

February 2023 Walnut Report

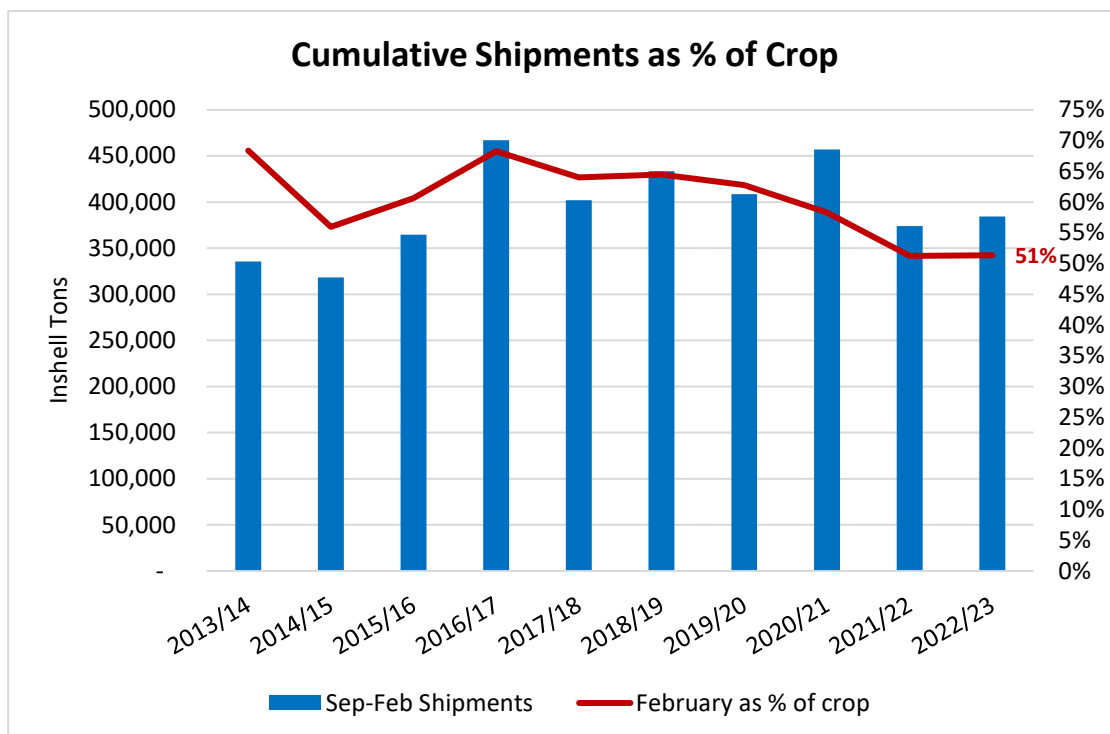
2022/23 Walnut Supply (inshell tons)

Carry-in from prior season:	137,969
<u>2022 Crop Receipts (to date):</u>	<u>747,870</u>
Total available for shipment:	885,839
<u>Less: Shipments to date thru Feb 28:</u>	<u>385,231</u>
Remaining unshipped supply:	500,608
<u>Less: Commitments as of Feb 28:</u>	<u>192,915</u>
Remaining supply available for sale:	307,693

Shipments

- Inshell walnut shipments were 20.2 million pounds for the month of February, an increase of +4.1 million pounds (+25%) compared to February 2022.
- Season to date inshell shipments are 181.2 million pounds through February, an increase of +7.9 million pounds (+5%) compared to the same period last season.
- Shelled walnut shipments were 44.8 million pounds for the month of February, a decrease of -2.9 million pounds (-6%) compared to February 2022.
- Season to date shelled shipments are 258.7 million pounds through February, an increase of +6.5 million pounds (+3%) compared to the same period last season.

February walnut shipments from California continued at a strong pace with season to date shipments now ahead of last season's pace. Buyers in North America and the Middle East/North Africa have been actively taking advantage of the lowest pricing seen in recent history. Buyers in Europe have been slower to jump into the market due in part to large inventory positions at the start of the season. Shipments to key Asian markets are also trailing last season but activity is improving recently. The graph below illustrates overall shipments growing over prior season with shipments as a % of the crop at the same level as prior season.

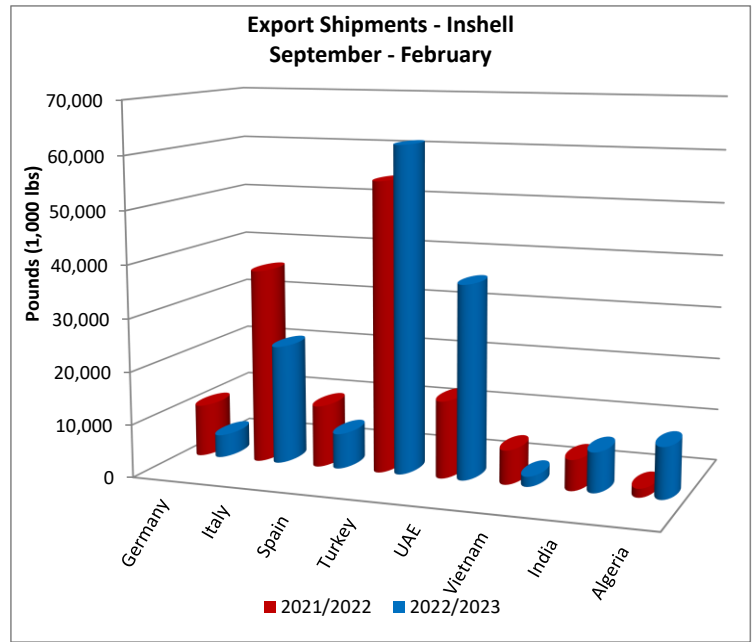
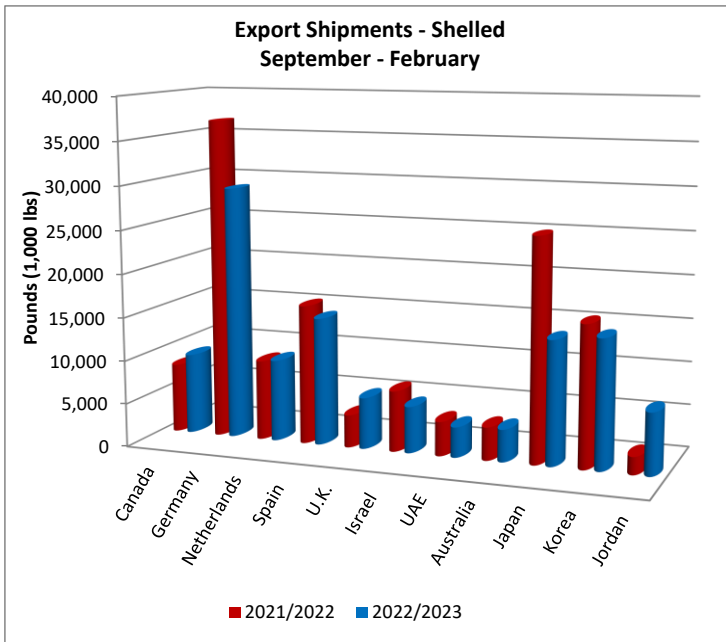


Purchase Commitments (sales that are not yet shipped) of about 192,000 inshell equivalent tons is in line with prior season. The majority of commitments consist of shelled walnuts as little inshell remains in California that would make export grade.

- Remaining supply available for sale as of February 28 was about 308,000 inshell equivalent tons. Lower shell out rate (meat yield), higher levels of defects and lower color in this season's crop will ultimately reduce this figure.
- Recently announced USDA purchases of up to \$90 million will also eat into the remaining inventory. This purchase program is likely to focus largely on combination (light and light amber) product and depending on price could account for up to 10% of this season's total supply.

Regional Shipments

	<u>Inshell Pounds</u>			<u>Shelled Pounds</u>		
	Sep 2021 - Feb 2022	Sep 2022 - Feb 2023	% Change	Sep 2021 - Feb 2022	Sep 2022 - Feb 2023	% Change
USA	8,355,057	7,111,626	-15%	100,286,978	115,516,956	15%
Canada	2,028,599	3,684,227	82%	8,006,557	9,318,380	16%
Germany	9,901,512	4,354,017	-56%	36,925,666	29,207,111	-21%
Italy	37,029,226	22,663,959	-39%	3,450,356	3,154,714	-9%
Netherlands	3,211,457	1,078,116	-66%	9,233,647	9,440,079	2%
Spain	11,750,427	6,695,777	-43%	16,079,398	14,737,908	-8%
U.K.	56,438	2,205	n/a	3,758,324	5,924,108	58%
Algeria	1,655,636	9,699,799	486%	0	0	n/a
Egypt	4,144,188	1,587,312	-62%	325,960	125,160	-62%
Iraq	573,196	789,823	38%	168,000	420,950	n/a
Israel	530,012	748,837	41%	7,006,226	5,360,835	-23%
Jordan	175,816	705,472	301%	2,040,610	7,105,535	248%
Lebanon	1,805,832	4,311,782	139%	0	106,046	n/a
Morocco	1,719,588	3,659,626	113%	0	0	n/a
Pakistan	264,552	1,410,484	433%	0	0	n/a
Saudi Arabia	44,092	176,368	300%	793,413	1,358,077	71%
Turkey	55,000,481	61,762,902	12%	115,817	2,918,087	2420%
UAE	14,654,269	36,729,983	151%	3,954,492	3,497,961	-12%
Australia	0	0	n/a	3,810,280	3,720,996	-2%
China	1,058,208	925,932	-13%	164,800	15,300	-91%
Hong Kong	0	44,092	n/a	640,410	352,900	-45%
India	5,817,805	7,592,583	31%	36,080	346,160	859%
Japan	0	0	n/a	25,511,429	14,223,735	-44%
Korea	868,046	996,607	15%	16,224,676	14,797,138	-9%
Taiwan	66,138	69,796	6%	4,353,194	4,371,744	0%
Vietnam	6,456,557	1,911,480	-70%	471,963	943,970	100%



Summary

February shipments of walnuts from California were strong but the industry has a long way to go to be in a better inventory position heading into the 2023/24 crop. February shipments were **-2.1%** compared to February of 2022 while season to date shipments are **+3.0%** over prior season. In order to achieve a manageable carryout, the shipment pace needs to improve over the coming months. While challenging, there are some trends in the market that point toward stronger shipments in the months ahead.

- Lower prices are resonating well in the US and Canadian markets where we expect to see solid shipment numbers continue.
- Shipments to Europe are well behind prior season’s pace but reports indicate inventory now at manageable levels. With higher pricing coming from Chile it is expected that shelled walnut shipments will improve over the coming months.
- Shipments to Japan and Korea are well behind prior season’s pace. More activity is being reported from these regions as buyers have worked through higher priced inventory and are now looking to lock in supply at lower prices.
- The recently announced USDA purchase of up to \$90 million of shelled walnuts will boost domestic shipments during the summer months.

While harvest in Chile won’t begin for another month, the market for new crop business opened during the Gulfood Exposition in mid-February. Early demand has been strong in some markets including India, Morocco and Russia. Buyers in other markets including Europe, Turkey, and UAE have been slower to jump in as they evaluate opening pricing compared to other origins. Some packers in Chile are already reporting to have full inshell production schedules for most of May and part of June. If business continues at the current pace and early production continues to fill, we anticipate steady pricing. Kernel business (machine cracked) may be more challenging as competition from other origins will remain in the market and likely push pricing lower.

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

Best regards,
DERCO FOODS