

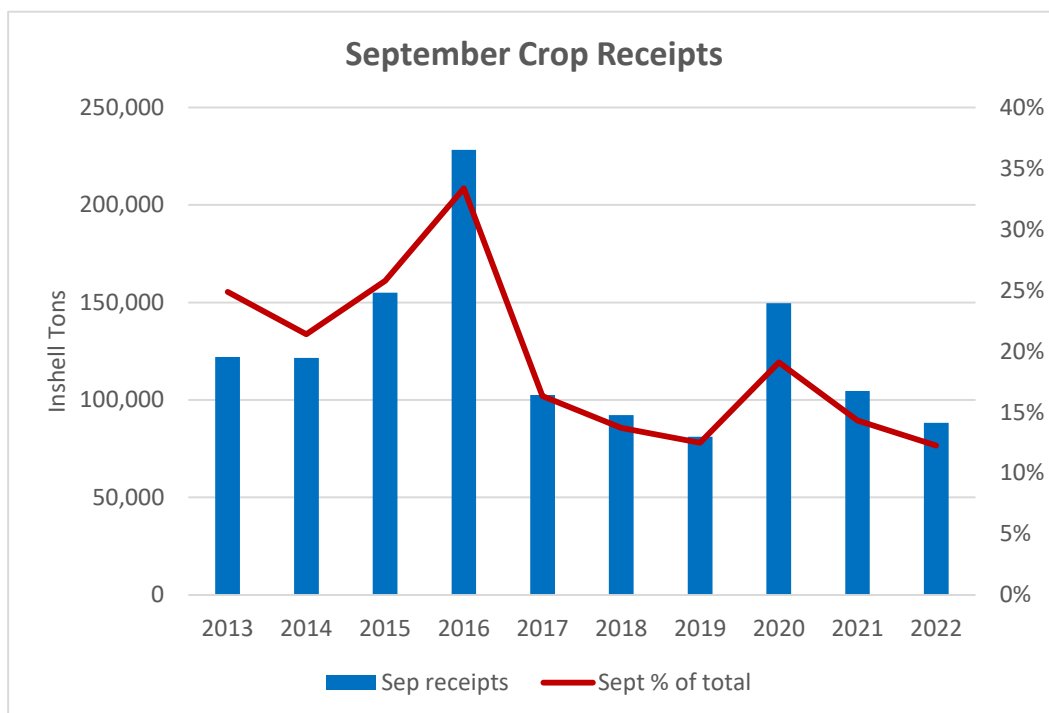
## September 2022 Walnut Report

### 2022/23 Walnut Supply (inshell tons)

Carry-in from prior season:	137,969
<u>2021 Crop Receipts:</u>	<u>720,000</u>
Total available for shipment:	857,969
<u>Less: Shipments to date thru Sep 30:</u>	<u>36,257</u>
Remaining unshipped supply:	821,712
<u>Less: Commitments as of Sep 30:</u>	<u>147,023</u>
Remaining supply available for sale:	674,689

### Supply

- The carry-over from the 2021 crop into the 2022/23 season of 137,969 inshell equivalent tons represents an increase of 39,915 tons (+41%) over prior season.
- The 2022 California walnut Objective Crop Estimate is 720,000 inshell equivalent tons. This is a decrease of about 10,000 tons (-1%) compared to the 2021 crop. It is important to note that this estimate was performed prior to the extreme heat experienced in the California growing region in early September. This heat caused some level of sunburn and darker color in the crop which will ultimately lead to less marketable product available. It is too early to quantify the effect of the heat but most growers expect the crop to be short of earlier expectations.
- Through September 30, total crop receipts were reported at 88,181 inshell tons. This is -16,351 tons (-16%) less than receipts as of September 20, 2021. Harvest began late this season and was slow due to heat in the growing region. October receipts will be a more accurate indicator of overall crop size.
- The chart below illustrates September crop receipts over the past 10 seasons in terms of total tonnage and as a percent of the final crop. Assuming the Objective Estimate of 720,000 tons is accurate, the crop was only 12% received as of September 30. This is below the 5 year average of 14% received as of September 30. If the 2022 crop was 14% received, total tonnage would be 630,000 tons.



## **Shipments**

The vast majority of California walnut shipments during the month of September were of 2021/22 crop product.

- Inshell walnut shipments were 2.2 million pounds for the month of September, a decrease of -4.0 million pounds (-65%) compared to September 2021.
- Shelled walnut shipments were 30.9 million pounds for the month of September, an increase of +3.9 million pounds (+15%) compared to September 2021.
- Purchase commitments (product sold but not yet shipped) as of September 30 were about 147,000 inshell equivalent tons. This is an increase of about 8,000 tons (+6%) compared to September 30, 2021.

## **Summary**

New business activity for California walnuts has been slow and inconsistent. Some markets are holding inventory from the 2021 crop and others have purchased more recently from Chile's 2022 crop. The strengthening US Dollar, global inflation, conflict in Ukraine and continued difficulty in ocean shipping all present obstacles. But ultimately, the current market situation is driven more by supply and demand than other factors. Global supply of walnuts has grown exponentially in recent years (California, China, Chile, Eastern Europe) fueled by the attractive returns the industry experienced in the past. Now that new plantings are coming into production, supply has quickly outpaced demand.

In California, early varieties provided mixed results in terms of tonnage and quality. The most heat damage was done to earlier varieties (including Tulare, Howard, Hartley, Serr) and tonnage will certainly be reduced as a result. Chandler harvest is now underway and quality is mixed. Some orchards are producing "normal" Chandler quality while others were damaged.

From other origins, Chilean growers are working to sell remaining inventories as northern hemisphere harvest has begun. Prices in Chile have fallen due to a combination of slower shipments and low prices from competing origins. In China, reports indicate higher than normal levels of mold in some regions and growers are facing difficulty in shipping product out of the Xinjiang region due to COVID related travel restrictions and outright lockdowns.

Pricing for California walnuts is at the lowest levels seen in years. These levels are not sustainable long term and will ultimately result in orchard removal which will reduce supply in future years. For now, savvy buyers are locking in supply with reputable growers at very attractive price levels. If the crop does come in short of earlier expectations, California may run short of light-colored product later in the season leading to some upward movement in pricing.

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

Best regards,  
DERCO FOODS