

December 2022 Walnut Report

2022/23 Walnut Supply (inshell tons)

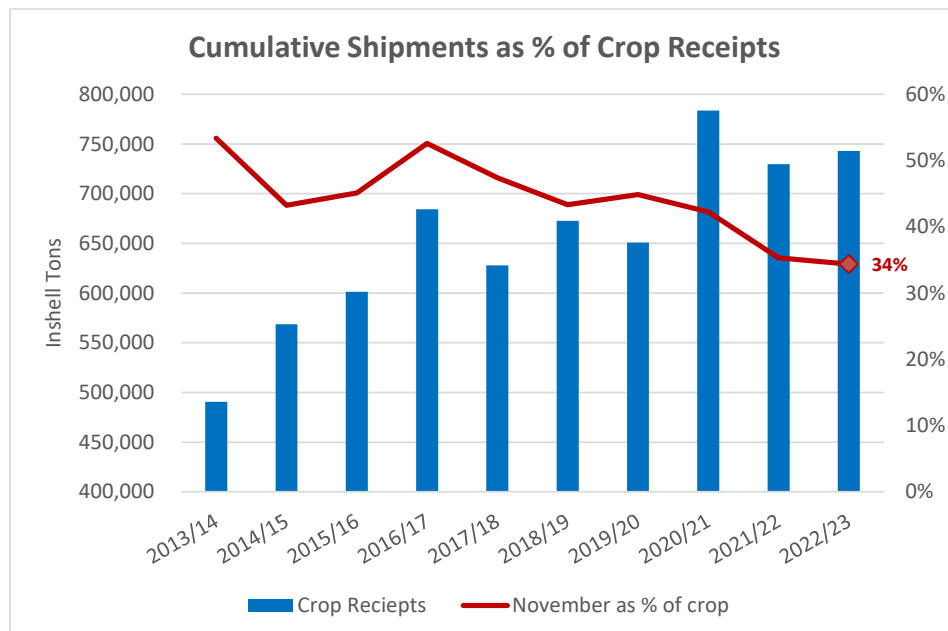
Carry-in from prior season:	137,969
<u>2022 Crop Receipts (to date):</u>	<u>743,116</u>
Total available for shipment:	881,085
<u>Less: Shipments to date thru Dec 31:</u>	<u>255,879</u>
Remaining unshipped supply:	625,206
<u>Less: Commitments as of Dec 31:</u>	<u>220,041</u>
Remaining supply available for sale:	405,165

Supply

- Through December 31, 2022 crop receipts are reported at 743,116 inshell tons. Coupled with the carry-in, total supply from California is a record 881,085 inshell tons.
- While harvest has been complete for some time in California, it is likely that receipts will continue to slowly be reported for another month.
- Purchase Commitments (sales that are not yet shipped) of about 220,041 inshell equivalent tons exceeds commitments at this time last season which were about 182,793 inshell tons. This represents an increase of about 37,000 inshell equivalent tons (+20%) and is an indication that buyers are taking advantage of lower pricing and locking in forward purchases.
- Remaining supply available for sale as of December 31 was about 405,000 inshell equivalent tons. This figure will be reduced due to higher levels of defects and dark/amber color in this season's crop. A higher amount of walnuts will be considered non-marketable and used for other purposes including oil stock, animal feed, etc. While this figure may be significant, there is no way to objectively estimate how much of the remaining supply will fall into this category.

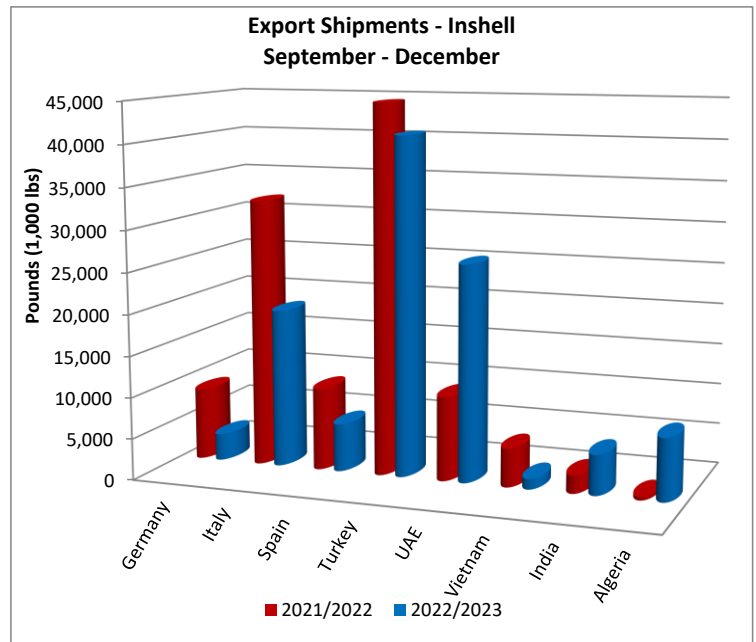
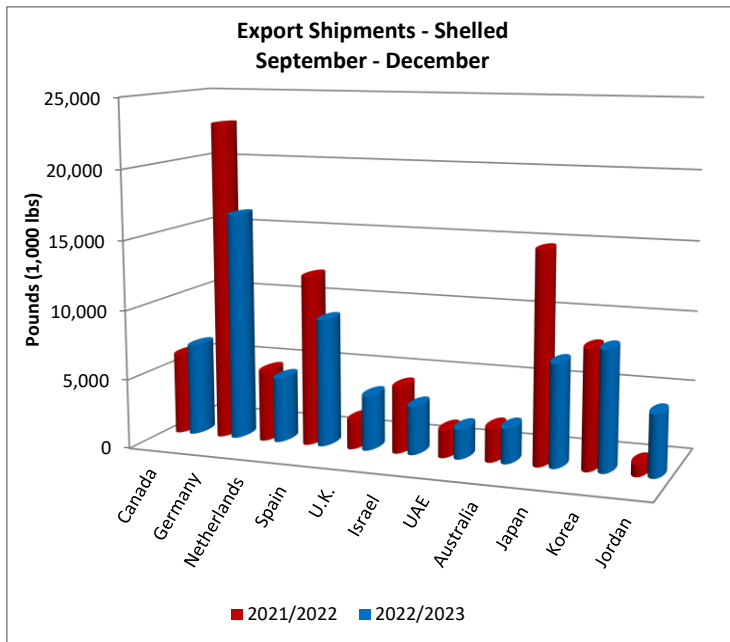
Shipments

December shipments of inshell are considered good. Inshell shipments were up substantially over prior season putting the industry in line with prior season on a year to date basis. Kernel shipments continue to track closely to prior season.



- Inshell walnut shipments were 38.8 million pounds for the month of December, an increase of +12.8 million pounds (+49%) compared to December 2021.
- Season to date inshell shipments are 134.7 million pounds through December, a decrease of -3.2 million pounds (-2%) compared to the same period last season.
- Shelled walnut shipments were 45.2 million pounds for the month of December, a decrease of -0.6 million pounds (-1%) compared to December 2021.
- Season to date shelled shipments are 165.5 million pounds through December, roughly equivalent to the same period last season.

Regional Shipments



North America: December kernel shipments to USA were +22% compared to December 2021 and are +12% season to date. Kernel shipments to Canada are also +12% season to date despite December shipments being -35% compared to December 2021. Lower prices are being pushed through to the consumer at major retailers and demand is increasing accordingly.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 2021 - Dec 2021	Sep 2022 - Dec 2022	% Change	Sep 2021 - Dec 2021	Sep 2022 - Dec 2022	% Change
USA	6,993,828	5,622,985	-20%	73,701,539	82,598,712	12%
Canada	1,894,049	3,561,706	88%	5,932,173	6,654,939	12%
North America	9,011,877	9,288,737	3%	79,640,752	89,502,073	12%

Europe: December shipments to Europe continue to show weakness with shelled walnuts **-9%** and inshell walnuts **-43%** compared to December 2021. Season to date shipments are similarly down **-17%** for shelled walnuts and **-47%** for inshell walnuts. Buyers in Europe have been reporting larger than usual inventory carried over from the 2021 crop. This, coupled with spring/summer purchases from Chile, drove demand lower during the fall months. We anticipate stronger shipments to Europe the second half of the crop year as buyers begin to replenish inventory after holiday consumption and take advantage of attractive pricing to supply summer/fall 2023 consumption.

	Inshell Pounds			Shelled Pounds		
	Sep 2021 - Dec 2021	Sep 2022 - Dec 2022	% Change	Sep 2021 - Dec 2021	Sep 2022 - Dec 2022	% Change
Germany	8,755,120	3,252,635	-63%	22,976,149	16,490,809	-28%
Italy	32,604,140	19,295,225	-41%	1,458,470	1,423,422	-2%
Netherlands	3,167,457	1,040,637	-67%	5,172,311	4,728,635	-9%
Spain	10,017,292	5,815,005	-42%	12,308,022	9,239,062	-25%
U.K.	22,046	2,205	-90%	2,123,388	3,974,870	87%
Europe	56,243,973	29,648,213	-47%	45,880,698	38,062,436	-17%

Middle East / Africa: December shipments to the region were strong, particularly for inshell. Big shipment increases were seen to Algeria (+1,150%), Jordan (+101%), Lebanon (+17%), Morocco (+567%), Pakistan (+549%), Turkey (+116%), and UAE (+149%). Season to date shipment figures are up as well to most markets. Buyers in these markets have taken advantage of attractive pricing to secure supplies ahead of consumption for Nowruz and Ramadan. Difficulty in shipping from China over the past few months has added to demand for California origin walnuts. Buyers in these markets are now receiving early shipments and expressing some dissatisfaction with color but also recognize that prices are reflective of the darker color of this season's crop.

	Inshell Pounds			Shelled Pounds		
	Sep 2021 - Dec 2021	Sep 2022 - Dec 2022	% Change	Sep 2021 - Dec 2021	Sep 2022 - Dec 2022	% Change
Algeria	396,828	7,583,383	1811%	0	0	n/a
Egypt	2,600,968	1,543,220	-41%	197,340	41,580	-79%
Iraq	44,092	745,731	1591%	0	420,950	n/a
Israel	485,920	659,551	36%	4,798,056	3,480,502	-27%
Jordan	175,816	617,288	251%	839,190	4,418,745	427%
Lebanon	1,057,238	2,856,746	170%	0	0	n/a
Morocco	925,932	3,174,614	243%	0	0	n/a
Pakistan	132,276	1,410,484	966%	0	0	n/a
Saudi Arabia	0	44,092	n/a	294,078	690,469	135%
Turkey	44,725,458	40,984,121	-8%	115,817	1,091,992	843%
UAE	10,245,069	26,190,350	156%	1,968,440	2,167,261	10%
Middle East / Africa	60,880,371	85,853,672	41%	8,776,009	12,806,290	46%



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Asia / Pacific Rim: December shipments to this region were mixed. Inshell walnut shipments were up to India +44% and Korea +53% as demand in those markets is steady and supply from Chile is sold out. Shelled walnut shipments in December were +93% to Australia and +37% to Korea. This was offset by lower shipments of -50% to Japan and -61% to Taiwan.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 2021 - Dec 2021	Sep 2022 - Dec 2022	% Change	Sep 2021 - Dec 2021	Sep 2022 - Dec 2022	% Change
Australia	0	0	n/a	2,420,060	2,518,561	4%
China	837,748	925,932	11%	80,800	15,300	-81%
Hong Kong	0	44,092	n/a	509,110	240,060	-53%
India	2,205,016	4,892,134	122%	36,080	156,160	333%
Japan	0	0	n/a	15,082,729	7,362,404	-51%
Korea	811,954	990,607	22%	8,562,329	8,569,853	0%
Taiwan	66,138	67,946	3%	2,496,730	2,526,620	1%
Vietnam	4,660,191	1,285,263	-72%	219,963	121,520	-45%
Asia / Pacific Rim	8,581,047	8,205,974	-4%	30,742,281	23,246,156	-24%

Summary

December walnut shipments from California were stronger than many in the industry expected. New business continues to take place with savvy buyers locking in the lowest prices we've seen in recent history. Prices remain depressed and are unlikely to move significantly higher in the coming months as packers in California work to ship remaining inventory before temperatures turn warmer and competition from Chile enters the market.

We've seen buying activity slowly start to increase over the past few weeks. For now, there is plenty of availability of nearly all products. As we move into the spring, we anticipate lesser availability of export quality inshell and light kernels (especially higher half counts). Given current pricing and the amount of darker colored kernels in California, the available supply is likely to be reduced via product that is sold for alternative use. However, we cannot predict the amount of product or the timing of these sales which will ultimately lead to lower inventory as we move into the warmer months.

Please let us know if our offices in Dubai, India or the US may be of further assistance.

Best regards,
DERCO FOODS