



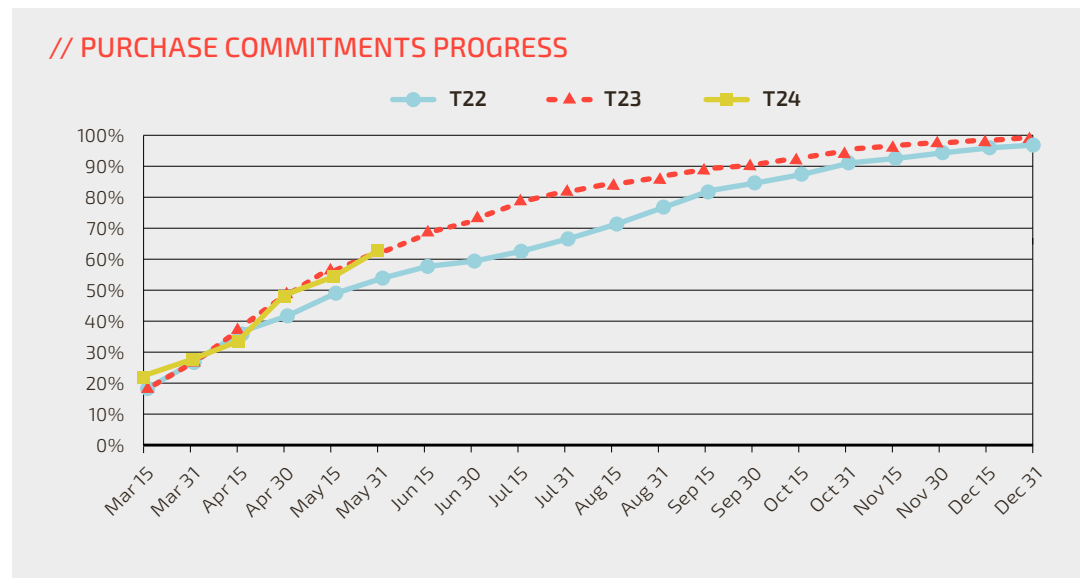
The walnut market has been very active due to a global shortage of the product. The primary walnut producers worldwide, are facing significantly reduced stocks. On one hand, China, the largest producer and consumer of walnuts globally, has been favoring its domestic market, which appears to have regained momentum post-pandemic.

On the other hand, California had a good crop in terms of volume and quality but has been marketing their inventories with an aggressive price policy, driving record monthly shipments, and projecting end inventories to a minimum level.

Chile, on its part, experienced a harvest significantly below the original projection (-26%), which will not be able to satisfy the entirety of the usual demand from those customers accustomed to the freshness and quality of Chilean nuts. Most Chilean packers were out of the market for about three weeks, awaiting greater clarity regarding the impact on their harvest's decline. Today, gradually, they have returned to offer at higher prices, carefully managing scarcity to keep their regular customers supplied. Chile's commitments surged sharply, reaching 62.8% by May 31st. It is estimated that by the end of June, Chile's commitment level will reach easily 75%. Some products are beginning to run low in supply, both in shelled and in-shell nuts, and customer interest seems not to wane.



Chilean Commitments



Source: Chilenut



Inshell Market

Prices continue to rise. In the inshell walnut segment, India, initially active in purchasing, is re-entering the market again, to cover an extended period that includes the wedding season, Diwali, and other traditional festivities. Europe has been highly active, with Italy leading purchases. Turkey, too, has been actively seeking and purchasing inshell walnuts, exploring deals and alternative qualities. Russia, meanwhile, is evaluating the new scenario and prices before resuming purchases, although delaying too long may result on the impossibility of getting supply.

// PRICE TRENDS FOR INSHELL WALNUTS (NCC)

INSHELL	30 - 34mm	34 - 36mm	36mm+
February	2,30 - 2,40	3,10 - 3,20	3,40 - 3,50
March	2,40 - 2,50	3,10 - 3,20	3,50 - 3,60
April	2,55 - 2,65	3,30 - 3,40	3,60 - 3,70
May	2,60 - 2,70	3,30 - 3,40	3,70 - 3,80
June	2,75 - 2,85	3,40 - 3,50	3,80 - 4,00



Kernel's Market

Conversely, prices for shelled walnuts continue to climb. The shortage of halves has propelled their price to levels not seen in about five years. However, this merely reflects a sustainable price level for walnuts in the long term, ensuring profitability across the entire chain and striving to approach the equivalent price of inshell walnuts.

Europe, the largest purchaser of Chilean kernel walnuts, anticipates insufficient availability to cover consumption until the Christmas season. Consequently, buyers have sought to secure volume rather than negotiate prices. Consumption has risen thanks to promotions and reductions on price to final consumers. Large retailers have finally passed part of the low bulk prices to their shelf prices.

In South America, particularly Brazil and Ecuador, purchases have been notable, as they foresee inadequate product availability and aim to secure a minimum volume to meet consumption until the next season.

// PRICE TRENDS FOR SHELLED WALNUTS (NSC)

KERNELS	LHP80	LHP40	Large Pieces
February	6,40 - 6,60	5,40 - 5,60	4,30 - 4,40
March	6,80 - 7,10	6,00 - 6,10	4,30 - 4,40
April	7,80 - 8,10	6,40 - 6,60	4,40 - 4,50
May	8,20 - 8,50	6,80 - 7,00	4,70 - 5,25
June (est)	8,40 - 8,60	7,00 - 7,20	5,40 - 5,70



What to expect?

The walnut industry is right now at an inflection point, looking for a new supply-demand equilibrium that can bring stability in the long term. Since 2018 there has been a down trend on the grower prices which has affected the profitability of this activity, the reasons behind this respond to supply and demand facts, related to the convulsory times we went through since then.

The supposedly high inventories of China and California have been sold, and a market's reset seems to be taking place. For a long time, people spoke about an over supply of walnuts and all the eyes were looking at the grower side, but truth is that we all failed to look into the reduction of consumption provoked by a series of unprecedented events such as a pandemic, a deep economic crisis which led to high inflation and interest rates worldwide, a war in Ukraine which continue till today and more recently the conflict in Gaza. All these uncertainties had a brutal effect on consumption, but now it seems that consumers are gaining confidence again.

China has a potential crop of nearly 1.5 million tons. Which means that if everything is fine, weather is optimal, no frost reported, no drought affecting, and market pays is a minimum price that makes harvest profitable for pickers, the total crop could reach such a number. We know that in agriculture such a condition never happens. In the other hand what really matters is the consumption capacity of the country, it has proven that with a stable economy the volume is consumed internally. We can't forget that China is the main grower but also the main consumer of walnuts worldwide.

California, although early to say, seems to be suffering of similar conditions to the ones affected Chilean crop this year. The lack of enough chilling hours, a heterogeneous and longer sprouting and blooming time, and a high percentage of flowers abortion should alert us of a possible limited crop from California. Not to mention that several orchards have been pulled out, and other orchards that have been forsaken, or whose level of care has significantly waned, which will impact their production and/or the quality thereof.

Pricewise, market has moved up, but just to a sustainable level. We are convinced that this new balance between global supply and demand will establish a new foundational price level for this industry, one that should endure over an extended period.

Walnuts are an extraordinary commodity, regarded by many as a "superfruit" due to their myriad health benefits and substantial nutritional value. When consumed fresh, their flavor is remarkable, leaving no one indifferent. As an industry, we face a significant challenge: to continue promoting the advantages of walnuts and to do everything within our reach to ensure our products reach consumers' hands in the best possible manner. As we've already stated, nature has granted us an opportunity to begin again, with a new balance we must collectively safeguard—let us not waste it.