DERCO FOODS®

2670 West Shaw Lane, Fresno, California 93711 U.S.A.
Telephone (559) 435-2664 • Fax (559) 435-8520 • www.dercofoods.com • e-mail: derco@dercofoods.com

April 2021 Walnut Report

2020/21 Walnut Supply (inshell tons)

Carry-in from prior season:	63,985
2020 Crop Receipts:	783,754
Total available for shipment:	847,739
Less: Shipments to date thru Apr 30:	603,968
Remaining supply:	243,771
Less: Commitments as of Apr 30:	114,549
Remaining supply available for sale:	129,222

Shipments

- Inshell walnut shipments were 7.9 million pounds for the month of April, a decrease of 214 thousand pounds (-3%) compared to April 2020.
- Season to date inshell shipments are 354.0 million pounds through April, an increase of 84.3 million pounds (+31%) compared to the same period last season.
- Shelled walnut shipments were 51.1 million pounds for the month of April, an increase of 15.1 million pounds (+42%) compared to April 2020.
- Season to date shelled shipments are 373.2 million pounds through April, an increase of 44.7 million pounds (+14%) compared to the same period last season.

April 2021 walnut shipments from California were up +35% over April 2020 were the second consecutive month of record shipments. Export shipments for the month were +48% and domestic shipments were +28%. Consecutive months of strong shipments have put the California industry on pace to achieve a manageable carryout into the 2021 crop.

	Inshell Pounds			Shelled Pounds		
	Sep 19 - Apr 20	Sep 20 - Apr 21	% Change	Sep 19 - Apr 20	Sep 20 - Apr 21	% Change
USA	9,440,076	10,712,713	13%	141,409,195	144,667,903	2%
Canada	2,175,048	3,497,290	61%	11,556,858	12,051,455	4%
Germany	11,194,332	12,185,893	9%	51,348,850	47,522,628	-7%
Italy	50,786,464	47,615,162	-6%	3,784,452	3,836,519	1%
Netherlands	2,138,466	1,714,627	-20%	9,695,310	12,259,243	26%
Spain	17,671,788	17,737,764	0%	19,821,337	20,152,577	2%
U.K.	211,182	132,828	-37%	6,047,042	8,850,589	46%
Algeria	4,319,980	11,768,980	172%	0	131,945	n/a
Egypt	2,266,232	4,585,580	102%	951,478	1,761,180	85%
Iraq	1,410,952	1,102,372	-22%	294,000	1,051,887	258%
Israel	584,139	1,410,760	142%	6,355,534	12,259,068	93%
Jordan	661,288	1,556,839	135%	1,618,953	5,455,245	237%
Lebanon	1,557,614	5,203,270	234%	-42,000	20,790	n/a
Morocco	5,602,176	8,024,076	43%	0	21,120	n/a
Pakistan	88,184	6,716,232	7516%	0	0	n/a
Saudi Arabia	460,433	441,644	-4%	2,010,794	3,856,024	92%
Turkey	87,406,326	107,926,526	23%	494,596	1,196,336	142%
UAE	33,320,100	41,409,628	24%	4,629,320	7,634,472	65%
Australia	2,000	0	n/a	5,320,234	5,345,824	0%
China	861,337	5,553,292	545%	947,500	919,850	-3%
Hong Kong	305,117	264,552	-13%	594,200	792,620	33%
India	17,080,149	36,533,610	114%	1,346,726	2,112,419	57%
Japan	0	0	n/a	28,048,444	29,509,436	5%
Korea	842,160	1,069,746	27%	17,181,148	29,008,322	69%
Taiwan	325,133	154,601	-52%	5,313,270	8,322,794	57%
Vietnam	14,246,089	16,129,894	13%	62,750	168,240	168%

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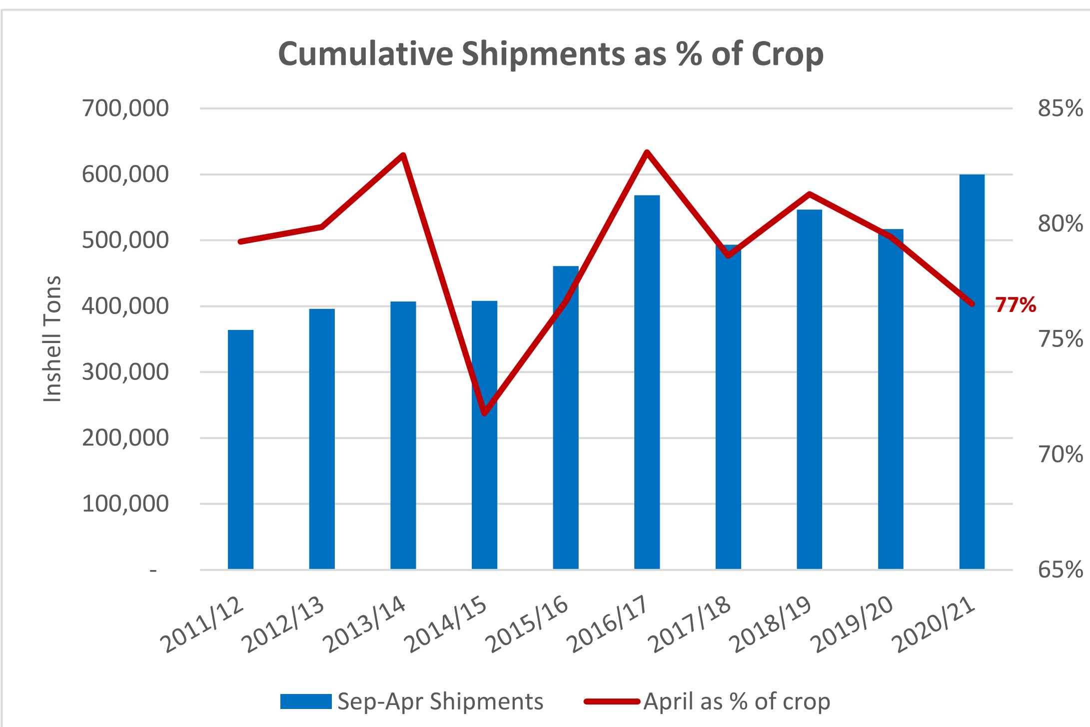
Commitments (sold but not yet shipped) and remaining supply

For the first time, industry commitments were included in this report. This information will be included going forward and will help provide a better picture of how well the industry is sold. A few handlers reportedly are not providing this information but with most of the industry reporting it will give a good forecast of sold position and future shipments.

- Estimated commitments of 114,549 inshell equivalent tons is derived by using the reported purchase commitments of 7.6 million inshell pounds, 96.8 million shelled pounds, and assuming the reported shellout rate of 43.7%. This is an estimate and does not include 100% of growers but does give a general idea about forward sales activity.
- Looking at remaining supply, the industry needs to ship about 10% more than last season for the remainder of the crop year (May-Aug) to achieve a carry-out of about 100,000 inshell tons. At that pace, total shipments from May-Aug would be about 143,000 inshell tons. With commitments already reported at 114,549 tons, this figure appears to be easily achievable.
- Assuming shipments the remainder of the season average 20% over prior year (which is closer to the recent pace), the carryout would be under 90,000 inshell tons.
- Little remaining inventory of inshell walnuts or light-colored kernels remains in California. Offers for light kernels are difficult to find and grower price ideas are moving sharply higher based on limited activity. A good portion of unsold inventory likely consists of light amber/amber material and pieces of various sizes.

Season to date shipments from California are up 16% over prior year. The chart below shows record shipments to date but also illustrates that the 2020 crop is 77% shipped through April. While the sold % is slightly less than the prior few seasons as of April 30, shipments as a % of crop are gaining each month and well within the expected range.



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Chile

Harvest in Chile is coming to a close with most growers reporting receipts coming in 10-15% lower than anticipated. It appears overall tonnage will be similar to the past couple of seasons although quality is reported to be better this season in terms of color, meat yield and nut sizing.

Growers are comfortably sold, particularly for inshell walnuts.

- Season to date inshell shipments are 8,114 metric tons through April, an increase of 1,655 metric tons (+26%) compared to the same period last season.
- Season to date shelled shipments are 696 metric tons through April, an increase of 282 metric tons (+68%) compared to the same period last season.
- From the start of harvest through mid-April, overall shipments from Chile were in line with those from the 2019 crop. However, beginning in the second half of April, shipments from Chile quickly fell off because of delays and cancellations in the shipping sector.
- Limited container availability and lack of new bookings are causing massive delays and pushing shipments later than expected. We anticipate these problems persisting over the next couple of months. This is likely to keep inventories in overseas markets tight and will help lead to stable/increasing pricing.

Summary

April walnut shipments from California were strong and the industry now appears headed for a manageable carryout into the 2021 crop. With limited unsold inventory available, pricing is slowly moving higher. Early sales from Chile have also been strong and coupled with receipts below expectations is driving a firm market. Unprecedented shipping delays are being experienced from all origins. This is being felt across the industry and is beyond the control of shippers. These delays are leading to further spreading of shipments and keeping inventories in local markets tight.

It is too early to know much meaningful information about the 2021 California crop. Early expectations are for a crop somewhat smaller than the 2020 crop as early varieties are often alternate bearing and will be in an off year, new acreage development has slowed in recent years, and older acreage is being removed at a faster pace given the grower returns of the past few seasons. Additionally, there are reports of damage done to some Chandler orchards by a sudden freeze in November of 2020 (before the trees were dormant). These reports appear to be serious for some orchards but there is no way to quantify the extent of the damage in terms of acres affected. The industry will have a better idea of production in the coming months as the walnuts start to mature and we pass the traditional period of nut drop in the orchards.

Please let us know if we can be of service.

Best regards,
DERCO FOODS