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MARKET  
REPORT



# Walnuts at the **Crossroads** >>

Chile's disciplined start, America's record shipments, and the geopolitical fractures reshaping global trade.





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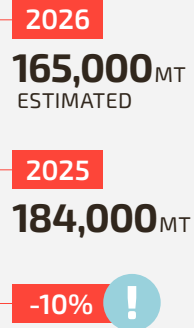
**T**he opening of Chile's 2026 walnut season has broken with nearly every recent precedent. In an ordinary year, the country would already have committed close to 20% of its exportable volume by this stage. This time, forward sales are effectively at zero. That is not a sign of weak demand; it is a **sign of strategic restraint**.

Two main reasons explain this cautious approach. First, Gulfood Trade Show was scheduled unusually early this year, taking place in January. This timing allowed Chilean walnut exporters to wait before making any sales commitments prior to the harvest. Second, ongoing discussions about a potential "El Niño" event—a recurring climate pattern that can cause significant weather disruptions such as heavy rains—led

the industry to hold back until there was greater certainty about weather conditions. This was especially important with the Chandler variety harvest set to begin in the final days of March. The experience of climate change has made the industry more cautious. Those with more experience in the industry still remember what happened in 2016, when, under similar weather conditions, heavy rainfall during the first week of harvest caused major challenges for growers. Initial harvest activity has already begun for the Serr variety of walnuts, but only in small amounts so far.

## Chile's message: Patience before pricing

 Chile



Current estimates place Chile's 2026 crop at roughly 160,000 to 165,000 metric tons, compared with 184,000 metric tons in 2025, implying a decline of about 10%. So far, growing conditions have generally supported healthy walnuts development. The main caveat is the heatwave sequence recorded in February, which could leave crack-out yields slightly below normal. Even so, size distribution is currently looking encouraging, and if the harvest window remains free from significant rainfall, overall quality should stay aligned with Chile's established standards.

That quality backdrop matters because the market is already sending mixed but telling signals. Interest in inshell walnuts is firm,

especially from Indian and Russian buyers closely watching opening levels. Chilean exporters understand that initial indications are likely to come in below last year's opening prices. Yet the industry's stated goal is not simply to clear volume quickly; it is to create a more stable price environment from which values can strengthen gradually and sustainably over the season.

Regarding the kernel's market, we have seen that European customers are clearly curious about Chile's opening prices, but buying remains limited in concrete terms.

The only certainty we have today, is at today's relative values, selling inshell walnuts is much more attractive than converting them into kernels. If that incentive persists, kernel availability may tighten later in the season, particularly when combined with a smaller Chilean crop.

## A global market defined by paradox

This local caution in Chile is unfolding against a global backdrop that feels almost contradictory. As the second quarter of 2026 begins, the walnut trade is contending at once with record shipment flows, geopolitical disruption, and rapidly shifting regulatory risk. The result is a market that looks liquid on paper but fragmented in practice.

Nowhere is that paradox clearer than in the United States. California entered the season under the weight of a near-record supply position—878,543 inshell equivalent tons when the 2025 harvest is combined with carry-in stocks. Yet February 2026 became a historic shipping month. Total monthly movement rose 40.1% year over year to 79,847 inshell equivalent tons, matching the highest February volume ever recorded.

Exports drove the performance, rising 51.9% for the month and 26.8% year to date.

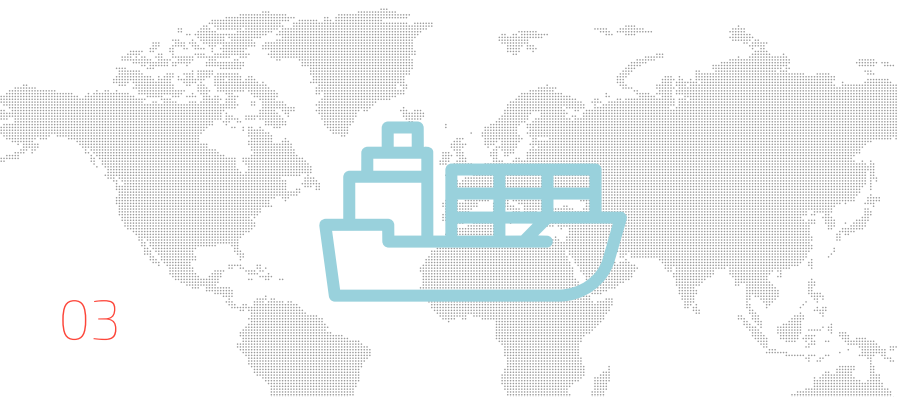
A large share of that movement came from price-sensitive buyers, especially Turkish crackers, who stepped in to capitalize on high-quality U.S. inshell walnuts at a time when Chinese inshells remained expensive. Industry consensus now suggests that between 70% and 80% of the U.S. crop has been sold—an important milestone for handlers seeking to avoid burdensome cold-storage costs as spring temperatures rise. The U.S. kernel market has also found a measure of stability after months of pressure from lower-tier supplies, supported by a timely USDA purchase program worth \$15 million and by tighter prompt availability linked to pasteurization bottlenecks.

## The trade routes are no longer neutral

If pricing strategy explains only part of the market, logistics now explains much of the rest. The outbreak of hostilities in the Middle East on February 28 triggered an immediate supply-chain shock. After aerial interceptions and a subsequent fire at the Port of Jebel Ali, major ocean carriers such as MSC and Hapag-Lloyd suspended deliveries into the Persian Gulf,

while CMA CGM imposed emergency war-risk surcharges of as much as \$3,000 per container.

The impact has been profound. Millions of pounds of U.S.-origin cargo bound for the United Arab Emirates have effectively been stranded, while vessels are being rerouted toward alternative transit points such as Oman. More importantly, the crisis has raised a deeper strategic question: what happens if Dubai ceases to function reliably as the region's principal redistribution hub? If that network remains impaired, the long-standing grey-channel flow of Chinese walnuts into markets such as India could be sharply constrained, potentially accelerating a structural shift toward legitimate, direct shipments from origins such as Chile and the United States.



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## India: the market everyone watches, and few can read

India remains central to that equation—but today it is also one of the hardest markets to interpret. For months, speculation intensified around a possible expansion of the partial trade agreement between Chile and India. More than 4,000 tariff lines were reportedly under discussion, including walnuts, which led many in the trade to expect a meaningful duty reduction. After more than a year of negotiations, however, no agreement was reached, and several of the positions on the table were viewed as unfavorable to Chile. The hope is that talks will continue, but at present the distance between the parties remains significant.

At the same time, the broader Indian market is mired in regulatory dislocation. Early optimism that a U.S.–India deal might remove the punitive 100% customs tariff faded after a U.S. Supreme Court ruling delayed formal negotiations. India then added another layer of uncertainty by abruptly imposing an assessment rate of \$2.70 per kilogram.

Worse still, customs enforcement has become dramatically more aggressive. Indian authorities recently confiscated at least 46 containers from the Comoros-flagged vessel WIV Reyfa after discovering walnuts originating in China, the United States, and Chile that had been falsely declared as Afghan product in order to capture zero-duty access under SAFTA. The fallout has been chaotic: some importers, fearing 100% duties and severe legal consequences for misdeclaration, are simply abandoning cargoes and allowing them to deteriorate ahead of auction. The situation became so tangled that the Afghanistan Consulate in Mumbai had to intervene directly to help secure the release of legitimate Afghan consignments. For now, that atmosphere of compliance anxiety has largely sidelined Indian buyers, creating a conspicuous vacuum in one of the trade's most important demand centers.

## What this season is really telling us



The walnut market is not short of product. It is short of certainty. That is the distinction that matters. Chile's unusually quiet opening is therefore not a sign of hesitation, but of discipline. The United States' record February shipments are not proof of a comfortable market, but of a system working hard to outrun storage pressure. India's silence is not the absence of demand, but the product of tariff distortion, customs fear, and logistical disruption.

For buyers and sellers alike, the lesson is becoming clearer. In 2026, success will not belong to the participant with the boldest

opening bid or the largest available volume. It will belong to those who remain agile enough to navigate localized gluts, disciplined enough to price for sustainability rather than panic, and alert enough to read how geopolitical fractures, rerouted freight, and policy shifts are reshaping trade flows in real time.

We will continue to monitor harvest conditions in Chile, the evolution of selling patterns in both hemispheres, and demand signals across the industry's key destinations. For now, however, one conclusion already stands: this is a season defined less by abundance or scarcity than by the ability—or inability—to move with clarity through contradiction.