DERCO FOODS®

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December 2020 Walnut Report

2020/21 Walnut Supply (inshell tons)

Carry-in from prior season:	63,985
2020 Crop Receipts:	764,649
Total available for shipment:	828,634
Less: Shipments to date thru Dec 31:	336,349
Remaining supply:	492,285

Receipts and Shipments

- Crop receipts through December 31 were 764,649 inshell tons. This is up 113,919 tons (+18%) over the 2019 crop. This is record production for California and is likely to be close to final crop receipts. It appears the crop will end up short of the 780,000 ton estimate.
- Inshell walnut shipments were 57.5 million pounds for the month of December, an increase of 18.2 million pounds (+46%) compared to December 2019.
- Season to date inshell shipments are 264.7 million pounds through December, an increase of 47.3 million pounds (+22%) compared to the same period last season.
- Shelled walnut shipments were 50.9 million pounds for the month of December, an increase of 7.2 million pounds (+16%) compared to December 2019.
- Season to date shelled shipments are 178.3 million pounds through December, an increase of 20.8 million pounds (+13%) compared to the same period last season.

December was the second consecutive month of record walnut shipments from California with total shipments of 87,029 tons. Inshell walnut shipments were especially strong (+46% for December and +22% Season to Date) as buyers have found good value in California walnuts which began the season at the lowest prices we've seen in several years. Kernel shipments have also been robust (+16% for December and +13% Season to Date) particularly to the US domestic market, Asia and the Middle East/North Africa.

Delays in shipping due to the challenging ocean freight situation have been irritating but thus far do not seem to be significantly slowing down overall volume shipped from California. Some cargo has delayed into the following month but this is an issue faced by everyone in the industry and is beyond the control of shippers. Looking ahead we are quickly approaching the end of the shipment period for product to be received and consumed for Ramadan which could affect demand from some regions.

With steady demand, many growers in California are reporting relatively advanced sold positions, particularly for Chandler variety. Inshell Chandler is becoming scarce in supply from many growers with many trying to pack existing commitments and evaluate remaining inventory before offering additional quantities. While forward commitments are not currently reported in the walnut industry, discussions with growers indicate good commitments for the next 1-2 months which should drive strong shipment numbers. Season to date total shipments from California are +15% compared to prior season. This pace needs to be maintained for the remainder of the crop year to achieve a carryout below 100,000 tons.

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Looking at shipments to specific markets:

North America: Strong demand is reported from large retailers throughout USA and Canada. Attractive pricing is being well received by consumers with more snacking and baking taking place at home due to the decline in restaurant dining. We could see this trend evolve later in the spring as more restaurants reopen for business.

	Inshell Pounds			Shelled Pounds		
	Sep 19 - Dec 19	Sep 20 - Dec 20	% Change	Sep 19 - Dec 19	Sep 20 - Dec 20	% Change
USA	8,214,669	9,681,331	18%	74,935,104	80,732,794	8%
Canada	2,097,257	3,307,216	58%	6,035,123	6,352,469	5%
North America	10,480,110	13,094,505	25%	80,973,727	87,085,263	8%

Europe: So far this season, Europe is the one region where shipments are trailing last season with inshell -15% and shelled -5%. Much of the demand for the holiday season was covered by shipments from California and Chile during the summer months as well as product from Eastern Europe. We see the shipment trend beginning to shift with December shipments of inshell -9% and shelled +6%.

	Inshell Pounds			Shelled Pounds		
	Sep 19 - Dec 19	Sep 20 - Dec 20	% Change	Sep 19 - Dec 19	Sep 20 - Dec 20	% Change
Germany	10,753,404	9,138,666	-15%	22,878,100	20,283,244	-11%
Italy	45,244,341	37,601,576	-17%	2,220,789	1,559,905	-30%
Netherlands	1,712,698	1,510,702	-12%	3,980,452	4,836,537	22%
Spain	15,864,844	13,048,011	-18%	10,188,172	8,809,457	-14%
U.K.	211,182	42,000	-80%	2,401,969	3,374,125	40%
Europe	74,800,151	63,617,269	-15%	43,160,912	41,153,421	-5%

Middle East / Africa: Attractive pricing from California and relatively empty markets overseas has driven strong demand from this region. Season to date shipments +23% inshell and +116% shelled with December following the trend at +35% inshell and +82% shelled. With good movement of product reported out of local markets we anticipate good shipments continuing through January and early February. After that the picture is not clear as it will be too late for Ramadan and some buyers will turn to fresh Chilean production.

	Inshell Pounds			Shelled Pounds		
	Sep 19 - Dec 19	Sep 20 - Dec 20	% Change	Sep 19 - Dec 19	Sep 20 - Dec 20	% Change
Algeria	2,997,480	9,743,580	225%	0	0	n/a
Egypt	1,763,680	3,262,820	85%	512,358	1,164,900	127%
Israel	440,932	1,250,795	184%	2,912,626	5,669,000	95%
Jordan	396,736	617,288	56%	756,020	2,452,935	224%
Lebanon	1,035,234	3,694,206	257%	-42,000	0	n/a
Morocco	2,997,612	3,571,280	19%	0	0	n/a
Pakistan	0	5,347,656	n/a	0	0	n/a
Saudi Arabia	88,184	353,644	301%	798,820	1,594,455	100%
Turkey	75,396,875	82,162,380	9%	124,800	168,328	35%
UAE	27,675,836	28,507,783	3%	2,066,437	4,089,653	98%
Middle East / Africa	113,382,299	139,842,395	23%	7,897,247	17,051,815	116%

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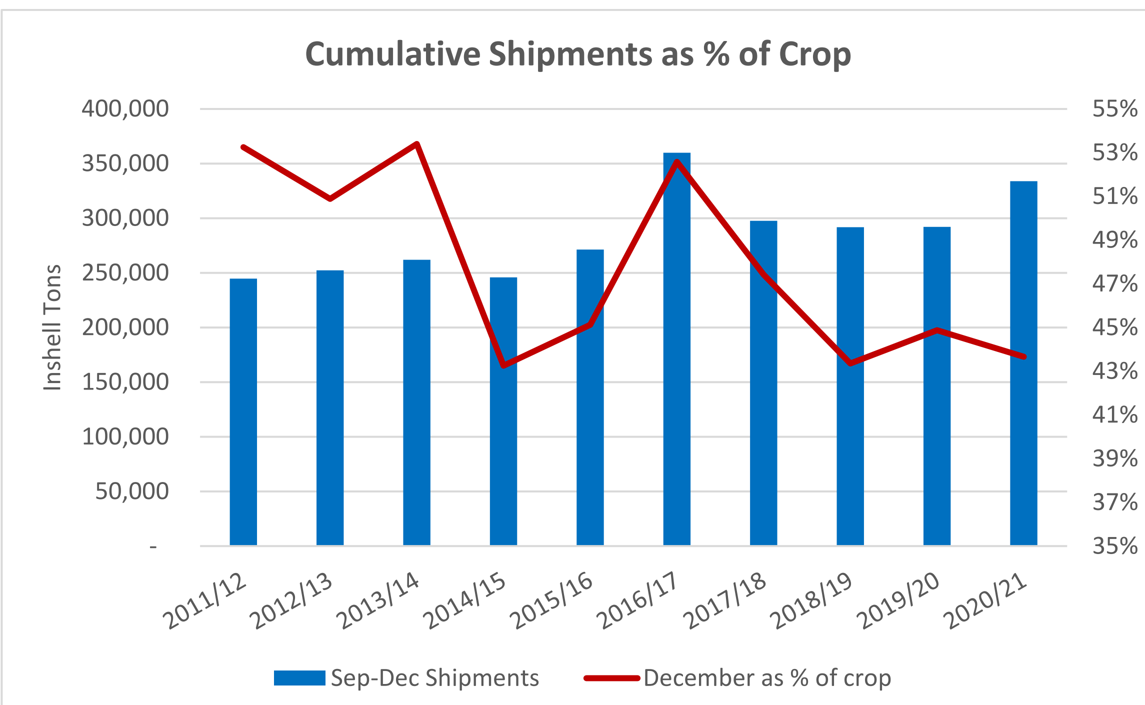
- Asia / Pacific Rim: Good year over year growth for the region with inshell +164% and shelled +27%. All major markets in the region following this trend. Notable increases in inshell shipments to China and Vietnam are driven by a smaller than anticipated crop in China along with competitive pricing from California. Growth in other markets is attributed to attractive pricing, healthy eating and low inventories at the beginning of harvest.

	Inshell Pounds			**Shelled Pounds**		
	Sep 19 - Dec 19	**Sep 20 - Dec 20**	**% Change**	**Sep 19 - Dec 19**	**Sep 20 - Dec 20**	**% Change**
Australia	0	0	n/a	2,349,065	2,502,811	7%
China	244,049	4,087,502	1575%	490,750	114,300	-77%
Hong Kong	0	44,092	n/a	244,748	455,880	86%
India	9,375,945	30,874,648	229%	758,374	1,844,088	143%
Japan	0	0	n/a	8,533,246	9,244,525	8%
Korea	825,404	921,545	12%	8,001,670	11,422,529	43%
Taiwan	303,133	154,601	-49%	2,613,470	3,756,943	44%
Vietnam	5,904,799	7,809,591	32%	40,000	168,240	321%
Asia / Pacific Rim	16,697,422	44,156,071	164%	24,735,522	31,515,235	27%

Through December 31st, the crop is 44% shipped which is in line with the prior two seasons. This illustrates that as production has grown, sales and shipments are keeping pace. This is likely to contribute to a relatively stable market moving forward.



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Looking ahead buyers are beginning to enquire about Chilean origin walnuts. Reports indicate good rain and snow accumulation this season with expectations for a crop of 140,000-150,000 metric tons. Much of the growth is expected to be Chandler variety as the Serr is forecast to be in the "off year" of production. With California well sold on inshell, we anticipate good demand for Chilean origin walnuts. There is still 2+ months until harvest begins but so far expectations are for a healthy crop with the quality buyers have grown accustomed to. Over the past several seasons, Gulfood has been the unofficial opening of the Chilean marketing season. With expectations of lower attendance this year we will likely see the market open outside of this event.

Please let us know if we can be of service.

Best regards,
DERCO FOODS