DERCO FOODS®

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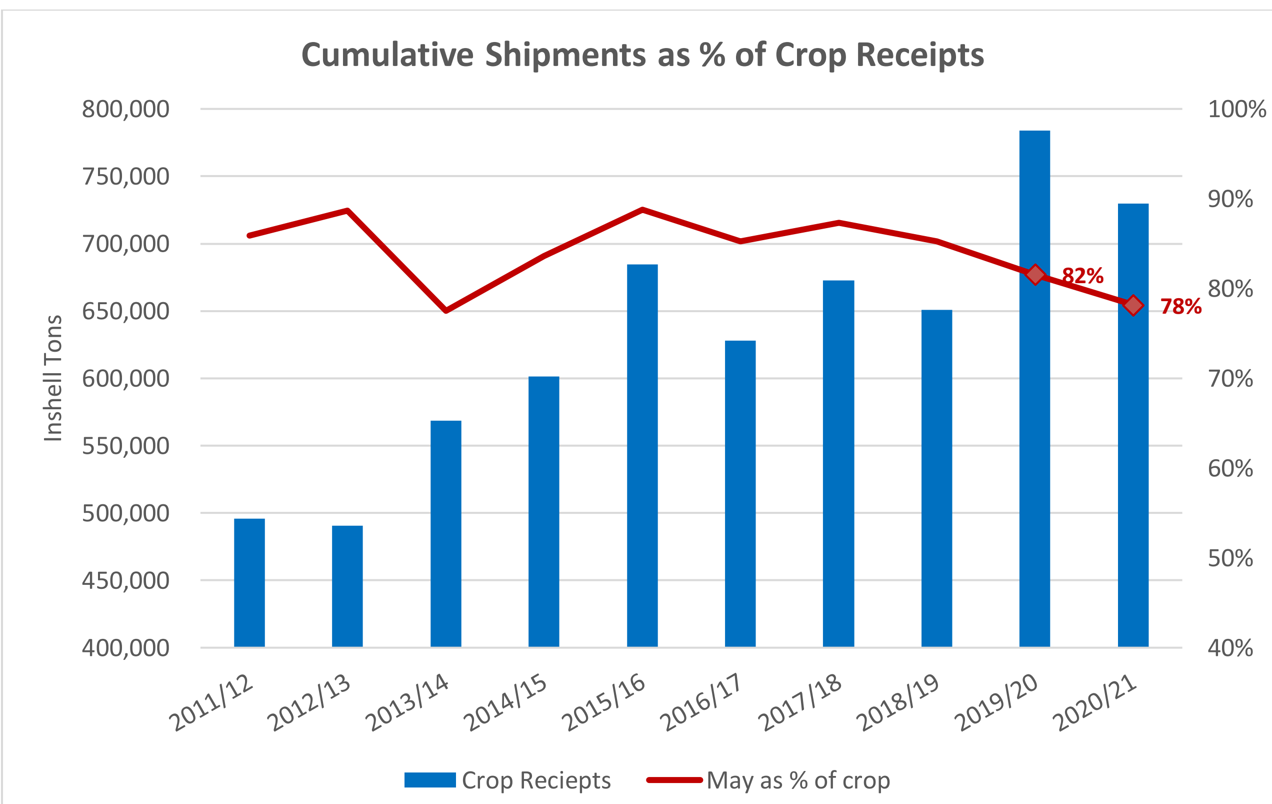
May 2022 Walnut Report

2021/22 Walnut Supply (inshell tons)

Carry-in from prior season:	98,054
2021 Crop Receipts:	729,770
Total available for shipment:	827,824
Less: Shipments to date thru May 31:	576,687
Remaining unshipped supply:	251,137
Less: Commitments as of May 31:	140,939
Remaining supply available for sale:	110,198

Remaining California walnut supply:

- Estimated unshipped supply as of May 31, 2022 was 251,137 inshell tons. This exceeds unshipped supply as of May 31, 2021 by about 51,912 tons (+26%).
- Commitments (product sold but not yet shipped) as of May 31, 2022 were about 140,939 inshell equivalent tons. When commitments are deducted from unshipped supply, estimated supply available for sale is 110,198 inshell tons. This exceeds supply available for sale as of May 31, 2001 by 23,888 inshell tons (+27%).
- Assuming the majority of commitments are for 2021 crop product, shipments the remainder of the season are likely to continue at record pace. Additional sales over the coming months will further reduce inventory to a much more manageable carryover than was expected a few months ago.
- The graph below illustrates the crop production and the % shipped as of May 31st. Strong shipments the past few months have put the industry in a much better sold position.



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Shipments

- Inshell walnut shipments were 12.7 million pounds for the month of May, an increase of +6.1 million pounds (+91%) compared to May 2021.
- Season to date inshell shipments are 236.5 million pounds through May, a decrease of -124.8 million pounds (-35%) compared to the same period last season.
- Shelled walnut shipments were 45.1 million pounds for the month of May, an increase of +8.0 million pounds (+22%) compared to May 2021.
- Season to date shelled shipments are 402.5 million pounds through May, a decrease of -8.1 million pounds (-2%) compared to the same period last season.

May shipments of inshell and shelled walnuts from California were strong with growth coming from export markets. Nearly all of the growth in inshell shipments is attributed to Turkey where buyers moved in to take advantage of falling pricing from California…. particularly when compared to opening pricing from Chile. At this time, California is largely sold out of export quality inshell.

Growth in shipments of walnut kernels was led by Europe (Germany +157%, Netherlands +180%, U.K. +67%) as well as the Middle East (Israel +229%, Jordan +203%, Turkey +409%, UAE +98%). Buyers in these markets made up for slower early season purchases with heavier activity once pricing fell to more workable levels. Shipments were down to Japan (-11%) and Korea (-15%) with sufficient inventory reported in both markets.

One area of concern for the industry is the domestic kernel market where season to date shipments are down -14.8 million pounds (-10%) compared to a year ago. Contributing factors include higher opening pricing, economic slowdown and less volume to date being sold through the USDA. With lower pricing moving through to the retail level we hope to see more robust shipments going forward.

Summary

New sales activity has slowed significantly over the past few weeks. Strong shipments are largely driven by earlier purchases which, in many cases, have been delayed by the difficult logistics situation. Ultimately the sold position of the California walnut industry has significantly improved over the past couple of months and we are not expecting a manageable carryout into the 2022/23 crop year.

Chilean harvest is complete and early market activity was good, particularly for inshell walnuts. Early shipment periods were mostly booked and difficulty in the logistics sector is driving many early shipments to leave several weeks behind schedule. New sales activity has slowed in recent weeks as early buyers are waiting for the first shipments to arrive so they can evaluate product quality and local market reaction. We anticipate another wave of buying activity in the coming months. Some concern is growing, particularly for the kernel market, that Chilean growers may still be actively selling as the coming California harvest begins which may create softness in the market. Ample time still exists to market the remainder of the Chilean crop ahead of the coming California and Chinese harvests.

While still early in the 2022/23 California growing season, most growers are reporting good nut sets in the primary growing regions of California. It’s too early for estimates, but potential for record production from California appears to be reality. With big production also expected from China, we anticipate aggressive opening pricing as growers work to improve early season shipments compared to last season.

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

Best regards,
DERCO FOODS