

August 2021 Walnut Report

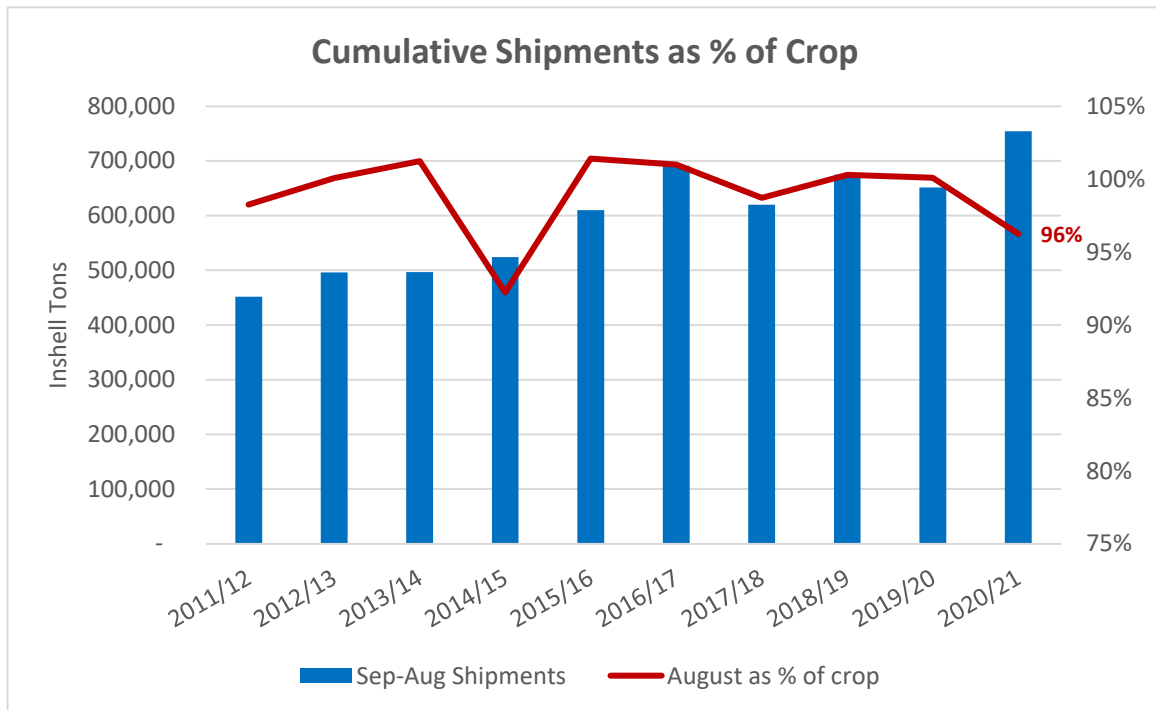
2020/21 Walnut Supply (inshell tons)

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 August 31:</u>	<u>760,172</u>
Remaining supply:	87,567

Shipments

- Inshell walnut shipments were 1.3 million pounds for the month of August, an increase of 141 thousand pounds (+12%) compared to August 2020.
- Season to date inshell shipments are 366.7 million pounds through August, an increase of 82.2 million pounds (+29%) compared to the same period last season.
- Shelled walnut shipments were 27.5 million pounds for the month of August, an increase of 2.9 million pounds (+12%) compared to August 2020.
- Season to date shelled shipments are 504.1 million pounds through August, an increase of 66.4 million pounds (+15%) compared to the same period last season.

August marks the end of the 2020/2021 crop year. Overall shipments for the season of 760,172 inshell tons represents an increase over prior season of 16%. The 2020 crop of 783,754 inshell tons represents an increase in production of 20% over prior season. The estimated carryout of 87,567 inshell tons is manageable and well committed. As of August 31, the California industry had shipped 96% of the 2020 crop as shown below.





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North America: Shipments of inshell and shelled walnuts were up compared to prior season as lower prices and the health message of walnut consumption resonated with consumers. Despite being the single largest market for shelled California walnuts, additional growth opportunity exists in the form of new product development, and snacking, as well as in the ingredient category.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 19 - Aug 20	Sep 20 - Aug 21	% Change	Sep 19 - Aug 20	Sep 20 - Aug 21	% Change
USA	10,440,983	11,885,648	14%	201,925,924	215,762,683	7%
Canada	2,211,971	3,509,340	59%	16,361,546	17,067,200	4%
North America	12,821,138	15,500,946	21%	218,359,270	232,856,163	7%

Europe: Inshell shipments to the region were up 4% compared to prior season. This growth was led by shipments to Germany (+27%) while shipments were less impressive to traditional inshell markets of Italy (-5%) and Spain (0%). Shelled walnut shipments were also strong (+7%) led by big year over year increases to the Netherlands (+25%) and U.K. (+31) while shipments to Germany were down (-4%). Europeans have been among the most active early buyers of 2021 crop walnuts as shipments to Europe from Chile were much lower than prior seasons.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 19 - Aug 20	Sep 20 - Aug 21	% Change	Sep 19 - Aug 20	Sep 20 - Aug 21	% Change
Germany	12,119,528	15,356,911	27%	60,597,606	57,917,657	-4%
Italy	50,786,464	48,362,499	-5%	4,211,299	4,597,175	9%
Netherlands	2,182,558	1,987,777	-9%	12,209,447	15,277,196	25%
Spain	18,486,140	18,414,756	0%	23,588,570	24,576,730	4%
U.K.	563,802	297,851	-47%	9,922,957	12,969,980	31%
Europe	85,152,174	88,180,752	4%	115,323,400	123,065,235	7%

Middle East / North Africa: Shipments of both inshell and shelled walnuts to this region were up big last season as buyers took advantage of pricing well below historical averages. Consumption of inshell walnuts in local markets was strong despite reports of yield and color falling below expectations. Looking ahead to the 2021 crop, early business activity for California walnuts has been slower than expected due to higher opening prices. Buyers in some markets are actively buying Chinese origin walnuts given the high meat yields and lower prices compared to California walnuts.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 19 - Aug 20	Sep 20 - Aug 21	% Change	Sep 19 - Aug 20	Sep 20 - Aug 21	% Change
Algeria	5,907,036	14,366,860	143%	0	131,945	n/a
Egypt	2,354,416	4,931,208	109%	1,126,818	1,803,200	60%
Iraq	1,631,432	1,102,372	-32%	334,250	1,051,887	215%
Israel	746,891	1,410,760	89%	7,944,302	13,710,389	73%
Jordan	705,380	1,600,931	127%	1,765,703	6,326,950	258%
Lebanon	1,557,614	5,289,454	240%	-42,000	20,790	n/a
Morocco	5,602,176	8,112,260	45%	0	21,120	n/a
Pakistan	344,377	6,716,232	1850%	0	0	n/a
Saudi Arabia	460,433	441,644	-4%	2,358,752	4,061,504	72%
Turkey	91,071,314	109,885,314	21%	712,633	1,280,336	80%
UAE	37,620,345	41,322,180	10%	5,541,602	8,366,023	51%
Middle East / Africa	148,502,960	195,898,411	32%	21,470,621	38,519,275	79%

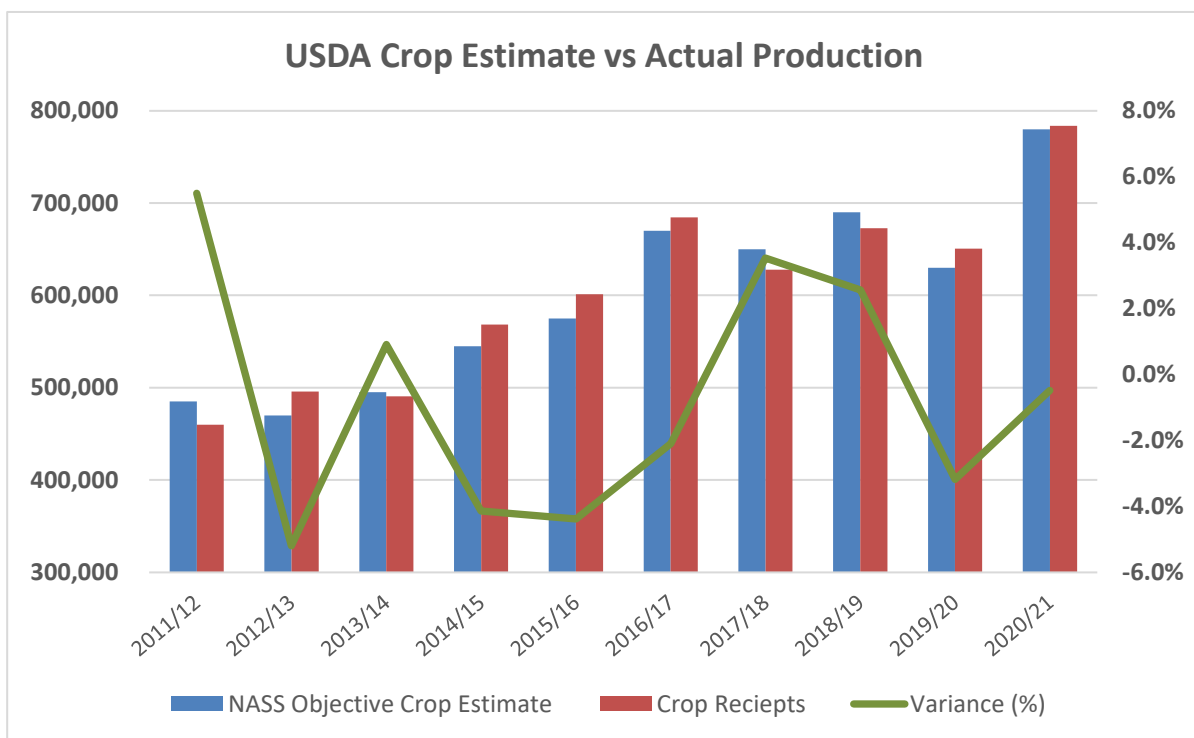
Asia / Pacific Rim: Inshell walnut shipments to this region were up +75% over prior season led by India (+105%). India is an important market looking ahead and will be closely watched this coming season as shipments from Chile were well above levels from prior season. Other notable inshell increases include shipments to China (+545%) which were up despite increasing local production as pricing of California walnuts was attractive in comparison. Shipments of shelled walnuts were up year over year throughout the region, led by shipments to Japan (+21%) and Korea (+54%) which have been active markets early in the 2021 season.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 19 - Aug 20	Sep 20 - Aug 21	% Change	Sep 19 - Aug 20	Sep 20 - Aug 21	% Change
Australia	2,000	0	n/a	7,798,034	7,671,149	-2%
China	861,337	5,553,292	545%	1,143,525	1,213,850	6%
Hong Kong	305,117	308,644	1%	973,542	1,086,852	12%
India	18,011,653	36,886,346	105%	1,590,445	2,184,579	37%
Japan	0	0	n/a	35,269,486	42,540,908	21%
Korea	842,160	1,069,746	27%	23,185,821	35,769,897	54%
Taiwan	325,133	154,601	-52%	6,284,909	9,478,714	51%
Vietnam	14,312,009	16,790,843	17%	104,750	336,240	221%
Asia / Pacific Rim	34,923,961	61,159,840	75%	81,179,747	106,150,141	31%

Summary

The 2020/2021 California walnut season saw record production and shipments. Worldwide disruption from the effects of COVID and the ensuing global logistical challenges added pressure to sellers to price walnuts at levels that would encourage demand. California has now gained confidence in its ability to sell and ship larger walnut crops.

The 2021 USDA Objective Crop Estimate is 670,000 inshell tons. This would be a reduction of about **-15%** compared to prior season. The chart below illustrates the accuracy of USDA estimates in recent years with a 5-year average variance of 0.1%. The largest variances compared to actual production over the past 5 years were +3.5% in 2017/18 and -3.2% in 2019/20.



Given expectation for lower production, opening pricing is starting at levels well above last season. To date, kernel buyers have been willing to accept the higher opening pricing while inshell buyers have been more hesitant.

The largest industry concern at this time is the ongoing disruption in the ocean shipping industry which will likely limit exports during the early shipment months of the 2021/2022 season. The global shipping mess is unlikely to improve until new large capacity vessels are brought into service in 2023 and beyond. In the near term, most overseas markets are holding limited inventory and need product. This is likely to keep prices both at origin and at destination firm. Later in the season, once overseas inventory pipelines are filled, prices may come under pressure. How the market unfolds will depend largely on how much California can ship in the critical months of October and November and how patient sellers will be in managing their inventory during subsequent months.

Please let us know if we can be of further assistance.

Best regards,
DERCO FOODS