

Invernada Chile shipment report May 2020

To analyse correctly the Chilean walnuts shipment report recently released by Chilenut, it is important to do it considering crop situation of this particular season.

Volume was 7% lower than last year, being reduced from 139.000 metric tons in 2019, to a maximum estimated volume of 129.000 metric tons this year, which could end up even lower.

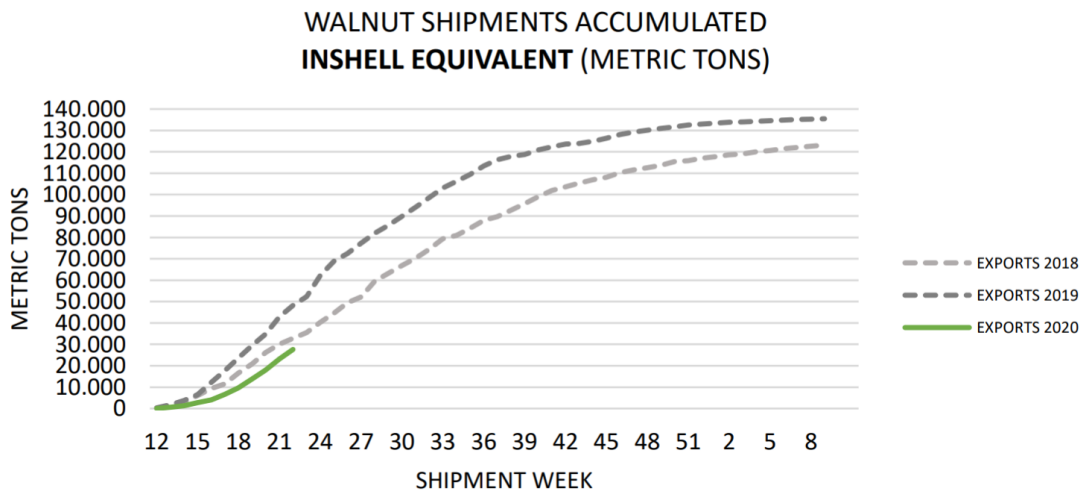
Quality was affected due to the drought situation in the main growing area (Central Valley). Main effect was on size distribution, with a higher percentage of walnuts bellow 30mm (12%), and lower percentage on the bigger range of 36mm+ (10%). Other fact is that the crack out yield was around 2 percentage points lower than usual. Finally, colour is a bit darker with less availability of Extra light colour (60% only against 75% to 80% normal) which affects mainly the Hand Cracked availability of extra light kernels.

	2018 Ytd	2019 Ytd	2020 Ytd	Var (20/19)
Crop volume MT	129.386	139.226	129.000	-7%
Carry in	0	1.609	580	-64%
Exports	30.571	42.819	27.628	-35%
Available stock MT	98.815	98.016	101.952	4%

- Source Chilenut

Analysing the report, we can realize that despite shipments on March and April started very slow, they picked up in May with a total equivalent of 20.173 metric tons; which is lower than last year, but still the second best May shipments in history for Chile.





*Source: Chilenut

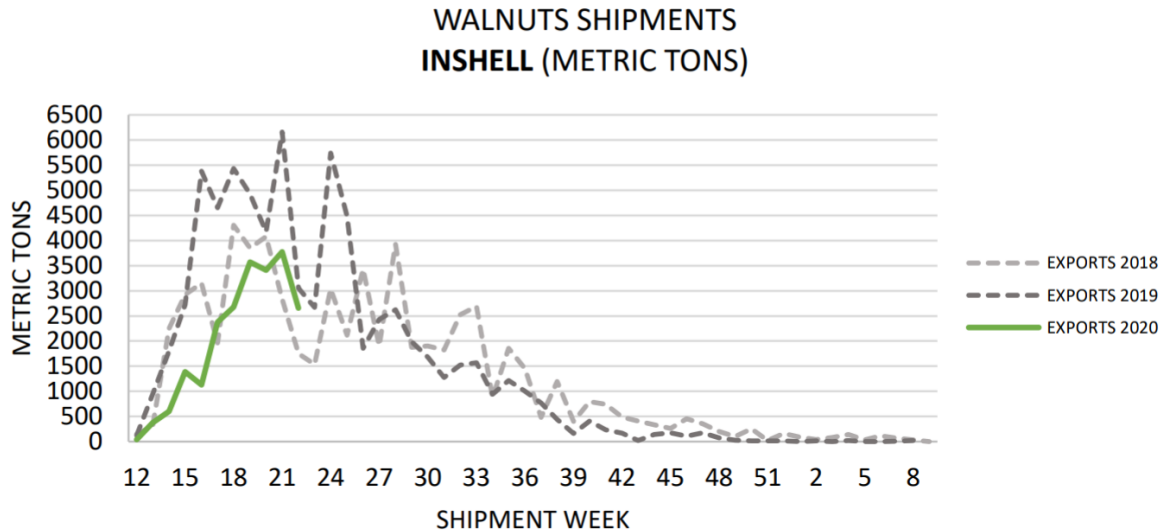
¿Why shipments of March and April were lower than last year?

It is important to consider that a YTD comparison can be a bit unfair, because 2019 was a year with particularly high early shipments, surpassing all records for March and April. Anyway, we can identify several facts to explain why shipments were lower:

1. **Later harvest:** Harvest 2020 started 10 days later than in 2019.
2. **Ramadan:** To supply Ramadan is not an option for Chile anymore, so there was no rush to purchase from some important markets such as Middle East.
3. **Lower production on early varieties:** SERR variety that historically has influenced early shipments, this year was nearly 25% lower on volume harvested.
4. **Covid effect:** March was the month when the COVID started to spread in many different countries, so most customers requested to delay their shipments due to the uncertainty of possibilities of clearing their goods, as first lockdowns were taking place everywhere.
5. **Logistic disruption:** Due to the lockdown in China in February, and the disruption that produced in all the logistic worldwide, there were several “blank sailings” during April. All shipping lines were prioritizing the shipments of fresh fruit during March till Mid-April. These blank sailing are also affecting May and June shipments.



In-shell shipments:



Down by 40,8% accumulated. This decrease in shipments, is explained by the drop in **Middle East** area, where **Turkey and Dubai** are considerably down on their purchases. It is important to mention that last year Dubai was particularly active, demanding early shipments reaching a record of nearly 12.000 metric tons shipped within the first 3 to 4 weeks of the season. Finally, as we explained before, Ramadan did not play a role at all this year.

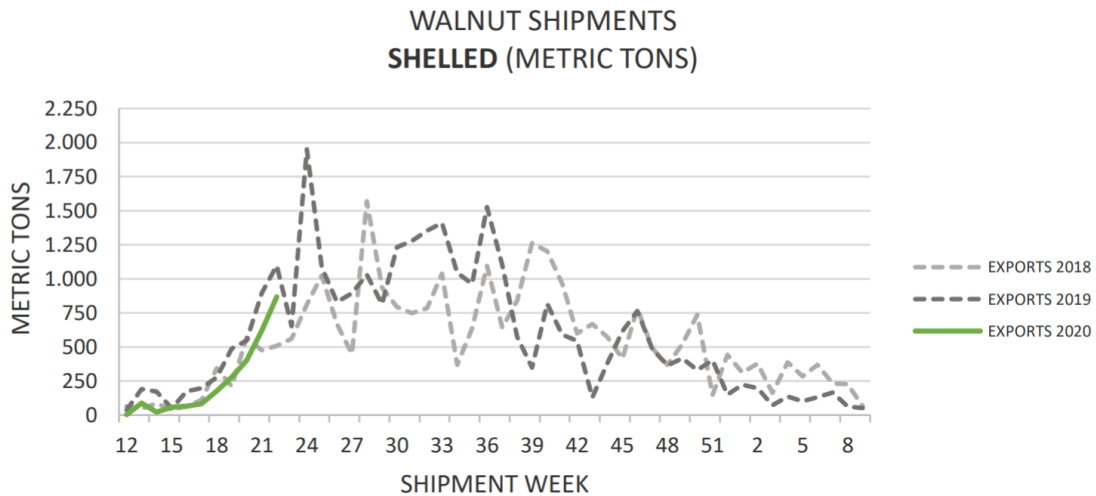
Europe is also down by 15,6% where Italy and Spain explain the decrease. Both countries were mostly affected by COVID at that time, so most shipments were delayed to those destinations.

Asia in the other hand, is showing an important growth with a surprising **China** buying aggressively since Gulfood; and **India** also increasing their numbers. These two countries are clearly understanding the importance of fresh walnuts on counter season.

In **Africa**, **Morocco** is by far the main destination for Chilean walnuts and it is showing an important increase on their purchases, which should slow down in the following months.



Kernels Shipments:



Volume shipments of kernels usually start late April beginning of May, and although number are down comparing to last year, these are pretty much normal.

Most of the drop on volume has taken place in **South America**, where, Brazil and secondly Ecuador explain this decrease, the reason behind it is clear, COVID.

In the other hand, **Europe**, which is the main destination of Chilean kernels, has shown an increase of shipments of 1,6% accumulated, and 10,4% in May, what is showing a healthy market and demand for kernels in that area. Most of this demand is concentrated on Halves. In **Asia**, South Korea explain the drop in volume which is mainly due to price differences with California kernels on LHP20 grade.

Commitments: it is declared and average of 55% - 60% commitments, by most packers on their total volume. This percentage, considering the worldwide situation is, although lower than usual, a healthy percentage. Normal at this time of the year it should around 65% to 70%.

Something remarkable is that this percentage on commitments, was reached with the 2 main markets for Chilean Inshell walnuts (Turkey & Dubai) considerable out of the market. Both countries have started purchasing just by end of May, when the borders in the Middle East were opened, the lockdown seems to start relaxing and trade being possible.

Specially in Turkey, due to the tax advantage that Chile has over California, there is a good chance to see more sales in the coming months.



Inshell availability: Due to the quality condition of the crop some good quality product have become scarce, availability of sizes 34-36 mm or 36up mm is very limited, so its prices have increased. Medium sizes 30–34 mm, are more abundant, but good quality is the restriction. There is a big variation on qualities, and so a variation on prices offered. Better the quality higher the price.

Here we can see the evolution of prices, we have seen during the season.

Chandler Prices CFR/ Kilo	March	April	May	June
30 - 34mm	USD 3,00 - 3,10	USD 2,70 - 2,85	USD 2,70 - 2,90	USD 2,70 - 2,90
34 - 36mm	USD 3,35 - 3,45	USD 3,40 - 3,45	USD 3,45 - 3,50	USD 3,45 - 3,50
36mm+	USD 3,50 - 3,60	USD 3,60 - 3,70	USD 3,60 - 3,70	USD 3,70 - 3,80

- Range of prices respond mainly to differences on quality and packers

Machine cracked kernels availability: Something strange has happened in this market. An early and strong demand for Halves 80% and above has influenced the availability of these mixes. Now, many of the main packers of machine cracked kernels has no availability of Halves, and that 50% commitments reflect that the availability is concentrated in quarters. Prices are also reflecting it with halves strong above USD 8,00 and quarters softened to USD 6,50 range.

Seems to be a loyal market that value the freshness, colour and taste of Chilean walnuts, especially on halves.

Machine cracked Kernel prices CFR/kilo	March	April	May	June
EL-LHP80 *	USD 8,00 - 8,20	USD 7,70 - 7,90	USD 8,00 - 8,20	USD 8,00 - 8,20
EL-LHP40 *	USD 7,40 - 7,50	USD 7,10 - 7,30	USD 7,20 - 7,30	USD 7,20 - 7,30
Quarters *	USD 7,00	USD 6,80 - 7,00	USD 6,50 - 6,70	USD 6,45 - 6,55

*Extra light light

Important is to mention that many of the **quarters and pieces** are used in the HORECA sector which has been hardly affected by the COVID.



Hand Cracked kernels availability. The demand of this product has been constantly active during the season. In the other hand the supply is facing big challenges on the processing part, due to the COVID and the possibilities of having an important number of workers in the same place all together.

Hand cracked Kernel prices CFR/Kilo	March	April	May	June
ELHP90	USD 10,80 - 11,00	USD 10,70 - 10,80	USD 10,50 - 11,00	USD 10,50 - 11,00
Quarters	USD 7,50	USD 7,00 - 7,20	USD 6,80 - 6,90	USD 6,80 - 6,90

Interesting, is to see that differences on prices from different packer has increased with the time. Well-known packers seem to be well committed and prices remain strong for Extra light halves. Smaller “cracking operations” are having difficulties to market their products, and so looking for alternatives via price. This segment has been active in the snack sector, but has been slow in the HORECA sector due to the reason we all know.

Please feel free to contact us to discuss this report,

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