DERCO FOODS®

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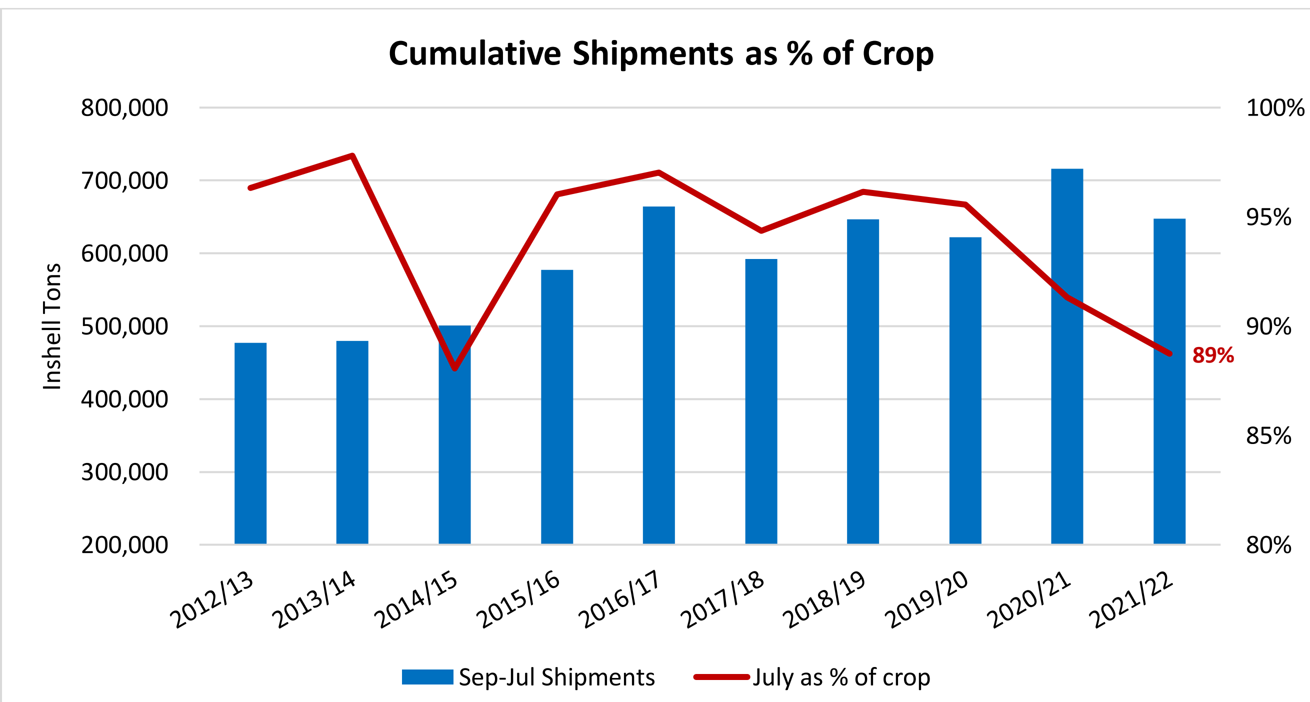
July 2022 Walnut Report

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 July 31:	654,516
Remaining unshipped supply:	173,308
Less: Commitments as of July 31:	109,113
Remaining supply available for sale:	64,195

Remaining California walnut supply:

- Estimated unshipped supply as of July 31, 2022 was 173,308 inshell tons. This exceeds unshipped supply as of May 31, 2021 by about 73,000 tons (+73%).
- If we assume August shipments similar to last season at 32,000 inshell tons, the carryout would be about 141,000 inshell equivalent tons.
- Commitments (product sold but not yet shipped) as of July 31, 2022 were about 109,000 inshell equivalent tons. When commitments are deducted from unshipped supply, estimated supply available for sale is 64,195 inshell tons.
- The graph below illustrates the season to date shipments both in terms of total volume and the % of the crop shipped as of July 31st. Strong shipments the past few months have improved the overall sold/shipped position but the carryout is still forecast to be higher than in past seasons.



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Shipments

- Inshell walnut shipments were 4.6 million pounds for the month of July, an increase of +2.2 million pounds (+93%) compared to July 2021.
- Season to date inshell shipments are 250.9 million pounds through July, a decrease of -115.2 million pounds (-31%) compared to the same period last season.
- Shelled walnut shipments were 24.3 million pounds for the month of July, a decrease of -6.3 million pounds (-21%) compared to July 2021.
- Season to date shelled shipments are 464.5 million pounds through July, a decrease of -12.2 million pounds (-3%) compared to the same period last season.

July 2022 shipments of California walnuts were down compared to July 2021 to nearly every major market. This trend applies to both inshell and kernels. The primary exception is increased shipments of inshell walnuts to Turkey and UAE as buyers in those markets took advantage of aggressive pricing.

Season to date, inshell shipments from California are down to most major markets including Germany (-19%), Italy (-18%), Spain (-20%), Algeria (-47%), Turkey (-20%), UAE (-31%), India (-79%) and Vietnam (-54%). This was driven by good early inventory positions in several markets, high opening pricing from California and aggressive sales from competing origins. Shipments of kernels from California were much stronger, particularly to western Europe led by Germany (+32%), the Netherlands (+19%) and Spain (+4%). This was offset by slower shipments in the domestic market/USA (-10%), the Middle East/North Africa (-15%) and Asia/Pacific Rim (-8%).

Summary

Looking forward, there is plentiful supply of walnuts from several different origins. Production is growing in California, China and Chile. While new plantings have slowed due to lower field pricing, production continues to grow as young orchards continue to mature.

Limited early business is taking place in California at aggressive prices. This is adding pressure to sellers from Chile who are being forced to compete as they market the remainder of the 2022 crop. Many buyers are also waiting to see opening pricing from China so they can compare options from different origins. With aggressive opening pricing from California, we expect to see good market for early shipment periods.

Growing conditions for the 2022 California crop have been good overall with moderate weather reported throughout most of the growing region. The outlook for the coming weeks is for normal temperatures with relatively cool evenings which is good for crop development. The Subjective/Handler crop estimate is 791,000 inshell tons which would be record production. The Objective crop estimate is expected to be released on September 1st.

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

Best regards,
DERCO FOODS