

May 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 May 31:</u>	<u>631,239</u>
Remaining unshipped supply:	254,600
<u>Less: Commitments as of May 31:</u>	<u>176,582</u>
Remaining supply available for sale:	78,018

Shipments

- Inshell walnut shipments were 11.9 million pounds for the month of May, a decrease of -1.0 million pounds (-8%) compared to May 2022.
- Season to date inshell shipments are 228.5 million pounds through May, a decrease of -7.9 million pounds (-3%) compared to the same period last season.
- Shelled walnut shipments were 52.3 million pounds for the month of May, an increase of +7.2 million pounds (+16%) compared to May 2022.
- Season to date shelled shipments are 414.6 million pounds through May, an increase of +12.1 million pounds (+3%) compared to the same period last season.

May walnut shipments from California of 71,174 inshell equivalent tons is a record for the month of May. This is driven by shipments of walnut kernels in the domestic market which were +11.1 million pounds (+72%) compared to May of 2022. This figure includes the first full shipment month of the USDA kernel purchase but also reflects strong domestic demand driven by record low pricing.

Commitments and Inventory

Future sales commitments are estimated at 176,582 inshell equivalent tons using an estimated shellout rate (meat yield) of 40.1%. Historically, the shellout rate reported has been based on a 5-year rolling average. Given the lower shellout rate in the 2022 crop, this figure was misleading and resulting in an over-estimate of unsold inventory. The updated shellout rate is based on season to date data reported by handlers and is more reflective of actual results from the 2022 crop.

It is important to note that the estimated commitment figure of 176,582 inshell equivalent tons includes commitments to the USDA purchase which will ship spread from now through December. While some of this product will ship during the next crop year (Sept-Aug), the majority of the product will come from the 2022 crop. This purchase will account for about 70,000 inshell equivalent tons or roughly 10% of the 2022 crop.

Given the strong domestic shipments and robust commitment figure, the projected carry-out into the 2023 crop year appears very manageable. Simply deducting current commitments from estimated inventory would result in a carry-out of 78,018 inshell equivalent tons. New sales made in the next couple of months will further reduce this figure.

Regional Shipments

Shipments to major markets are shown below. This late in the season it is unlikely to see any meaningful changes in regional shipment trends. Shipments to Europe and kernel shipments to Asia remain well behind prior season's pace. Shipments to the Middle East, North Africa and inshell shipments to Asia are ahead of prior season. Most markets are now focusing on fresh product from Chile for shipment the next couple of months.

	Inshell Pounds			Shelled Pounds		
	Sep 2021 - May 2022	Sep 2022 - May 2023	% Change	Sep 2021 - May 2022	Sep 2022 - May 2023	% Change
USA	10,477,617	9,718,004	-7%	146,818,736	182,375,729	24%
Canada	2,144,849	3,727,227	74%	12,073,622	12,506,621	4%
Germany	11,356,548	6,686,829	-41%	65,951,039	47,715,058	-28%
Italy	39,735,807	23,728,382	-40%	6,416,536	4,984,743	-22%
Netherlands	3,595,057	1,200,471	-67%	15,798,513	15,779,933	0%
Spain	14,750,102	7,973,664	-46%	23,551,469	20,351,098	-14%
U.K.	555,229	324,077	n/a	7,669,732	10,398,067	36%
Algeria	6,152,138	15,957,183	159%	0	0	n/a
Egypt	5,158,304	1,675,496	-68%	575,860	125,160	-78%
Iraq	1,631,404	1,142,559	-30%	420,828	795,428	n/a
Israel	662,288	748,837	13%	13,460,771	8,457,595	-37%
Jordan	616,736	793,656	29%	5,207,810	10,046,965	93%
Lebanon	3,437,236	5,784,312	68%	0	106,046	n/a
Morocco	3,611,924	3,703,718	3%	0	0	n/a
Pakistan	573,196	1,586,852	177%	0	0	n/a
Saudi Arabia	132,276	264,552	100%	1,042,253	1,911,537	83%
Turkey	80,984,702	79,912,420	-1%	873,764	4,914,415	462%
UAE	25,763,673	47,044,662	83%	6,257,725	4,679,735	-25%
Australia	0	0	n/a	5,873,529	5,837,126	-1%
China	1,410,944	925,932	-34%	164,800	99,300	-40%
Hong Kong	0	44,092	n/a	1,048,698	828,248	-21%
India	7,394,725	9,753,091	32%	36,080	564,400	1464%
Japan	0	0	n/a	37,849,669	31,628,524	-16%
Korea	868,046	996,607	15%	27,090,336	24,428,869	-10%
Taiwan	66,138	69,796	6%	7,614,310	6,814,490	-11%
Vietnam	7,579,109	2,286,262	-70%	805,963	1,131,495	40%

Chile

Harvest in Chile is now complete with the crop being reported in the range of 170,000 metric tons, about 10-15% less than prior season and less than early expectations. Color and meat yield are good but nut sizing is smaller than normal. Early sales activity has been strong with the industry now 60%+ committed which is up from last season at this time. The pace of new business has slowed from earlier in the season as buyers await delivery of early shipments. Most packers are fully booked for the remainder of June and much of July. We anticipate another wave of purchasing to begin in the next month.



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Summary

The 2022 California walnut crop year has been difficult for everyone involved. Growers are selling well below the cost of production. Buyers have been disappointed by below-average color and yield across the crop. Strong competition from other origins has eroded California's market share in some key markets.

Looking forward, the California industry, collectively, appears to be better positioned than in the past. Older varieties, low bearing orchards, and low-quality producing orchards are being removed from the marketplace as this product cannot be sold at profitable levels. The focus of the industry going forward is on producing high quality and consistent product.

Given worldwide production levels, inflation, currency exchange rates, foreign conflicts and other challenges, it may take additional time for the market to return to sustainable levels. Growing conditions in California have been good so far and assuming quality returns to normal we anticipate good opening demand for California walnuts at harvest.

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

Best regards,
DERCO FOODS