

November 2022 Walnut Report

2022/23 Walnut Supply (inshell tons)

Carry-in from prior season:	137,969
<u>2022 Crop Receipts (to date):</u>	<u>727,539</u>
Total available for shipment:	865,508
<u>Less: Shipments to date thru Nov 30:</u>	<u>184,873</u>
Remaining unshipped supply:	680,635
<u>Less: Commitments as of Nov 30:</u>	<u>225,424</u>
Remaining supply available for sale:	455,211

Supply

- Through November 30, 2022 crop receipts are reported at 727,539 inshell tons. This already exceeds the 2022 California walnut Objective Crop Estimate of 720,000 inshell tons. Several California packers have indicated expectations for a final 2022 crop in the range of 740,000 – 750,000 inshell tons.
- Adding the record carry-in from the 2021 season of 137,969 inshell tons to 2022 production results in a record California supply of 865,508 inshell tons (this number is likely to increase in the coming 60 days as final receipts are reported).
- The 2022 California walnut crop suffered heat damage in the months leading up to harvest. A lower percentage of light color and lower meat yields have been reported along with higher percentages of mold and sunburn. We cannot quantify the effect this will have on marketable supply but certainly supply will be reduced because of these factors.

Shipments

- Inshell walnut shipments were 49.8 million pounds for the month of November, a decrease of **-650** thousand pounds (**-1%**) compared to November 2021.
- Season to date inshell shipments are 95.7 million pounds through November, a decrease of **-16.2** million pounds (**-15%**) compared to the same period last season.
- Shelled walnut shipments were 48.0 million pounds for the month of November, a decrease of **-2.7** million pounds (**-5%**) compared to November 2021.
- Season to date shelled shipments are 120.3 million pounds through November, roughly equivalent to the same period last season.
- Purchase commitments (product sold but not yet shipped) as of November 30 were about 225,000 inshell equivalent tons. This is an increase of about 46,000 tons (+26%) compared to November 30, 2021. This increase in commitments is reflected in both inshell (+37%) and shelled (+25%) walnuts. This indicates buyers locking in current pricing for future shipments.

	Inshell Pounds			Shelled Pounds		
	Sep 2021 - Nov 2021	Sep 2022 - Nov 2022	% Change	Sep 2021 - Nov 2021	Sep 2022 - Nov 2022	% Change
USA	6,561,277	5,193,619	-21%	59,793,857	65,637,464	10%
Canada	1,768,049	3,392,075	92%	4,381,158	5,651,024	29%
North America	8,453,326	8,689,740	3%	64,175,015	71,487,988	11%

Shipments to North America were weaker during November. Domestic shipments were down **-55%** for inshell and **-4%** for shelled. Stronger shipments to Canada helped to offset a lackluster US market with inshell **+215%** and shelled **+5%**.

	Inshell Pounds			Shelled Pounds		
	Sep 2021 - Nov 2021	Sep 2022 - Nov 2022	% Change	Sep 2021 - Nov 2021	Sep 2022 - Nov 2022	% Change
Germany	7,344,176	1,977,556	-73%	14,111,810	8,347,434	-41%
Italy	27,700,817	15,996,314	-42%	722,140	701,841	-3%
Netherlands	2,375,457	959,067	-60%	3,111,981	2,397,861	-23%
Spain	8,951,098	5,226,383	-42%	9,544,978	7,095,251	-26%
U.K.	22,046	2,205	-90%	1,517,528	2,990,073	97%
Europe	47,100,609	24,404,031	-48%	30,314,480	23,867,695	-21%

Shipments to Europe continued to trend lower during November. Inshell shipments were lower compared to November 2021 in all major markets. Shelled shipments were lower in most markets with improved shipments to Germany (+3%) and U.K. (+100%) compared to November 2021. Inventory in Europe of 2021 crop California walnuts and 2022 crop Chilean walnuts, coupled with widespread inflationary pressures, has dampened demand so far this season.

	Inshell Pounds			Shelled Pounds		
	Sep 2021 - Nov 2021	Sep 2022 - Nov 2022	% Change	Sep 2021 - Nov 2021	Sep 2022 - Nov 2022	% Change
Algeria	308,644	6,481,083	2000%	0	0	n/a
Egypt	1,586,852	1,234,576	-22%	41,580	0	n/a
Iraq	0	661,196	n/a	0	378,450	n/a
Israel	308,644	352,736	14%	2,940,569	2,087,614	-29%
Jordan	44,092	352,736	700%	503,190	2,863,695	469%
Lebanon	836,778	2,599,488	211%	0	0	n/a
Morocco	793,656	2,292,774	189%	0	0	n/a
Pakistan	44,092	837,748	1800%	0	0	n/a
Saudi Arabia	0	44,092	n/a	83,600	485,148	480%
Turkey	37,220,706	24,762,990	-33%	115,817	839,972	625%
UAE	6,165,219	16,049,488	160%	1,174,118	1,498,596	28%
Middle East / Africa	47,399,457	55,712,999	18%	5,092,199	8,381,780	65%

Shipments to the Middle East/Africa continue to be mixed in comparison to prior season. Inshell walnut shipments for the month of November were **+2,020%** to Algeria, **+400%** to Jordan, **+117%** to Lebanon, **+162%** to Morocco, and **+178%** to U.A.E. However, the largest market for California inshell walnuts is Turkey which was **-25%** for November. Shelled walnut shipments were also strong in November led by Jordan (**+688%**) and U.A.E. (**+8%**).



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	Inshell Pounds			Shelled Pounds		
	Sep 2021 - Nov 2021	Sep 2022 - Nov 2022	% Change	Sep 2021 - Nov 2021	Sep 2022 - Nov 2022	% Change
Australia	0	0	n/a	1,896,020	1,505,395	-21%
China	837,748	925,932	11%	42,000	15,300	-64%
Hong Kong	0	44,092	n/a	155,740	131,040	-16%
India	1,102,716	3,086,933	180%	0	120,080	n/a
Japan	0	0	n/a	9,749,514	4,712,939	-52%
Korea	307,101	219,468	-29%	6,232,514	5,349,243	-14%
Taiwan	44,092	67,946	54%	854,414	1,881,600	120%
Vietnam	4,458,025	998,711	-78%	0	80,000	n/a
Asia / Pacific Rim	6,749,682	5,343,082	-21%	19,921,582	15,004,191	-25%

Shipments to Asia/Pacific Rim continued at a slower pace compared to November of 2021. Inshell walnut shipments to India were up for the month of November (+121%) but this is not expected to continue given the color concerns in this season’s crop. Kernel shipments were lower in November to major markets including Australia (-44%), Japan (-58%), and Korea (-30%).

Summary

The global market for walnuts continues to be sluggish despite the lowest prices we’ve seen in recent history. Contributing factors include growing supply from multiple origins, cheap prices for competing tree nuts, global inflationary pressures, the conflict in Ukraine, higher energy costs, changing shipping industry dynamics, rising interest rates and evolving currency valuations.

Growing Purchase Commitments (compared to prior season) are a bright spot in the November shipment report as they point to buyers locking in future purchases and an improved sold position for California packers. Given the higher-than-normal level of darker colored kernels and defects reported in this season’s crop, overall “marketable supply” will be at a lower level than the numbers indicate. This will become evident in the coming spring months as supply of export quality inshell and light kernels grows scarce.

Walnuts present an exceptional value at current price levels which are well below the cost of production. Looking at sluggish demand and current pricing, we will surely see swift adjustment to global supplies in the coming seasons. For now, it will take time as consumers slowly eat through worldwide inventories and lower prices make their way to the retail level. We expect a relatively stable market in the near future.

Please let us know if our offices in Dubai, India or the US may be of further assistance.

Best regards,
DERCO FOODS