



Q4 2025 OUTLOOK

Walnut Market Holds Steady

By Matt Woolf, Ph.D.

REPORT SNAPSHOT

Situation: The walnut price had remained elevated since its post-2022 crop peak in late 2024 but has dropped closer to breakeven in recent months.

Outlook: Though the market has shown that it's easily vulnerable to weather changes and movements on the global market, all indications point to a price that is likely to return to the elevated levels seen earlier in 2025.

Though the crop doesn't look like it will be a record by any means, overall production will be larger than last year.

The market for walnut farmers in the Central Valley has improved greatly since the lows of 2022, and

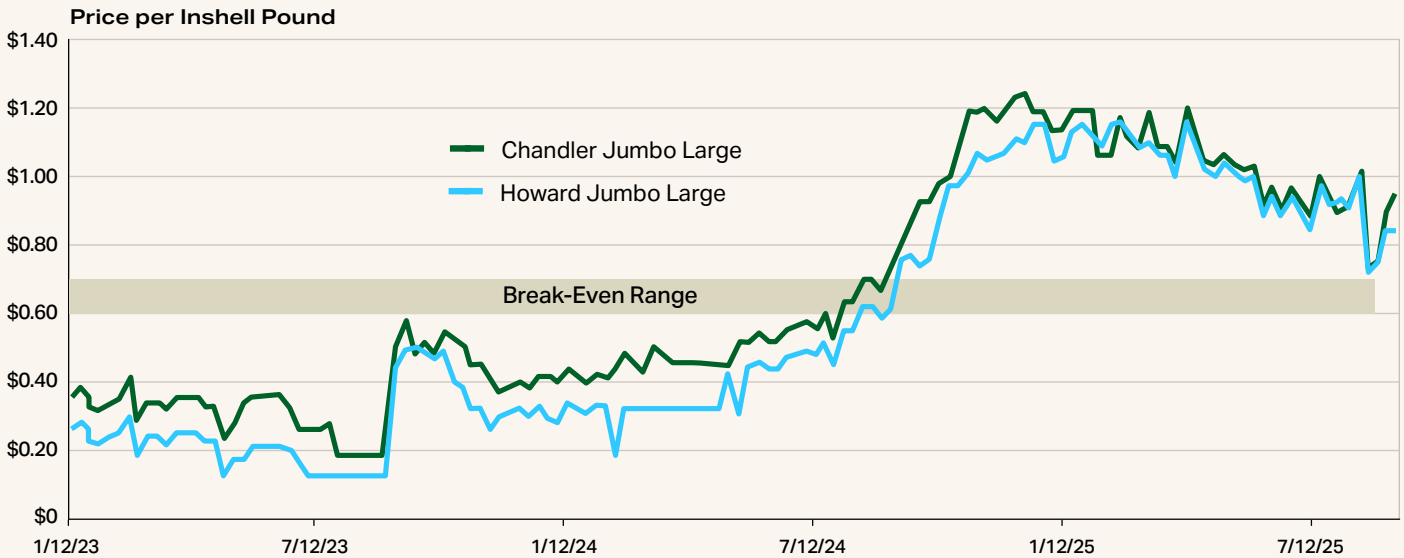
grower prices have remained above breakeven. Looking ahead, there are variables on the supply side and demand side I'm watching closely as we enter a new crop year.

SUPPLY IS MANAGEABLE

On the supply side, it's unlikely that the 2025 crop will be as small as the 2024 crop, which was the smallest since 2014. For the most part, growers have reported excellent quality, and the weather has been mild, which should result in elevated yields, all else equal.

Though the crop doesn't look like it will be a record by any means, overall production will be larger than last year. That's precisely what the USDA National Agricultural Statistics Service's Objective Estimate projected earlier this month, when it forecast the 2025 crop at 710,000 inshell tons.

Walnut Pricing Dropping Close to Break-Even Levels



Notes: Grower price was estimated by subtracting 30 cents off the "free alongside ship" price. This differential is impacted by many factors and should be viewed as only an estimate. Sources: StrataMarkets, Terrain



It's always challenging to get a clear read on the overseas crop size at this stage, but reports indicate that Chile's crop, though larger than last year, is well below expectations.

As for China, it's far too early to tell. However, its estimated production is expected to be in line with 2024, according to the International Nut & Dried Fruit Council. In addition, there is more news each year that China's buyers have concerns about quality, which should help California producers in the marketplace.

Given recent smaller harvests in California and Chile, global carry-in is projected to be nearly 5% lower, reflecting the reduced 2024 crops. While conditions have been good for California's crop, acreage continues to decline. The 2025 initial acreage report released on July 2 showed a continued drop in bearing acreage, with a 1.5% decrease from the final estimate in 2024 to 374,055 acres.

As of April 30, there were 8,538 new acres coming into production, 7,486 acres removed (from last September through April), and 7,417 acres that were

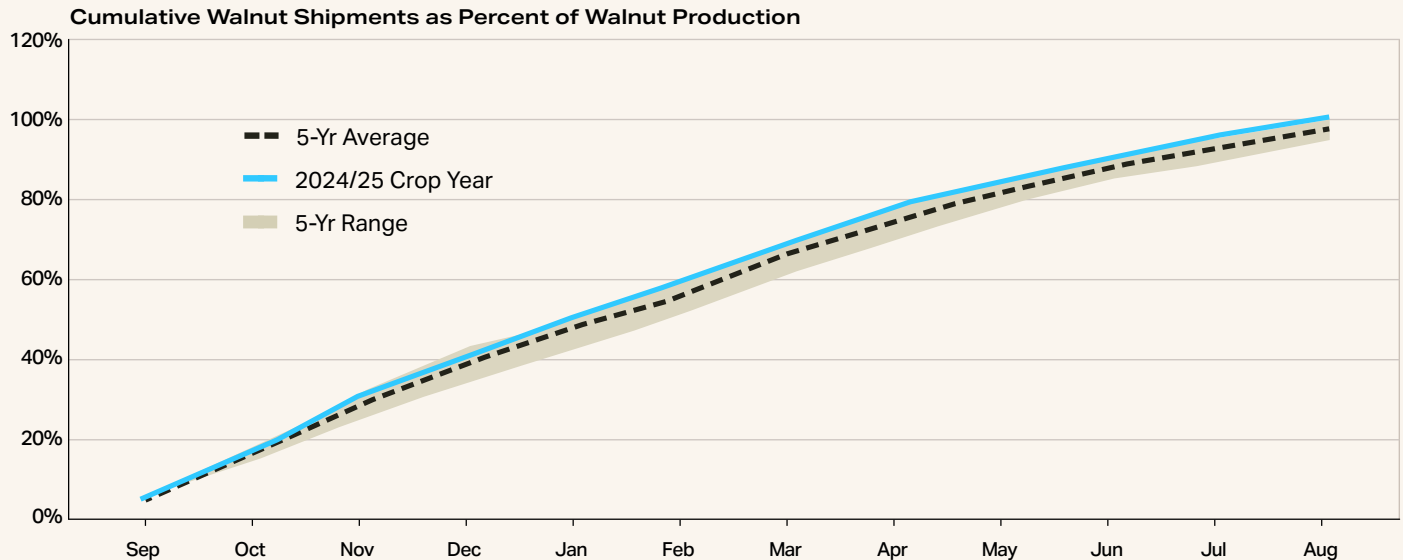
categorized as non-productive because of high stress or abandonment. Shifts in producing acreage due to removals make production estimates difficult, as the number becomes a moving target. But the continuous fall in the number of producing acres makes it increasingly likely that record production is behind us.

Pricing on Chile's 2025 harvest has been higher than last year, another possible sign of strong global demand.

DEMAND IS STABLE

On the demand side, shipments look weak at first glance. Cumulative crop shipments through July are below average at about 582,000 inshell tons (assuming a 0.431 crack out to convert shelled pounds to inshell). When divided by the production number to control for crop size, however, year-to-date shipments have been better than the five-year average, indicating

Relative Walnut Shipments in 2024/25 Above Average



Sources: USDA, Walnut Board, Terrain

stable to increasing demand relative to supply. Furthermore, pricing on Chile's 2025 harvest has been higher than last year, another possible sign of strong global demand.

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An ongoing risk to demand, however, is trade uncertainty – especially with India, which currently has a 100% tariff rate on California walnuts. When tariffs were implemented in 2018, walnuts were especially impacted, since the market has more global competitors than almonds and pistachios.

Given proposed rates and the breadth of policy being considered today, tariffs or even the uncertainty surrounding tariffs could affect the industry's ability to grow shipments. At the same time, a trade deal with India that could lower the tariff rate would be a huge opportunity for the industry.

OUTLOOK

As we make our way into the new crop year, market fundamentals appear to be working in the walnut grower's favor. It's unlikely that we see the sort of steady price rise that we observed throughout 2024, but it's also unlikely that we see a sharp drop. Though prices have declined in recent weeks, it's important to remember that the market gets quiet at this time of year.

Revenue per acre has the potential to be strong.

My expectation is that prices return to the levels seen at the beginning of the year and that growers have better yields than they did last year. The combination means revenue per acre has the potential to be strong.



ABOUT THE AUTHOR



Matt Woolf, Ph.D., is Terrain’s specialty crop analyst, focusing on tree nuts, fruits and vegetables. He is a native of California’s Central Valley, where his family grows almonds, pistachios and a variety of row crops. Matt has an extensive academic, teaching and research background, including a Ph.D. in economics from the Australian National University.

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