

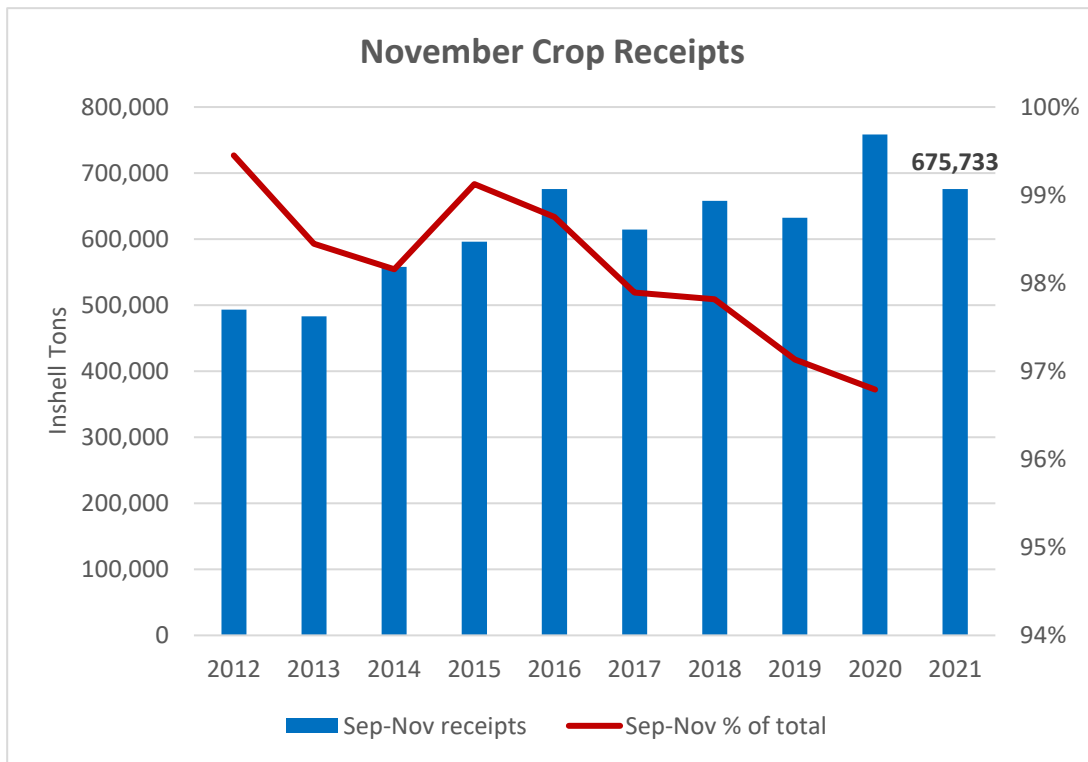
## November 2021 Walnut Report

### 2021/22 Walnut Supply (inshell tons)

Carry-in from prior season:	98,054
<u>2021 Crop Receipts (to date):</u>	<u>675,733</u>
Total available for shipment:	773,787
<u>Less: Shipments to date thru Nov 30:</u>	<u>191,558</u>
Remaining supply:	582,229

California walnut industry crop receipts through November 30 are 675,733 inshell tons. This is **-82,866 tons (-11%)** compared to November of 2020.

- Crop receipts to date are in line with the Objective Estimate of 670,000 inshell tons.
- Over the prior 10 seasons, the crop is on average 98% received as of November 30. If this were to hold true this season, total production would be 690,000 tons.
- Heavy rains in the growing regions during the last month of October temporarily stopped harvest and resulted in damage primarily to the Chandler variety. Most growers estimate that 20-30% of Chandlers were still in the orchards at the time of the rain.
- Most of the rain-damaged walnuts were eventually harvested and will be used for shelling stock. This product is not suitable for inshell markets due to external staining and will likely not be sent to export light markets due to internal damage and darker kernel color. The majority of this product is likely to become “domestic light” or “combination” kernels.



### Shipments

- Inshell walnut shipments were 48.1 million pounds for the month of November, a decrease of **-54.0** million pounds (**-53%**) compared to November 2020.
- Season to date inshell shipments are 109.7 million pounds through November, a decrease of **-98.3** million pounds (**-47%**) compared to the same period last season.
- Shelled walnut shipments were 50.7 million pounds for the month of November, a decrease of **-5.1** million pounds (**-9%**) compared to November 2020.
- Season to date shelled shipments are 120.0 million pounds through November, a decrease of **-7.1** million pounds (**-6%**) compared to the same period last season.

### North America:

- Shipments of both inshell and shelled walnuts are down substantially compared to prior season. Higher opening prices (compared to last season) are encouraging buyers to take a hand to mouth approach.
- Additionally, heavy purchases by retailers during the second half of 2020 crop year meant buyers had inventory in hand to get them through much of the 2021 holiday demand.
- It will take some time for retailers to work through higher priced product from early sales.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	<u>Sep 2020 - Nov 2020</u>	<u>Sep 2021 - Nov 2021</u>	<u>% Change</u>	<u>Sep 2020 - Nov 2020</u>	<u>Sep 2021 - Nov 2021</u>	<u>% Change</u>
USA	7,429,057	5,396,327	<b>-27%</b>	64,741,819	59,789,127	<b>-8%</b>
Canada	3,045,815	1,768,049	<b>-42%</b>	4,983,127	4,377,658	<b>-12%</b>
North America	10,580,830	7,288,376	<b>-31%</b>	69,724,946	64,166,785	<b>-8%</b>

### Europe:

- Inshell shipments are off significantly compared to prior season as buyers have been hesitant to accept the opening prices from California.
- Year over year increase in kernel shipments is driven by demand from Germany and Spain. These markets delayed shipments of the 2020 crop into later months and also purchased less from Chile during 2021 than normal which led to depleted inventories as harvest began.
- Buyers who contracted early in the season will now work to average down their purchases over the remainder of the season.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	<u>Sep 2020 - Nov 2020</u>	<u>Sep 2021 - Nov 2021</u>	<u>% Change</u>	<u>Sep 2020 - Nov 2020</u>	<u>Sep 2021 - Nov 2021</u>	<u>% Change</u>
Germany	7,866,714	7,300,084	<b>-7%</b>	12,547,859	14,111,810	12%
Italy	32,235,065	27,730,799	<b>-14%</b>	978,217	722,140	<b>-26%</b>
Netherlands	1,334,334	2,375,457	78%	3,605,925	3,111,981	<b>-14%</b>
Spain	11,182,102	9,162,938	<b>-18%</b>	6,240,420	9,544,978	53%
U.K.	38,000	22,046	<b>-42%</b>	2,246,182	1,517,528	<b>-32%</b>
Europe	54,712,253	47,298,339	<b>-14%</b>	27,245,420	30,314,480	11%

### Middle East / Africa:

- New crop sales to this region have been slow this season as reflected by the shipment numbers below.
- Growing inshell walnut shipments from Chile to markets including Turkey, Morocco and UAE along with delayed shipments from Chile mean that buyers had inventory in hand as CA harvest began.
- Buyers in several markets have been actively buying Chinese origin inshell walnuts due to the higher meat yield and low opening pricing.
- Recent currency devaluation in Turkey is making imports even more expensive and offsetting the recent price declines we've seen at origin. However, importers who hedged their currency risk are in stronger positions as holding inventory of commodities during inflationary periods is more advantageous than holding cash and serves as a natural hedge against inflation.
- Kernels from China are making inroads into markets including UAE, Saudi Arabia and Turkey. Attractive early pricing (compared to CA) helped Chinese exporters gain market share in this region.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 2020 - Nov 2020	Sep 2021 - Nov 2021	% Change	Sep 2020 - Nov 2020	Sep 2021 - Nov 2021	% Change
Algeria	7,936,152	220,460	-97%	0	0	n/a
Egypt	2,513,256	1,366,852	-46%	711,700	41,580	-94%
Iraq	1,014,188	0	-100%	127,000	0	n/a
Israel	881,748	308,644	-65%	3,364,345	2,940,569	-13%
Jordan	485,012	44,092	-91%	1,463,040	503,190	-66%
Lebanon	2,449,284	836,778	-66%	0	0	n/a
Morocco	1,940,048	793,656	-59%	0	0	n/a
Pakistan	3,495,884	44,092	-99%	0	0	n/a
Saudi Arabia	265,460	0	-100%	757,265	83,600	-89%
Turkey	66,641,536	36,561,531	-45%	126,328	115,817	-8%
UAE	23,190,861	5,900,667	-75%	2,757,132	1,174,118	-57%
<b>Middle East / Africa</b>	<b>111,166,165</b>	<b>46,167,546</b>	<b>-58%</b>	<b>9,894,440</b>	<b>5,092,199</b>	<b>-49%</b>

### Asia / Pacific Rim:

- The drastic drop in inshell walnut shipments is driven by India. Buyers in India made big purchases from Chile as the 2021 crop was well received in terms of color and yield. Delayed shipments out of Chile meant that importers still have product in hand even as CA harvest has completed.
- For kernels, buyers in Japan were among the most active and early to jump into the market this season to secure early production space.

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 2020 - Nov 2020	Sep 2021 - Nov 2021	% Change	Sep 2020 - Nov 2020	Sep 2021 - Nov 2021	% Change
Australia	0	0	n/a	1,738,285	1,896,020	9%
China	2,555,496	837,748	-67%	12,300	42,000	241%
Hong Kong	44,092	0	-100%	410,880	155,740	-62%
India	22,038,033	1,146,808	-95%	1,447,130	0	-100%
Japan	0	0	n/a	5,535,104	9,749,514	76%
Korea	0	307,101	n/a	6,913,642	6,196,514	-10%
Taiwan	44,092	44,092	0%	2,064,183	842,614	-59%
Vietnam	4,246,094	4,458,025	5%	126,240	0	-100%
<b>Asia / Pacific Rim</b>	<b>28,971,899</b>	<b>6,793,774</b>	<b>-77%</b>	<b>19,603,161</b>	<b>19,873,782</b>	<b>1%</b>



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### **Summary**

We now have a better idea of total supply from the 2021 California crop although the makeup of product will be different due to rains during harvest. While the amount of product available for inshell and/or export light markets was reduced by the rain, slow early demand means there is still plenty of product available.

Logistical challenges primarily with ocean shipment are also driving slower shipments. Getting product shipped in a timely manner has become extremely challenging and is resulting in delayed shipments to nearly all regions. We anticipate this situation to continue to be challenging for the foreseeable future.

Given slightly higher than expected crop receipts and sluggish early demand for California walnuts, we've seen prices retreat in recent weeks. Currently pricing is covering a wide range depending on the product and the grower/packer. Export quality inshell and light kernels may eventually be in short supply given the damage to the Chandler crop but for the near future there is plenty of stock available. The spread between light and combination color product is likely to continue growing as more light amber material becomes available.

Lower prices are likely to drive more demand in the coming months. Despite the slow start, consumers around the world will continue eating and walnuts are well positioned as a healthy product for use in snacking, baking and industrial applications. As demand improves, we expect stability and greater consistency in pricing. Also on the horizon is the coming 2022 Chilean walnut crop which will begin to play into the market in the coming months.

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

Best regards,  
DERCO FOODS