DERCO FOODS®

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June 2020 Walnut Report

2019/20 Walnut Supply (inshell tons)

Carry-in from prior season:	66,179
2019 Crop Receipts:	650,730
Total available for shipment:	716,909
Less: shipments to date thru Jun 30:	580,749
Remaining supply:	136,160

- Inshell shipments were 5.2 million pounds for the month of June, an increase of 4.3 million pounds (+462%) compared to June 2019.
- Season to date inshell shipments are 279.6 million pounds through June, a decrease of 57.6 million pounds (-17%) compared to the same period last season.
- Shelled shipments were 29.7 million pounds for the month of June, an increase of 2.2 million pounds (+8%) compared to June 2019.
- Season to date shelled shipments are 388.1 million pounds through June, a decrease of 9.2 million pounds (-2%) compared to the same period last season.

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

	Inshell Pounds			Shelled Pounds		
	Sep 18 - Jun 19	Sep 19 - Jun 20	% Change	Sep 18 - Jun 19	Sep 19 - Jun 20	% Change
USA	16,028,772	10,326,160	-36%	173,933,491	171,583,066	-1%
Canada	3,142,135	2,182,312	-31%	13,802,590	13,555,331	-2%
Germany	10,993,983	11,943,528	9%	40,842,322	57,291,406	40%
Italy	49,839,647	50,536,431	1%	4,938,491	4,085,299	-17%
Netherlands	2,644,087	2,182,558	-17%	10,539,658	10,954,254	4%
Spain	18,507,662	18,243,680	-1%	21,751,654	23,011,107	6%
U.K.	280,830	409,311	46%	8,604,004	8,193,415	-5%
Egypt	1,762,802	2,354,416	34%	1,167,410	1,023,418	-12%
Israel	1,465,704	617,208	-58%	13,299,530	7,094,087	-47%
Jordan	1,824,844	705,380	-61%	3,499,226	1,765,703	-50%
Lebanon	7,062,896	1,557,614	-78%	168,046	-42,000	-125%
Morocco	8,238,179	5,602,176	-32%	0	0	0%
Pakistan	18,621,223	256,285	-99%	42,328	0	-100%
Saudi Arabia	1,235,484	460,433	-63%	3,701,540	2,243,912	-39%
Turkey	86,887,339	90,454,854	4%	251,022	620,596	147%
UAE	61,912,206	35,124,100	-43%	8,175,388	5,044,660	-38%
Australia	25,463	2,000	-92%	7,040,693	6,318,259	-10%
China	2,884,964	861,337	-70%	2,457,280	1,064,525	-57%
Hong Kong	4,867,349	275,355	-94%	1,532,028	850,560	-44%
Vietnam	12,423,995	14,312,009	15%	192,480	104,750	-46%
India	13,975,614	17,509,072	25%	223,740	1,470,365	557%
Japan	0	0	0%	33,339,985	33,190,134	0%
Korea	674,857	842,160	25%	24,310,861	21,355,686	-12%

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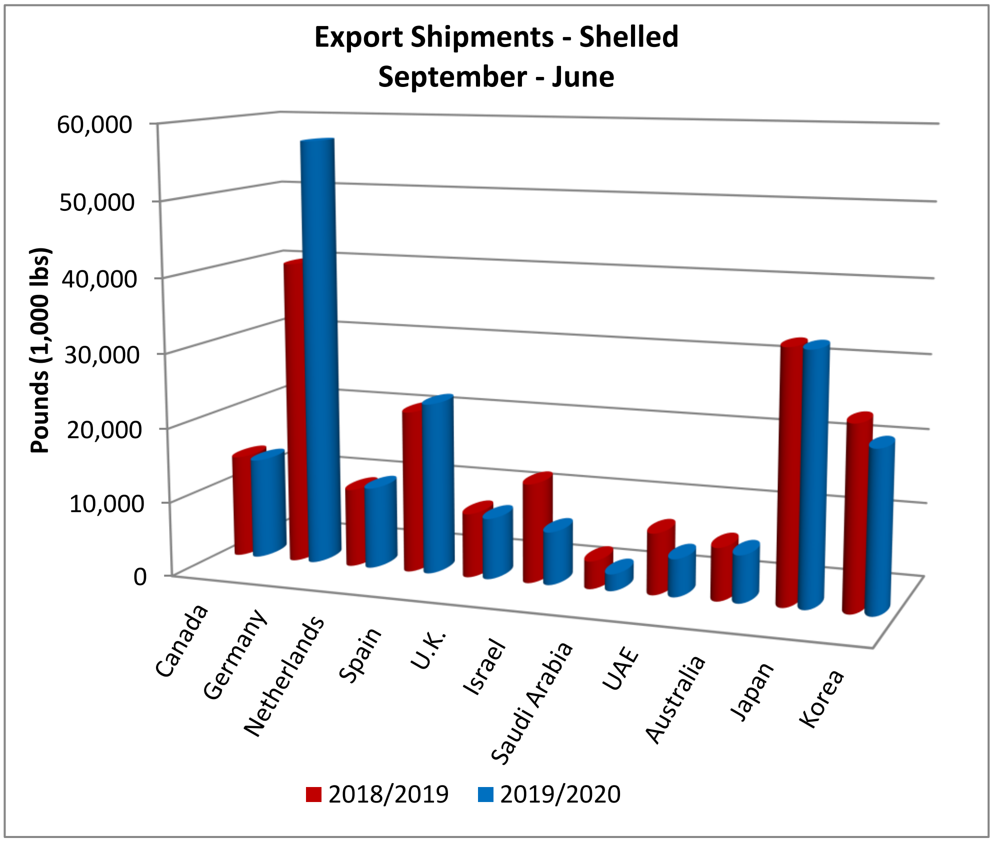

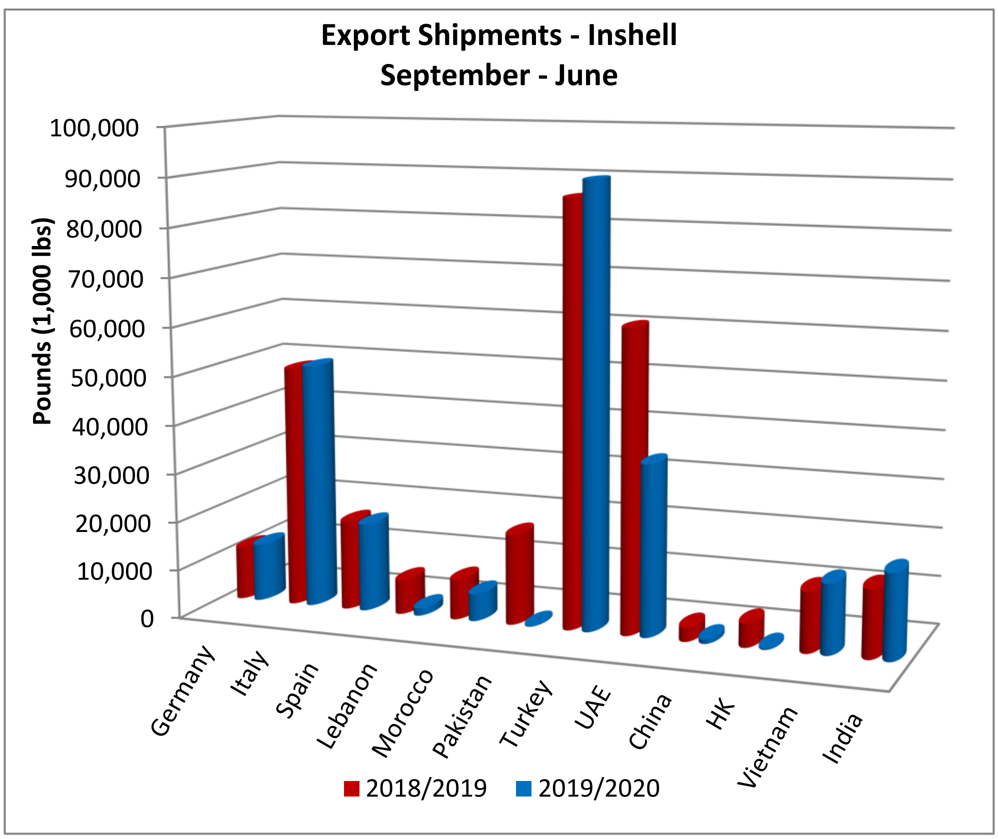

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June walnut shipments from California were strong, particularly for inshell. Contributing factors include lower commodity prices, some stabilization in markets after the initial shock of COVID-19, improved movement of inventory in key overseas markets. Worth mentioning is that inventory in California as of May 31, 2020 of about 174,000 inshell tons is +25,000 tons (+17%) compared to May 31, 2019. This means there was generally more availability in California compared to a year ago. The last time inventory in California was this high was in 2016 when we saw prices correct and a surge in demand resulting in record shipments during the months of May, June, July and August. We are optimistic that a similar trend is emerging which will help reduce the carryout into the 2021 crop.

Inshell shipments during the month of June were driven by strong shipments to Domestic, Germany, Spain, Algeria, Turkey, U.A.E. and India. It is likely that these shipment figures include some shipments which were originally scheduled for March-April and were delayed as COVID-19 caused disruptions all over the world. Other shipments are driven by buyers having sold inventory and viewing remaining California inshell as an attractively priced alternative to Chilean walnuts (which have been trading at about a 20% premium over California). Season to date shipments of inshell remain well behind prior season with the largest decreases seen in shipments to Domestic, Belgium, Jordan, Lebanon, Morocco, Pakistan, U.A.E. and China/HK.

Shelled shipments during the month of June were driven by strong shipments to Domestic, Germany, U.K. and Korea. Shipments to Netherlands, Spain and Japan were down for the month. It takes time before lower prices make their way to the retail level but as they do, we expect to see stronger shelled shipments going forward.

Calculated inventory in California as of June 30 is about 137,000 tons, 11% higher than June, 30 2019. Assuming shipments the remainder of the season (July – August) are about equal to the same period last season, the carryout would be about 100,000 tons. This is about 50% higher than we’ve seen the past couple of seasons. If shipments remain strong at 20% higher than last season (nearing record shipments from 2016), the carryout would be reduced to about 90,000 inshell tons.

In addition to a larger expected carryout from the 2019 crop, the new 2020 California crop is set to be record production. Early estimates are above 700,000 inshell tons. There is still almost 3 months until harvest is underway which is a lot of time. Unknown factors such as summer heat, potential for rain during harvest and other factors can affect production in the coming months. As we get closer to harvest we’ll begin to see different crop estimates and have a better idea of production.

New (2020) crop sales activity to export markets has been relatively slow so far with most buyers preferring to wait and see a better picture of supply and demand. Other buyers are locking in early shipments at prices which are attractive compared to recent history. A lot remains unclear as we look ahead to the 2020 crop including production (USA, China, Europe, Chile), COVID-19 and the affects it has on demand and/or movement of goods, fluctuations in currency exchange rates and election season in the USA. Despite all of these uncertainties, walnuts remain a nutritious, widely accepted and reasonably priced food that is well positioned to meet growing worldwide demand for safe and stable food supplies.

Please let us know if we can be of service.

Best regards,
DERCO FOODS