

August 2018 Walnut Report

2017/18 Walnut Supply (inshell tons)

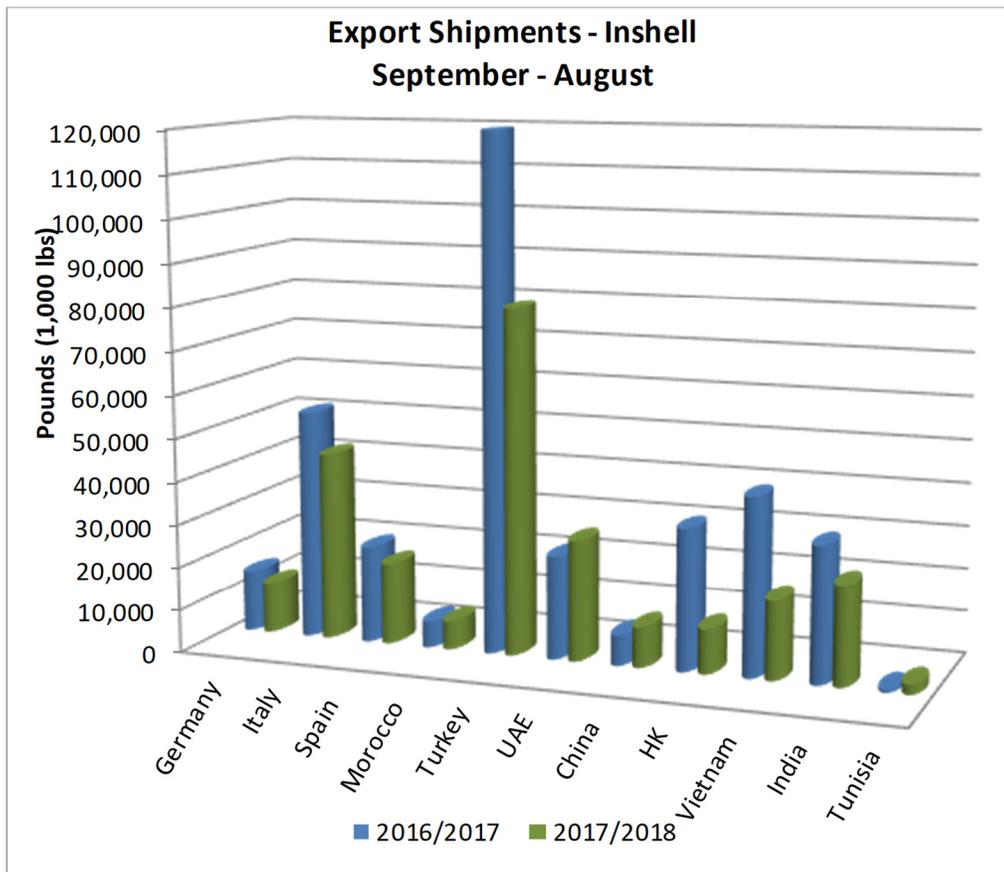
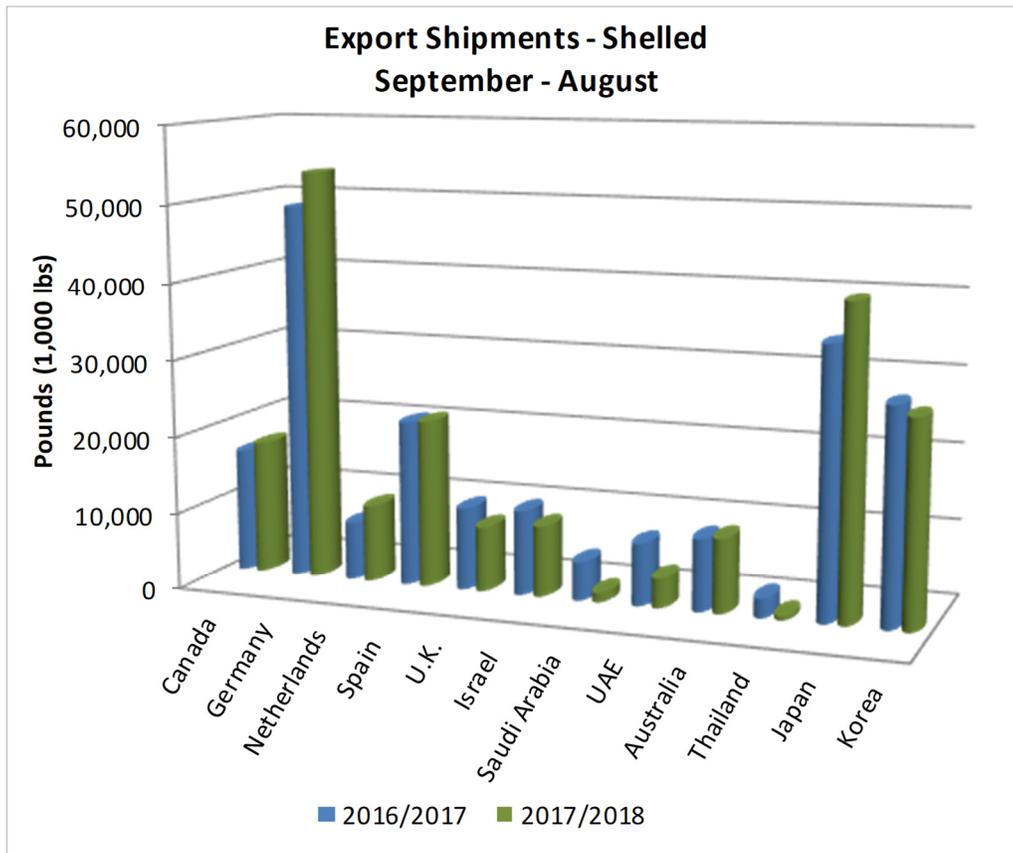
Carry-in from prior season:	55,976
2017 Crop Receipts:	627,798
Total available for shipment:	683,774
Less: shipments to date thru Aug 31:	618,399
Remaining supply:	65,375

August 2018 shipments of 26,025 inshell equivalent tons were about equal to August 2017 shipments (-1,125 tons; -4%). Full 2017/18 crop year (Sep – Aug) shipments of 618,399 inshell equivalent tons was down 73,790 tons (-11%) from the 2016/17 season.

- Inshell shipments were 2.6 million pounds for the month of August, an increase of 1.5 million pounds (+126%) compared to August of 2017.
- Season to date inshell shipments are 302.9 million pounds through August, a decrease of 91 million pounds (-23%) compared to the same period last season.
- Shelled shipments were 21.8 million pounds for the month of August, a decrease of 1.6 million pounds (-7%) compared to August of 2017.
- Season to date shelled shipments are 411.8 million pounds through August, a decrease of 25 million pounds (-6%) compared to the same period last season.

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

Country	<u>Sep 2017 - Aug 2018</u>		<u>Sep 2016 - Aug 2017</u>		% Change Shelled	% Change Inshell
	Shelled	Inshell	Shelled	Inshell		
USA	175,425,332	21,857,091	189,626,427	15,266,751	-7%	43%
Canada	17,423,236	2,827,429	16,204,800	2,364,684	8%	20%
Germany	53,649,620	11,895,920	49,135,519	14,369,314	9%	-17%
Italy	3,973,913	43,977,637	4,310,207	53,441,211	-8%	-18%
Netherlands	10,083,904	3,595,314	7,642,508	3,459,271	32%	4%
Spain	21,833,905	19,088,429	21,573,872	22,641,170	1%	-16%
U.K.	8,563,019	1,310,205	10,810,034	234,852	-21%	458%
Israel	9,300,140	590,606	11,080,416	1,539,727	-16%	-62%
Jordan	1,302,020	484,315	3,228,483	1,668,347	-60%	-71%
Lebanon	0	4,271,612	0	2,946,979	0%	45%
Morocco	0	6,662,111	0	6,171,615	0%	8%
Saudi Arabia	1,253,107	529,490	5,073,454	1,412,496	-75%	-63%
Tunisia	0	2,291,407	170,548	644,404	-100%	256%
Turkey	1,124,866	80,311,536	1,556,144	120,011,634	-28%	-33%
UAE	3,863,876	28,210,705	8,191,101	24,146,263	-53%	17%
Australia	9,735,552	30,267	9,465,255	66,046	3%	-54%
China	3,574,940	9,408,339	4,722,130	7,084,355	-24%	33%
Hong Kong	1,602,744	10,346,030	2,630,882	32,924,264	-39%	-69%
Vietnam	124,655	18,332,047	664,400	41,262,996	-81%	-56%
Thailand	539,588	0	2,486,492	353,101	-78%	-100%
India	0	23,078,951	63,855	31,570,098	-100%	-27%
Japan	40,071,230	0	34,797,359	0	15%	0%
Korea	26,555,493	1,340,012	27,860,057	1,150,766	-5%	16%



The end of August represents the end of the 2017/18 crop year for California walnuts. The 2017 crop of 627,798 inshell tons was down 56,540 tons (-8.3%). Total shipments were likewise down 73,790 tons (-11%). Ending calculated inventory (carry-out) is similar to last season at about 65,000 tons. The majority of the remaining 2017 crop inventory are kernels held by larger packers who ship year-round to the domestic market.

Looking ahead, the 2018 Objective Crop Estimate was announced at 690,000 inshell short tons. This would be an increase of 62,000 tons (+10%) over last season and will be record production for California. While some markets are eagerly anticipating the lower pricing in the current market, other markets are lost in a cloud of tariffs, trade barriers, currency devaluations and economic difficulty. Some of the highlights include:

- China: As Chinese walnut production grows, California is shipping less each season to this once robust market (last season about 3% of the California crop was shipped to China). While this season's Chinese crop is reported to be off compared to last season, business from California is difficult due to increased tariffs on California walnuts of 65% (plus VAT) and questions about the viability of alternative import channels.
- India: New tariffs on inshell walnuts are countering the lower prices from origin.
- Turkey: Reduced tariffs earlier this year and lower prices from origin had most buyers and sellers excited for the coming season. More recent increases in tariffs and rapid devaluation of the Turkish Lira (about 70% since January) have business at a standstill. It remains to be seen how active this market will be this season as in past years it acted as an important point of distribution to the Middle East, North Africa and Eastern Europe.
- Middle East: Political turmoil in the region and currency devaluation in Iran have buyers taking a cautious approach to new crop walnuts. Good inventory of Chilean product is also reported in the market with slow movement.

More optimistically, large kernel markets including the US and Europe are taking advantage of lower prices and locking in good quantities. At current market levels, many in the industry are predicting volume may increase by 10-20% over last season.

Currently the market in California is sloppy with a wide range of prices being offered for the same product. Growers with heavy reliance on inshell markets are getting nervous. Growers who have developed other markets are more confident. We anticipate larger levels of demand and more clarity in the market in the coming weeks.

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

Best regards,
DERCO FOODS