

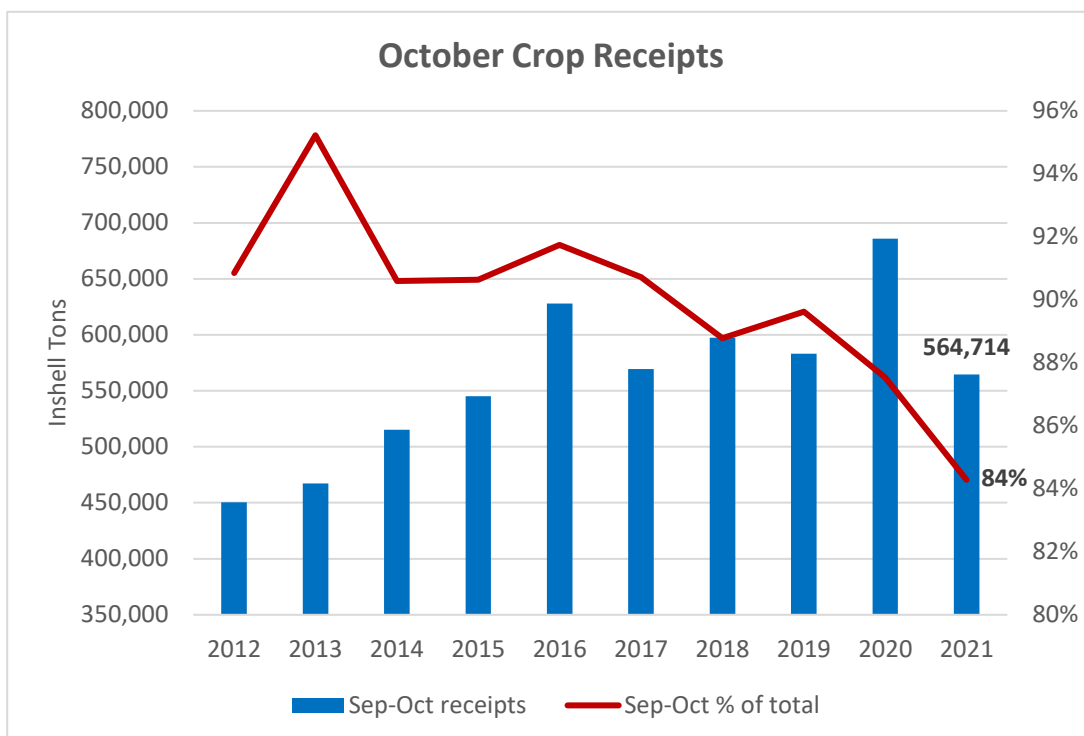
October 2021 Walnut Report

2021/22 Walnut Supply (inshell tons)

Carry-in from prior season:	98,054
<u>2021 Crop Estimate:</u>	<u>670,000</u>
Total available for shipment:	768,054
<u>Less: Shipments to date thru Oct 31:</u>	<u>107,750</u>
Remaining supply:	660,304

California walnut industry crop receipts through October 31 are 564,714 inshell tons. This is **-121,312 tons (-18%)** compared to October of 2020.

- Based on the 2021 crop estimate of 670,000 tons, the crop would have been 84% received as of October 31.
- Over the prior 10 seasons, the crop is on average 90% received as of October 31. If this were to hold true this season, total production would be 627,460 tons.
- Heavy rains in the growing regions essentially stopped harvest for the final week of October. The amount of walnuts harvested after the rains (in November) differs by grower. Most growers estimate that 20-30% of Chandlers were still in the orchards at the time of the rain.
- Due to the rain, we expect that a lower percentage of the crop was received this season. Over the past 10 seasons, the lowest % received as of October 31 was in 2011 at 80%. If this season's crop was 80% received as of October 31, final production will be 705,892 tons.
- Walnuts harvested after the rain suffered damage both externally and internally. External damage is primarily staining from the mud created by the rains. Internal damage covers a wide range including darker color and mold. These walnuts are not suitable for inshell and the kernels are not suitable for most export markets. The majority of these kernels will ultimately add to the supply of "domestic light" or "combo/light amber" kernels.



Shipments

- Inshell walnut shipments were 53.3 million pounds for the month of October, a decrease of **-46.7** million pounds (**-47%**) compared to October 2020.
- Season to date inshell shipments are 59.6 million pounds through October, a decrease of **-46.4** million pounds (**-44%**) compared to the same period last season.
- Shelled walnut shipments were 41.5 million pounds for the month of October, a decrease of **-6.6** million pounds (**-14%**) compared to October 2020.
- Season to date shelled shipments are 68.5 million pounds through October, a decrease of **-2.9** million pounds (**-4%**) compared to the same period last season.

The below chart is a brief summary of some major walnut markets and Season to Date shipments from California. Shipments to most major markets are down compared to prior season. The primary exception is kernel shipments to Japan where buyers jumped into the market early to secure early production space.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 2020 - Oct 2020	Sep 2021 - Oct 2021	% Change	Sep 2020 - Oct 2020	Sep 2021 - Oct 2021	% Change
USA	5,766,773	3,749,817	-35%	41,493,030	39,775,039	-4%
Canada	1,981,447	1,299,609	-34%	2,661,789	2,801,934	5%
Germany	6,590,690	5,669,140	-14%	7,670,686	7,555,910	-1%
Italy	24,407,732	17,311,276	-29%	213,270	85,998	-60%
Spain	8,077,616	6,420,700	-21%	3,430,749	4,876,671	42%
Israel	352,736	132,276	-63%	1,368,537	1,164,309	-15%
Pakistan	2,304,128	0	-100%	0	0	n/a
Turkey	27,217,144	16,381,137	-40%	126,328	115,817	-8%
UAE	11,156,168	2,637,859	-76%	1,045,520	169,005	-84%
India	7,775,772	264,552	-97%	662,007	0	-100%
Japan	0	0	n/a	1,625,002	4,309,573	165%
Korea	0	0	n/a	3,597,110	2,884,104	-20%

The worldwide congestion and disruption in ocean transit certainly is contributing to the lower shipments as bookings are constantly being delayed into later shipment months. But the bigger contributor seems to be soft demand coming from most major buying regions.

Summary

The slow start to the California shipment season is concerning as poor shipments in the months of October-December are difficult to make up in the spring. Some markets report larger purchases this summer from Chile while other markets have been actively buying high quality and lower priced walnuts from China. Difficulty in getting product shipped via ocean carriers has added to the already challenging market situation.

Looking ahead, we anticipate more sales activity to markets who are running low on inventory and have yet to make significant 2021 crop purchases including Turkey, India and the Middle East. The timing and level of this demand will play into pricing in the coming months. We also expect wider spreads between products as certain items will be readily available (combo and light amber kernels) while other product will be in short supply (export light halves).

From a supply perspective, the crop is likely to ultimately be somewhere near the estimate. This smaller supply (compared to prior season) will help to offset the sluggish demand we've seen so far this season.

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

Best regards,
DERCO FOODS