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

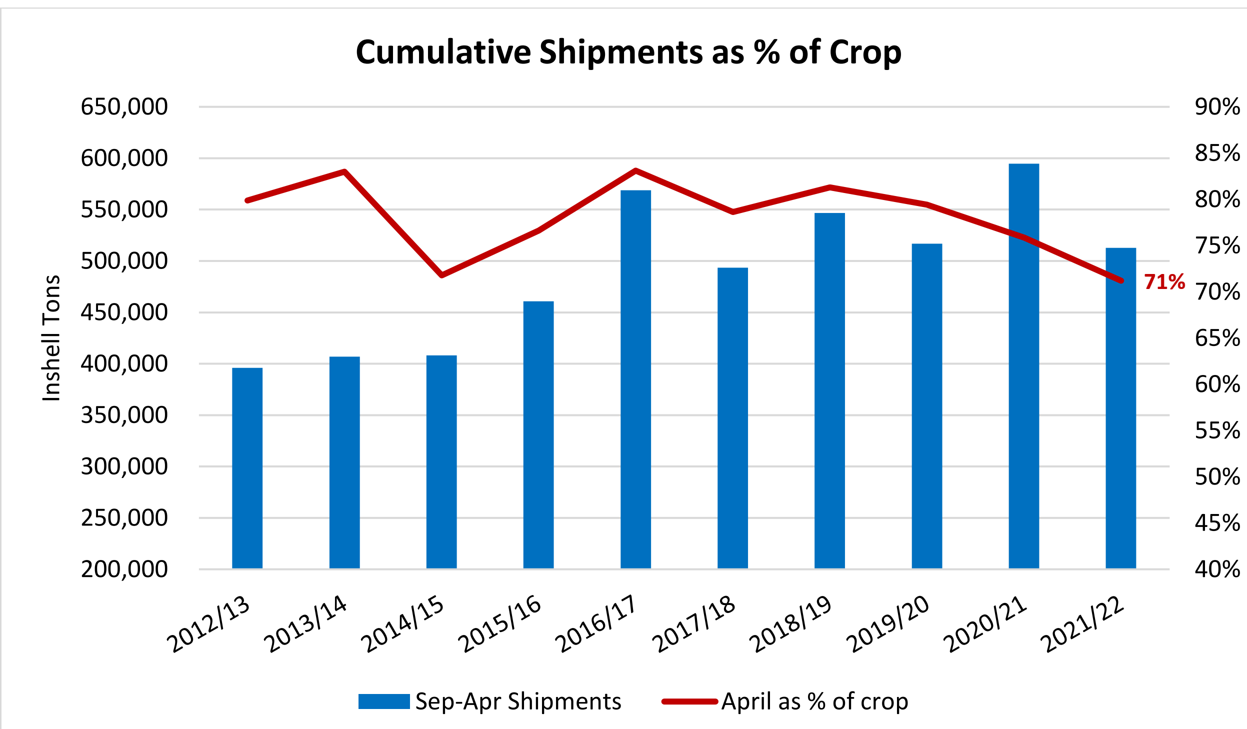
April 2022 Walnut Report

2021/22 Walnut Supply (inshell tons)

Carry-in from prior season:	98,054
2021 Crop Receipts:	720,163
Total available for shipment:	818,217
Less: Shipments to date thru Apr 30:	517,243
Remaining supply:	300,974

Remaining California walnut supply:

- Estimated remaining supply as of April 30, 2022 was 300,974 inshell tons. This exceeds marketable supply as of April 30, 2021 by about 172,000 tons (+133%).
- Commitments (product sold but not yet shipped) as of April 30 were 26.1 million pounds of inshell and 150.9 million pounds of kernels. These commitments are up about 70,000 inshell equivalent tons (+62%) compared to April 2021. Assuming commitments are all for current crop, this would reduce remaining supply to about 116,030 inshell equivalent tons. Additional sales over the coming months, including a potential USDA purchase, will further reduce commitments leading to a much more manageable carryover than was expected a few months ago.
- The graph below illustrates the crop size and the % shipped as of April 30. Season to date shipments through April are the lowest since the 2017/18 season in terms of total volume and the lowest over the past 10 seasons in terms of percentage of crop.
- The makeup of remaining inventory is in question as good quality inshell walnuts are essentially sold out and light-colored kernels are becoming more difficult to source from packers in California.



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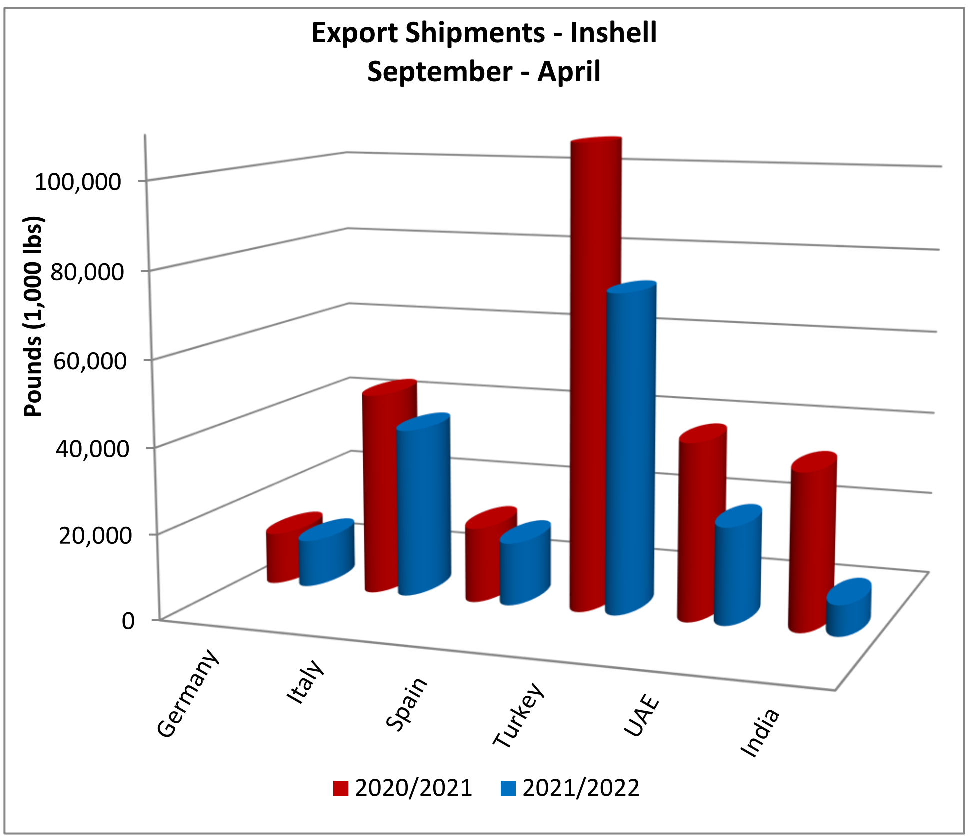
Shipments

Strong April shipments of inshell walnuts is welcome news to the California walnut industry. Demand for inshell was driven by slower early-season purchases, low overseas inventory positions, and a slow start to new crop harvest in Chile. Good demand for inshell was seen from USA (+96%), Spain (+13%), Algeria (+4,598%), Turkey (+922%) and UAE (+274%). A good portion of the April shipments were contracted earlier in the year (Jan-Feb) but finally shipped in April due to shipment delays. Season to date, inshell shipments remain well behind prior season's pace. There is little remaining inventory of export-quality inshell walnuts in California. Shipments of inshell for the remainder of the season will be limited by low availability and by buyers turning their attention to freshly harvested product from Chile.

- Inshell walnut shipments were 26.7 million pounds for the month of April, an increase of +18.7 million pounds (+237%) compared to April 2021.

- Season to date inshell shipments are 223.4 million pounds through April, a decrease of -131.2 million pounds (-37%) compared to the same period last season.



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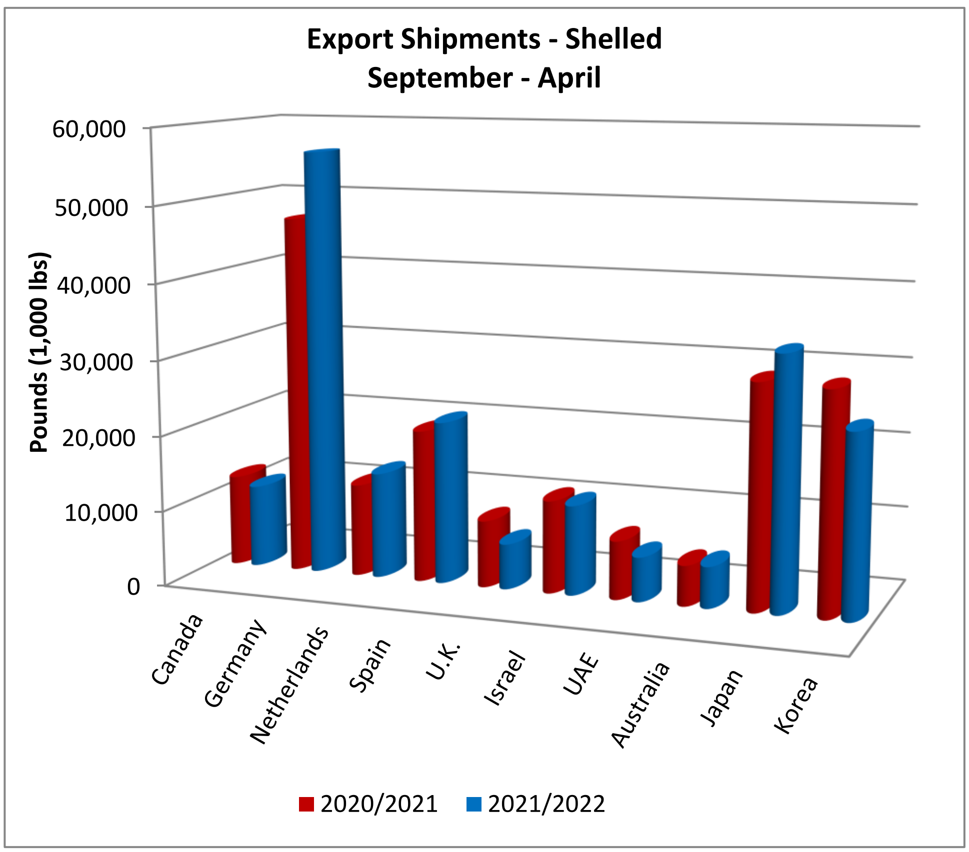
Shelled walnuts shipments for the month of April were down compared to April 2021 primarily due to weakness in domestic market shipments (-25%). Export market shipments were relatively flat with prior year. Strong demand was seen from Germany (+25%), the Netherlands (+24%), Israel (+190%), Jordan (+456%) and UAE (+106%). This was offset by weaker shipments to Spain (-10%), U.K. (-19%), Japan (-65%), Korea (-37%) and Taiwan (-22%). The industry remains optimistic that the USDA will consume a good amount of remaining inventory. Combination and light amber kernels are readily available while light kernels, while still available, are not abundant in the market.

- Shelled walnut shipments were 47.8 million pounds for the month of April, a decrease of -3.7 million pounds (-7%) compared to April 2021.

- Season to date shelled shipments are 356.1 million pounds through April, a decrease of -17.5 million pounds (-5%) compared to the same period last season.



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Summary

In early 2022, shipments from California were behind pace and new sales activity was slow which led to falling prices. These prices, along with low overseas inventory positions and shipment delays led to stronger sales activity over the past few months. Inshell markets became active and purchased most of the remaining export quality stocks in California ahead of the Chilean harvest. Shelled markets have also been active, particularly for light kernels.

Chilean harvest had a slow start due to warm weather but overall harvest was considered a success. Heavy rains in mid-April, especially in the southern growing region, did some crop damage but the majority of product had already been harvested. Walnuts that were damaged will be sent for shelling. Expectations are for a crop of about 170,000 inshell metric tons which is about +13% larger than prior season.

Early in the Chilean harvest period, the most active markets for new crop purchases were India, Morocco, UAE and China. Now buyers from Turkey have arrived in Chile and are also active. Europe was slower to start purchasing but will need to cover their holiday needs largely from Chile given the longer transit times which will likely make 2022 crop from California too late to meet market demand. The Chilean walnut industry estimates that nearly 50% of the crop has been sold. Kernel markets have been slower compared to inshell markets.

Logistics remains among the biggest challenges facing the industry with shortages of containers, chassis, trucks, drivers, container ships, etc. The port closures in China are creating a backlog which will have ripple effects across the world and take a long time to work themselves out. We anticipate these challenges to continue into the foreseeable future and recommend buyers make purchasing and shipment decisions further ahead of time than what has been done in past seasons.

Many industry players are now gathering at INC in Dubai. We wish everyone a successful Congress and safe travels home.

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

Best regards,
DERCO FOODS