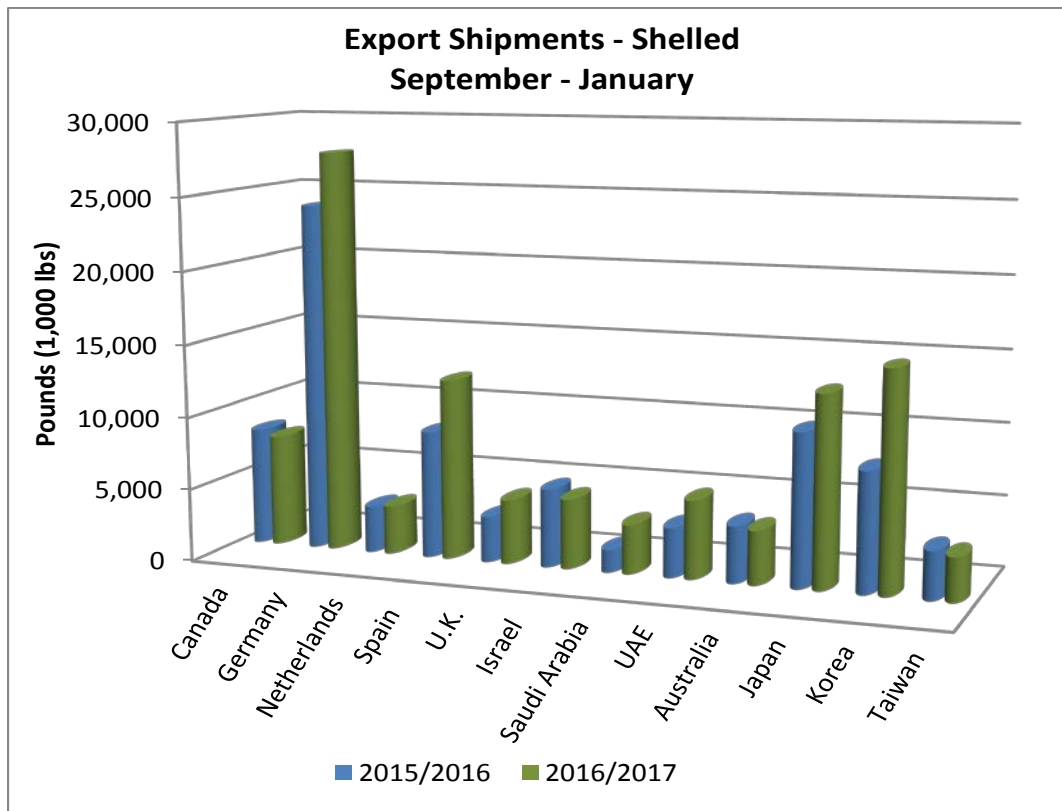
2016 Walnut Supply (inshell tons)

Carry-in from prior season:	65,170
2016 Crop Receipts:	675,797
Total available for shipment:	740,967
Less: shipments to date thru Jan 31:	415,485
Remaining supply:	325,482

- Inshell shipments were 27.2 million pounds for the month of January, an increase of 9 million pounds (+52%) compared to January of 2016.
- Season to date inshell shipments are 347.9 million pounds through January, an increase of 100 million pounds (+40%) compared to the same period last season.
- Shelled shipments were 37.4 million pounds for the month of January, an increase of 7 million pounds (+25%) compared to January of 2016.
- Season to date shelled shipments are 212.6 million pounds through January, an increase of 41 million pounds (+24%) compared to the same period last season.

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

Country	<u>Sep 2016 - Jan 2017</u>		<u>Sep 2015 - Jan 2016</u>		<u>% Change</u>	
	Shelled	Inshell	Shelled	Inshell	Shelled	Inshell
USA	86,898,149	10,092,721	69,530,731	11,067,698	25%	-9%
Canada	7,727,601	1,947,212	8,126,720	2,064,081	-5%	-6%
Germany	27,723,745	14,187,655	24,077,259	12,087,987	15%	17%
Italy	2,855,850	51,854,629	1,843,997	34,564,477	55%	50%
Netherlands	3,357,964	2,571,919	3,219,870	1,664,087	4%	55%
Spain	12,450,059	20,502,394	8,787,154	16,685,168	42%	23%
U.K.	4,440,140	220,372	3,142,994	401,644	41%	-45%
Algeria	936,014	1,456,876	120,960	526,668	674%	177%
Egypt	419,210	574,304	851,460	959,116	-51%	-40%
Israel	4,816,554	1,385,681	5,382,412	903,200	-11%	53%
Jordan	2,262,238	1,204,649	1,619,218	176,000	40%	584%
Lebanon	0	2,814,703	98,340	834,545	-100%	237%
Morocco	220,460	5,025,207	0	1,632,772	N/A	208%
Saudi Arabia	3,400,678	1,102,668	1,569,716	330,322	117%	234%
Turkey	509,630	112,769,207	814,262	74,182,880	-37%	52%
UAE	5,414,372	19,068,484	3,435,312	6,705,925	58%	184%
Australia	3,706,145	22,046	3,908,235	0	-5%	N/A
China	2,533,199	6,045,187	978,710	7,315,620	159%	-17%
Hong Kong	1,314,723	28,910,516	897,297	33,634,234	47%	-14%
Vietnam	538,400	36,920,870	567,516	29,050,402	-5%	27%
Thailand	1,591,124	353,101	2,460,725	1,982,164	-35%	-82%
India	52,855	21,155,040	1,010	7,023,782	5133%	201%
Japan	13,098,071	0	10,499,865	0	25%	0%
Korea	14,994,317	1,150,766	8,243,660	975,720	82%	18%
Taiwan	3,043,199	258,921	3,330,378	75,301	-9%	244%



January 2017 walnut shipments of 56 million pounds established a new record for January. Each month this season (Sept – Jan) has set a monthly shipment record. California growers are positioned to easily ship the entire 2016 crop.

Low inventories and attractive pricing at the beginning of the season allowed buyers to buy with confidence and demand has remained steady from multiple markets even as prices have slowly moved up. With record production in California (and other origins) it was important to begin the season with strong shipments. After 5 months, shipments have been bigger than expected and inventory as of January 31 of about 325 thousand tons is about 40 thousand tons less than this time last season. Many California growers report that they are 80%-85% committed for the season and we're beginning to see shortages of some items. To maintain a similar carryout to last season, shipments for the balance of this season need to be 10% below last season.

While this report is bullish, it is important to keep a couple of factors in mind:

- Looking back at the spring of 2016, the crop in Chile was devastated by untimely and record setting rainfall in the midst of harvest. This allowed California to quickly sell remaining inventories. A repeat of this scenario is unlikely to happen and current estimates are for a Chilean crop of about 90,000 metric tons. With this in mind, the dynamic for California in the spring months will likely be different than last season. It will not be as easy to move remaining inventories of light material as the Chileans will actively be offering product in what is expected to be their largest crop in history.
- With ample rainfall and chill hours in California plus continued additional acreage coming into production, another large California crop may be in the making for 2017. Larger growers are likely to do their part to maintain strong demand as we enter the 2017 growing season.

January 2017 shipments were up versus January 2016 in most major markets:

- North America was up 22% for shelled and down -2% for inshell. Shelled demand remains robust from both USA and Canada with buyers looking to cover Q3 demand from the 2016 crop. Season to date shipments to North America are up 22% for shelled and down -8% for inshell.
- Europe was up 48% for shelled and 43% for inshell. For shelled, Germany +66%, Spain +29%, U.K. +147%. For inshell, Italy +50%, Spain +38%. Season to date shipments to Europe are up 20% for shelled and 37% for inshell.
- Middle East / Africa was down -4% for shelled and down -12% for inshell. Shelled shipments were down versus January 2016 to Egypt (-51%), Israel (-31%) and U.A.E. (-27%) while Saudi Arabia was up (+52%). Inshell shipments were down to Egypt (-78%) and Turkey (-31%). Season to date shipments in the region are up 29% for shelled and up 68% for inshell.
- Asia / Pacific Rim was up 15% for shelled and up 143% for inshell. For shelled, Australia (+79%), China (+2,422%), Japan (+6%) and Korea (+11%). For inshell, China (+86%), Hong Kong (+148%), India (+762%) while Vietnam was down (-28%). Season to date shipments to this region are up 32% for shelled and 18% for inshell. The real drivers of this growth have been Japan and Korea for shelled and China and India for inshell.

New business activity has been steady over the past month despite increasing prices. The most active markets were USA, India and the Middle East/North Africa. China has been quiet due to Chinese New Year.

California growers are comfortably sold and bullish entering the spring. We expect pricing to remain firm or continue to slowly move up as growers continue to sell through remaining inventory. The onset of harvest in Chile and the prospects for large 2017 crops in California and other origins may limit the upside of the market.

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

Best regards,
DERCO FOODS