

## March 2021 Walnut Report

### 2020/21 Walnut Supply (inshell tons)

Carry-in from prior season:	63,985
<u>2020 Crop Receipts:</u>	<u>783,754</u>
Total available for shipment:	847,739
<u>Less: Shipments to date thru Mar 31:</u>	<u>540,617</u>
Remaining supply:	307,122

### Shipments

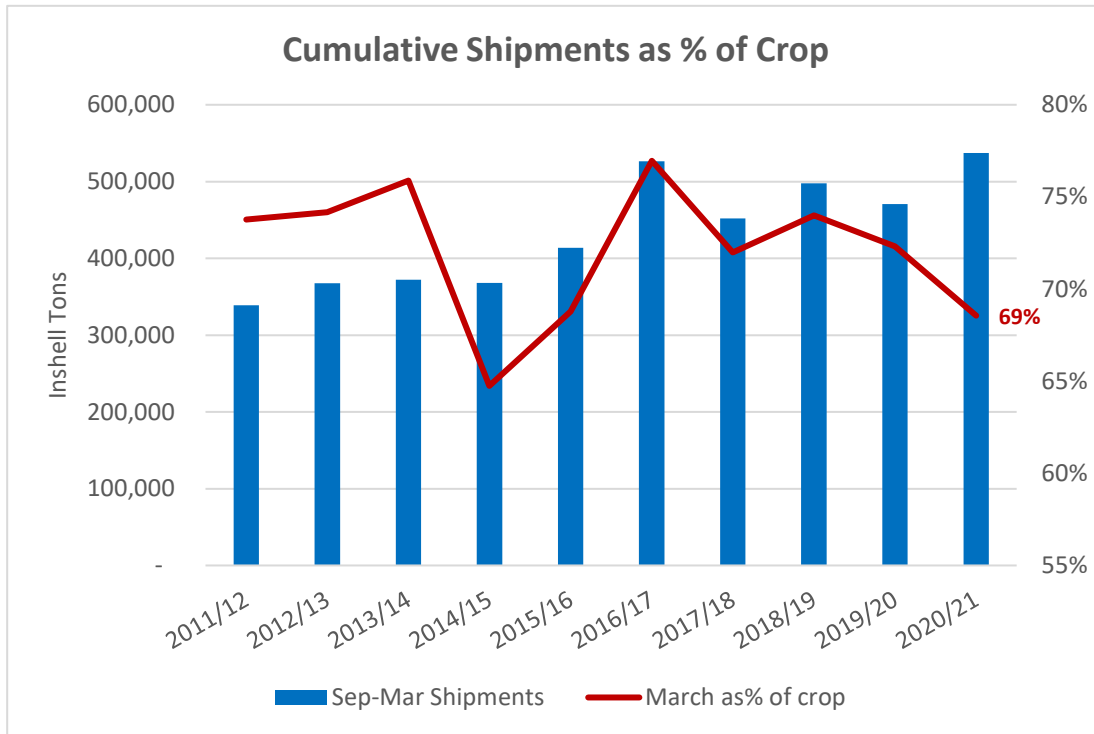
- Inshell walnut shipments were 20.8 million pounds for the month of March, an increase of 11.4 million pounds (+123%) compared to March 2020.
- Season to date inshell shipments are 345.4 million pounds through March, an increase of 83.7 million pounds (+32%) compared to the same period last season.
- Shelled walnut shipments were 58.2 million pounds for the month of March, an increase of 9.3 million pounds (+19%) compared to March 2020.
- Season to date shelled shipments are 321.6 million pounds through March, an increase of 29.1 million pounds (+10%) compared to the same period last season.

March 2021 shipments from California were up 24% over March 2020 and shattered the prior record for shipments during the month of March. These shipments were driven by a combination of new business and shipments of earlier purchases which may have been previously held up due to shipping constraints.

The strong March shipments are welcome news in California as the industry is on pace to have a manageable carryout into the 2021 crop. Looking forward the industry needs to maintain a pace of about 20% above 2020 shipments for the next 5 months in order to achieve a carryout below 100,000 tons. This is certainly achievable but other factors to consider include:

- Competition now in the market from Chile which is now in the midst of harvest and reporting good quality. This is particularly likely to limit inshell shipments from California and will also provide competition in major shelled markets.
- Unknown content of remaining inventory in California. The general consensus is that the majority of export quality Chandler has been shipped (inshell and kernels). If remaining inventory consists of non-Chandler varieties, we may see larger supply of light amber and combination kernels as well as various pieces in lieu of halves. The domestic market will be important in selling/shipping remaining inventory.
- With weather turning warmer and cold storage now becoming important, many small and mid-size packers may be incented to promptly ship remaining inventory. This can result in price pressure in the near term.
- It can be argued that shipments during April-June of 2020 were inflated by "panic buying" at the retail level due to COVID shutdowns. Alternatively, it can be argued that shipments were deflated by loss of foodservice business as restaurants closed. Ultimately there is no way to quantify the overall effect on spring/summer 2020 shipments. As economies slowly re-open we hope to see strong shipments to both retail and foodservice buyers.

Season to date shipments from California are up 14% over prior year. This of course is partially driven by supply for the 2020/21 crop year which is up 18% over prior season. The chart below shows record shipments to date but also illustrates that the 2020 crop is 69% shipped through March which is the lowest we've seen since the 2014/15 season.



Looking at shipments to specific markets:

North America: Domestic shipments of kernels were down **-16%** for the month of March compared to March 2020. Season to date shipments are down **-3%**. This is a key market to watch in the coming months given the need to ship kernels and the expectation that combination color material may be abundant. Shipments for USDA nutrition and school lunch programs should provide some additional boost in the coming months. Additionally, the slow return of foodservice sales is expected to push shipments higher.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	<u>Sep 19 - Mar 20</u>	<u>Sep 20 - Mar 21</u>	<u>% Change</u>	<u>Sep 19 - Mar 20</u>	<u>Sep 20 - Mar 21</u>	<u>% Change</u>
USA	9,230,940	9,919,231	7%	128,508,051	125,144,151	-3%
Canada	2,163,048	3,408,466	58%	10,092,623	10,727,805	6%
North America	11,562,172	13,433,655	16%	138,630,174	135,873,716	-2%

Europe: Shipments to Europe got off to a slower start than some other markets this season as buyers held inventory going into the harvest season. Over the past couple of months, we've seen shipment levels increase. For the month of March, shipments to Europe were +163% for inshell and +32% for kernels. Shipments to Italy and Spain account for the strong inshell numbers while shipments to Germany, Netherlands, Spain and U.K. are driving the rebound in kernel shipments. The recent strengthening of shipments to this region has put season to date shipments near flat with prior season (inshell -2.5%; kernels +1.3%). We anticipate the stronger shipment trend to continue particularly for kernels as buyers locked in supply earlier in the season at attractive price levels.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 19 - Mar 20	Sep 20 - Mar 21	% Change	Sep 19 - Mar 20	Sep 20 - Mar 21	% Change
Germany	11,017,964	11,342,070	3%	46,341,800	40,565,025	-12%
Italy	50,345,636	46,871,330	-7%	3,507,887	3,603,484	3%
Netherlands	2,138,466	1,673,842	-22%	8,487,254	10,639,889	25%
Spain	17,275,052	16,997,615	-2%	16,587,421	17,661,242	6%
U.K.	211,182	42,000	-80%	5,325,101	7,159,833	34%
Europe	82,001,982	79,941,643	-3%	83,275,028	84,359,376	1%

Middle East / Africa: March shipments to this region were exceptionally strong with inshell +196% and kernels +160% compared to March 2020. This adds to strong season to date shipments as illustrated below. Sales of California origin walnuts in local markets in the region are reported to be good so far this season as attractive pricing has boosted demand. With a good volume of shipments being delayed into March due to shipping line constraints, much of this volume will now arrive during or after Ramadan. This may put pressure on local markets as goods originally intended to target holiday demand may now arrive too late to meet this demand. As we typically see this time of season, most new business demand is now concentrated on Chilean origin.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 19 - Mar 20	Sep 20 - Mar 21	% Change	Sep 19 - Mar 20	Sep 20 - Mar 21	% Change
Algeria	4,055,428	11,724,884	189%	0	0	n/a
Egypt	2,089,864	4,321,028	107%	931,458	1,683,980	81%
Iraq	1,014,124	1,014,188	0%	294,000	1,051,887	258%
Israel	584,139	1,405,117	141%	5,971,694	11,166,202	87%
Jordan	617,196	1,513,839	145%	1,618,953	5,013,995	210%
Lebanon	1,343,878	5,083,104	278%	-42,000	20,790	n/a
Morocco	5,469,900	7,891,792	44%	0	21,120	n/a
Pakistan	44,092	6,583,956	14832%	0	0	n/a
Saudi Arabia	330,692	441,644	34%	1,930,774	3,687,284	91%
Turkey	83,295,179	106,475,565	28%	411,796	1,196,336	191%
UAE	32,879,180	40,337,206	23%	4,468,710	7,168,505	60%
Middle East / Africa	132,181,126	187,461,834	42%	17,018,303	32,581,747	91%



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Asia / Pacific Rim: Shipments to this region for the month of March were strong with inshell +23% and kernels +57%. Inshell shipment growth is primarily to Vietnam for hand shelling and is partially offset by slower shipments to India. Growth in kernel shipments is more widely spread to Japan (+8%), Korea (+209%) and Taiwan (+161%). The growth for the month of March and season to date to Korea is an area to watch as that market sometimes sees wide swings in local pricing based on inventories.

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Australia	2,000	0	n/a	4,673,234	4,747,244	2%
China	817,245	5,409,986	562%	930,000	526,550	-43%
Hong Kong	143,079	264,552	85%	519,400	708,800	36%
India	16,727,416	36,021,231	115%	1,346,726	2,040,259	51%
Japan	0	0	n/a	22,576,757	24,225,424	7%
Korea	842,160	1,069,746	27%	14,209,611	23,210,879	63%
Taiwan	325,133	154,601	-52%	4,969,640	7,053,891	42%
Vietnam	14,135,859	15,562,263	10%	40,000	168,240	321%
Asia / Pacific Rim	33,257,441	58,878,747	77%	52,308,127	66,431,468	27%

## Summary

March was an outstanding shipment month for the California walnut industry. But maintaining this pace is important in the coming months given existing inventory numbers. Bloom in California is now underway for early varieties and we'll be discussing new supply from California, China and Europe soon enough. Carrying in a manageable supply of 2020 crop inventory will better position the industry to market the 2021 crop.

Chilean origin walnuts are in the midst of Chandler harvest and the expectation for a crop in the 150,000 metric ton range has not changed. Reports are of good quality in terms of yield and color. Pricing is fairly constant with inshell markets active. As the crop continues to grow and more product is mechanically shelled each season, buyers will expect pricing to be closer aligned to California origin. We hope to see more activity in kernels markets in the coming weeks as harvest continues and the industry has a better idea of marketable inventory.

Please let us know if we can be of service.

Best regards,  
DERCO FOODS