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March 2023 Walnut Report

2022/23 Walnut Supply (inshell tons)

Carry-in from prior season:	137,969
2022 Crop Receipts (to date):	747,870
Total available for shipment:	885,839
Less: Shipments to date thru Mar 31:	463,064
Remaining unshipped supply:	422,775
Less: Commitments as of Mar 31:	171,495
Remaining supply available for sale:	251,280

Shipments

- Inshell walnut shipments were 21.6 million pounds for the month of March, a decrease of -1.8 million pounds (-8%) compared to March 2022.
- Season to date inshell shipments are 203.6 million pounds through March, an increase of +6.9 million pounds (+4%) compared to the same period last season.
- Shelled walnut shipments were 58.5 million pounds for the month of March, an increase of +2.4 million pounds (+4%) compared to March 2022.
- Season to date shelled shipments are 317.2 million pounds through March, an increase of +8.9 million pounds (+3%) compared to the same period last season.

March walnut shipments from California of 77,388 inshell equivalent tons is a record for the month of March. Big shipment increased over prior years were seen in inshell to UAE (+85%), Turkey (+17%), Algeria (+38%), and India (+66%) while increases in kernels were primarily in the US domestic market (+43%). Buyers in these markets have taken advantage of the lowest prices in recent history.

Commitments and New Sales

Future sales commitments are estimated at 209,000 inshell equivalent tons using an estimated shellout rate (meat yield) of 40.0%. Given the level of defects and darker color in this season's crop, this figure is lower than normal. Estimated new sales during the month of March is also strong at 115,000 inshell equivalent tons.

Looking ahead, California will experience a further sales boost via a pending USDA purchase program that could purchase up to 70,000 inshell equivalent tons of kernels between May-December. We'll know more about the volume and timing in the coming weeks as bids have been submitted but final allocation has yet to be announced. Given the current calculated inventory, the estimated volume of the USDA purchase, and expectation for normal export shipments for the remainder of the season, the California industry is now positioned to achieve a very manageable carryout.

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Regional Shipments

	Inshell Pounds			Shelled Pounds		
	Sep 2021 - Mar 2022	Sep 2022 - Mar 2023	% Change	Sep 2021 - Mar 2022	Sep 2022 - Mar 2023	% Change
USA	8,749,693	7,533,385	-14%	116,510,314	138,786,798	19%
Canada	2,069,899	3,684,227	78%	9,470,502	10,710,581	13%
Germany	10,695,168	5,015,121	-53%	47,688,515	36,449,398	-24%
Italy	39,078,327	23,221,368	-41%	4,738,075	4,050,443	-15%
Netherlands	3,211,457	1,159,686	-64%	12,028,602	12,701,441	6%
Spain	13,695,829	7,445,357	-46%	19,277,575	17,636,870	-9%
U.K.	56,438	2,205	n/a	4,632,660	7,291,834	57%
Algeria	2,581,568	10,977,731	325%	0	0	n/a
Egypt	4,541,016	1,587,312	-65%	409,120	125,160	-69%
Iraq	1,278,668	1,054,375	-18%	294,828	420,950	n/a
Israel	530,012	748,837	41%	9,057,577	7,045,455	-22%
Jordan	484,460	749,564	55%	2,720,860	8,183,685	201%
Lebanon	2,775,856	5,104,978	84%	0	106,046	n/a
Morocco	3,038,820	3,659,626	20%	0	0	n/a
Pakistan	396,828	1,542,760	289%	0	0	n/a
Saudi Arabia	132,276	176,368	33%	877,739	1,544,197	76%
Turkey	61,832,891	70,534,748	14%	408,144	3,955,074	869%
UAE	18,489,537	43,828,702	137%	4,736,677	3,914,338	-17%
Australia	0	0	n/a	4,487,664	4,312,596	-4%
China	1,102,300	925,932	-16%	164,800	57,300	-65%
Hong Kong	0	44,092	n/a	763,810	500,920	-34%
India	6,696,999	8,959,435	34%	36,080	420,080	1064%
Japan	0	0	n/a	31,382,254	19,939,503	-36%
Korea	868,046	996,607	15%	20,357,676	18,125,106	-11%
Taiwan	66,138	69,796	6%	6,021,500	5,959,030	-1%
Vietnam	6,871,473	2,043,756	-70%	639,963	943,970	48%

Chile

Harvest is now well underway in Chile. Expectations are for a crop in the range of 190,000+ inshell tons which would be record production. Reports from Chile indicate lower than expected volume of Serr variety with color and meat yield in normal ranges. Chandler variety harvest has only just begun with early reports indicating good volume and good color and yield but nut sizing is trending smaller due to the large production.

The Chilean market opened as usual in February during Gulfood with strong early demand seen from buyers in India, Morocco and Russia. Some markets have been more patient as importers work through existing inventories of walnuts from other origins. With harvest now underway and early production space mostly full, buyers in other markets are slowly becoming more active.

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Summary

The 2022 California walnut crop season has been challenging for everyone involved. Challenges include higher levels of defects and darker color in the crop, historically low pricing to the growers, inflationary pressures making cost of production higher as well as adding pressure to consumer purchasing power, sharp currency movements in key markets, fallout from the war in Ukraine, etc etc. These challenges collectively drove slow early season demand and falling prices which now appear to have reached a bottom with some items slowly moving higher.

Given strong shipments in recent months and a pending purchase of kernels from the USDA, the supply situation in California appears to have quickly improved compared to a few months ago. Growers in California are working to better position the industry heading into the 2023 crop by selling remaining supplies of 2022 crop. California has received plenty of water and chill hours and the walnuts are now entering the bloom period.

Buyers have been more active in recent months locking in prices which are well below the cost of production. These lower prices are resonating well in the US domestic market where demand is showing signs of improvement at the consumer level. While current prices are not sustainable long term, the goal is to build demand now which can be maintained as supply and demand work their way into balance again.

Early demand for Chilean walnuts was good and buyers are hungry for the high quality walnuts Chile is known for. It is still very early in the season with harvest underway but sales so far have been good and nearby production space mostly full. Given the high quality being reported and the relatively attractive pricing in the industry today, we anticipate steady demand throughout the Chilean season.

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

Best regards,
DERCO FOODS