



WALNUTS ROUND TABLE



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**INC XXXIX WORLD NUT
AND DRIED FRUIT CONGRESS**

MAY 11-13, 2022

PROGRAM

1. Panel Introduction
2. Overview of Projected Supply
3. Major Region Growth Update
4. Consumption Trends
5. Panel Discussion
6. Questions



PANEL

Chair: Bill Carriere, President/CEO, Carriere Family Farms, USA

Panel: Edmundo Valderrama, President Chilenut, Chile

Tatiana Calcii, Export Management Manager, Maestro Nut, Moldova

Ralph Beranek, Managing Director, Seeberger, Germany

Cheng Hung Kay, General Manager, CHK Trading Co. Ltd., China-Hong Kong

Antitrust Statement: The fundamental purpose of this session is for the participants to discuss different aspects of the nut and dried fruit industry. It is the policy and practice of the INC Foundation to conduct all its meetings and activities in strict compliance with antitrust and competition laws. There shall be no discussions of competitively sensitive information, including but not limited to prices, rates, coverage, market practices, claims settlement practices, customers or any other competitive aspect of an individual company's operation. INC participants to this meeting commit not to enter into any agreements between undertakings, decisions by associations or undertakings and concerted practices which may affect trade and which have as their object or effect the prevention, restriction or distortion of competition within the internal market. Each participant is obligated to prevent any discussion from falling outside these bounds. **Copyright Notice:** All images used in this presentation are for educational purposes only. They are either in the public domain and not subject to copyright, or have been purchased. All images used in this presentation are the property of their respective copyright owners.

ESTIMATED WORLD WALNUT PRODUCTION**In-shell Basis. Metric Tons**

COUNTRY	2021/2022				2022/2023			
	BEG. STOCK	CROP	TOTAL SUPPLY	ENDING STOCK	BEG. STOCK	CROP	TOTAL SUPPLY	ENDING STOCK
CHINA	60,000	1,100,000	1,160,000	50,000	50,000	1,400,000	1,450,000	87,000
USA	71,195	653,320	724,515	127,005	127,005	680,395	807,400	90,000
CHILE	1,950	153,760	155,710	1,500	1,500	170,000	171,500	1,500
UKRAINE	0	85,000	85,000	2,000	2,000	98,000	100,000	2,000
TURKEY	0	37,200	37,200	2,000	2,000	48,000	50,000	n/a
IRAN	0	31,000	31,000	0	0	46,500	46,500	n/a
FRANCE	2,000	37,000	39,000	2,000	2,000	37,000	39,000	n/a
ROMANIA	0	28,000	28,000	1,300	1,300	30,000	31,300	n/a
INDIA	3,000	37,000	40,000	3,000	3,000	31,000	34,000	3,000
ARGENTINA	0	21,500	21,500	0	0	22,500	22,500	0
MOLDOVA	0	18,000	18,000	570	570	20,300	20,870	500
ITALY	0	15,850	15,850	0	0	19,500	19,500	n/a
HUNGARY	0	13,500	13,500	0	0	13,500	13,500	0
AUSTRALIA	200	12,500	12,700	0	0	14,000	14,000	n/a
GEORGIA	0	7,100	7,100	0	0	8,200	8,200	0
OTHERS	0	15,000	15,000	0	0	16,500	16,500	0
WORLD TOTAL	138,345	2,265,730	2,404,075	189,375	189,375	2,655,395	2,844,770	184,000
WORLD CONSUMPTION (T. Supply - End. Stock)				2,214,700	2,660,770			

Sources: China Chamber of Commerce for Import and Export of Foodstuffs, California Walnut Board and Commission, Chilenut, and other INC sources.

ESTIMATED WORLD WALNUT PRODUCTION**Kernel Basis. Metric Tons**

COUNTRY	2021/2022				2022/2023			
	BEG. STOCK	CROP	TOTAL SUPPLY	ENDING STOCK	BEG. STOCK	CROP	TOTAL SUPPLY	ENDING STOCK
CHINA	26,400	484,000	510,400	22,000	22,000	616,000	638,000	38,280
USA	31,820	286,800	318,620	55,800	55,800	302,776	358,576	40,000
CHILE	920	71,500	72,420	700	700	79,900	80,600	700
UKRAINE	0	38,000	38,000	890	890	43,500	44,390	890
TURKEY	0	16,300	16,300	880	880	21,600	22,480	n/a
IRAN	0	12,400	12,400	0	0	19,000	19,000	n/a
FRANCE	880	16,300	17,180	880	880	16,300	17,180	n/a
ROMANIA	0	11,800	11,800	550	550	13,500	14,050	n/a
INDIA	1,000	12,200	13,200	1,000	1,000	10,200	11,200	1,000
ARGENTINA	0	9,350	9,350	0	0	9,780	9,780	0
MOLDOVA	0	8,800	8,800	280	280	9,200	9,480	n/a
ITALY	0	7,000	7,000	0	0	8,600	8,600	n/a
AUSTRALIA	90	5,625	5,715	0	0	6,300	6,300	n/a
HUNGARY	0	5,800	5,800	0	0	5,800	5,800	0
GEORGIA	0	3,000	3,000	0	0	3,800	3,800	0
OTHERS	0	6,000	6,000	0	0	6,600	6,600	0
WORLD TOTAL	61,110	994,875	1,055,985	82,980	82,980	1,172,856	1,255,836	80,870
WORLD CONSUMPTION (T. Supply - End. Stock)				973,005	1,174,966			

Sources: China Chamber of Commerce for Import and Export of Foodstuffs, California Walnut Board and Commission, Chilenut, and other INC sources.

California Walnut Board and Commission does not measure in kernel basis, kernel equivalent is an INC estimation.

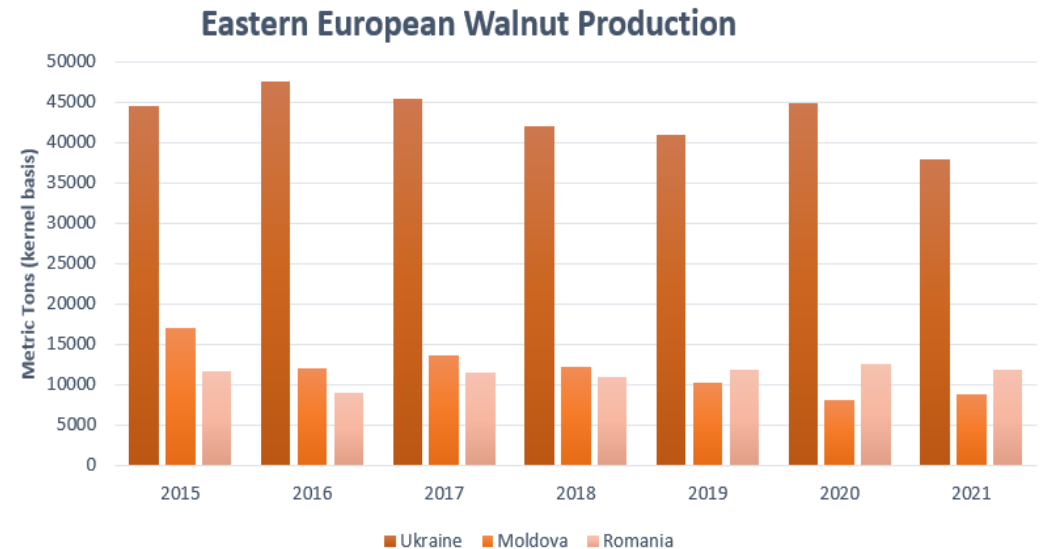
Eastern Europe Crop Update

Acreage

- Positive dynamics of acreage increase have been observed over the last few years in proportion of 2,5 thousand hectares per year in Ukraine and 1 thousand hectares per year in Moldova.
- Only a part of areas planted in last few years are composed of well-known varieties like Chandler, Fernor, Franquette, Serr and Peschansky. The major part of plantations present a mix of different local varieties.
- All acreage in the region is divided in new orchards and old plantations along the roads, buffer zones and wild growing areas.
- The main difficulties in creating new plantations are: lack of scientific and professional nurseries as source of qualitative planting material and weak state support for the development and planting of new orchards.

Production

- In last 10 years a lot of efforts and investments were concluded to develop production sector in the region.
- Geographical position close to Europe permit local businesses to increase production volume by offering outsourcing services like cleaning and sorting.
- Big fluctuation of crop size forces local producers to turn to alternative sources of raw materials.
- Due to the fact that the domestic crop mainly consists of local varieties, which are not suitable for in-shell sales, the major part of the producers are concentrated on kernel processing.
- Current Eastern European 2022 crop is estimated to be **170,000 MT**.

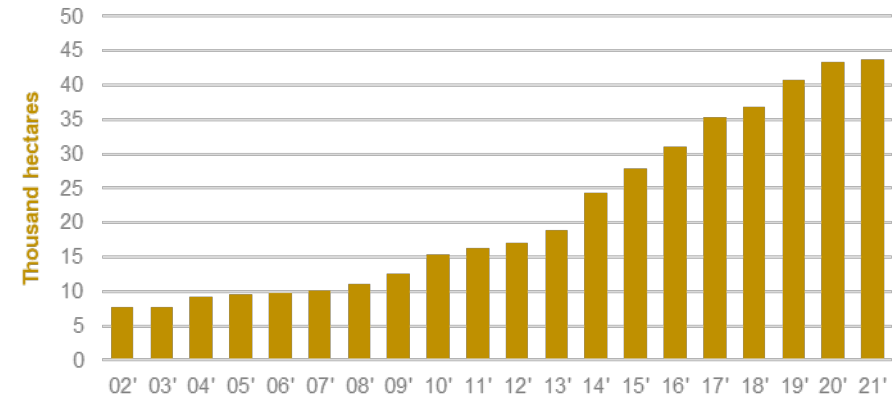


Chilean Crop Update

Acreage

- Acreage has increased almost 6 times over the past 20 years.
- Plantings seem to have leveled off in the past 2 years.

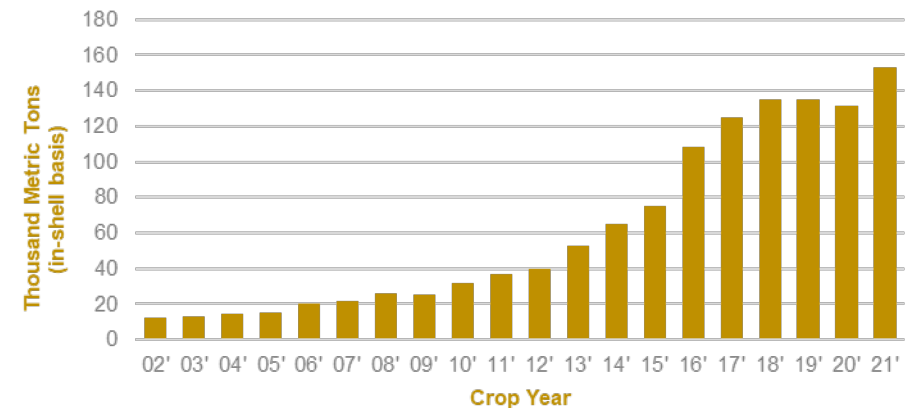
Data Source: Odepa_Ciren, Ministry of Agriculture of Chile



Production

- Production has increased 12 times over the past 20 years.
- Drought impact?
- Chandler, now makes up a large percentage of the crop.
- Current Chilean 2022 crop estimate to be 170,000 MT

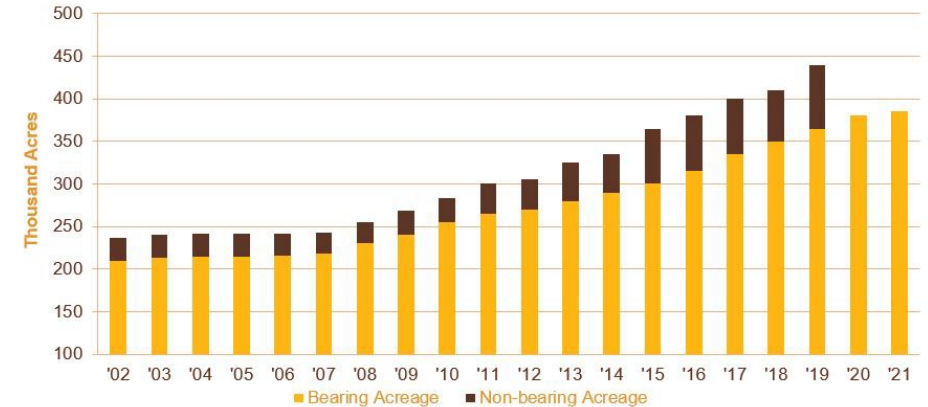
Data Source: Chilenut and INC



California Crop Update

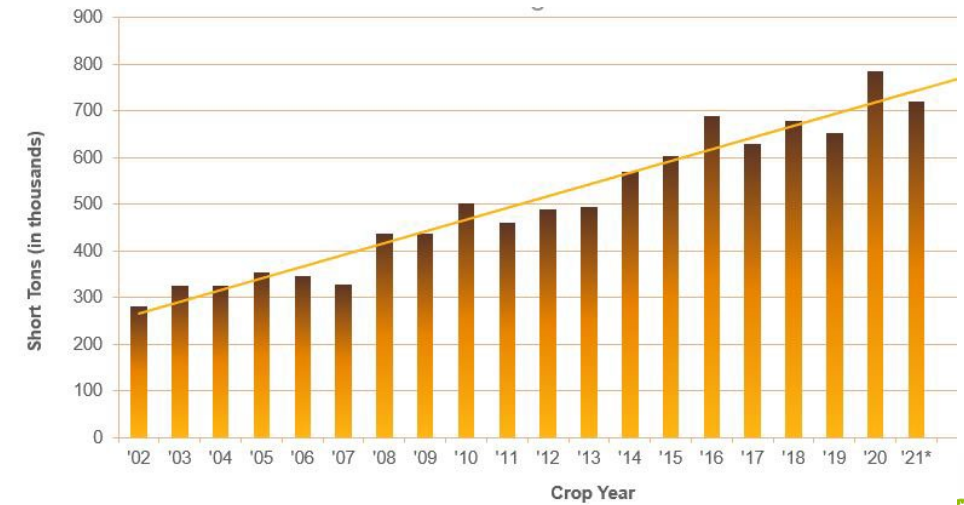
Acreage

- Acreage has almost doubled over the past 20 years.
- Plantings seem to have leveled off in the past 3 years.
- No data is available on orchard removals, but consensus is that plantings are approximately equal to removals in 2022.
- Many older varieties are being replaced by new varieties.



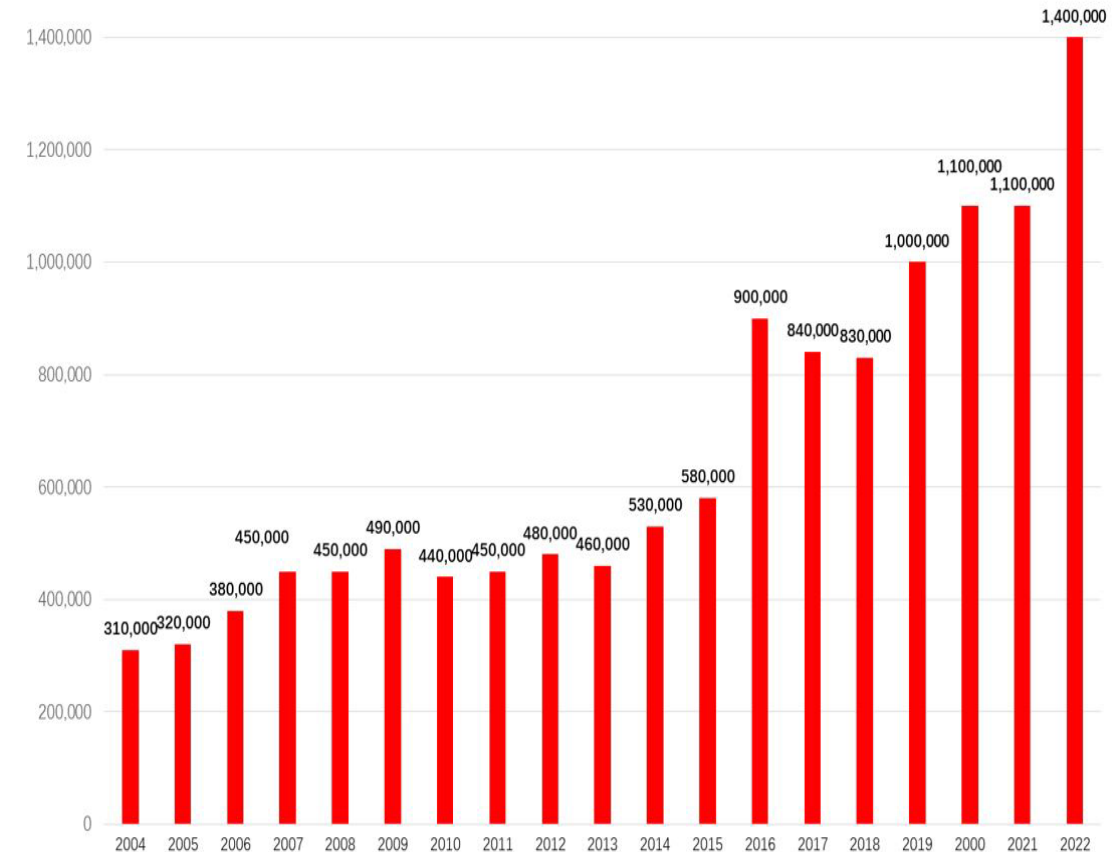
Production

- Production has more than doubled over the past 20 years.
- Volume will continue to grow as older heritage varieties are being replaced by new more productive varieties.
- Water not a big issue this year but could affect future crops.
- Chandler, Howard and Tulare now make up 85% of the crop.
- Current California 2022 crop estimate to be 680,000 MT or 750,000 Short Tons.



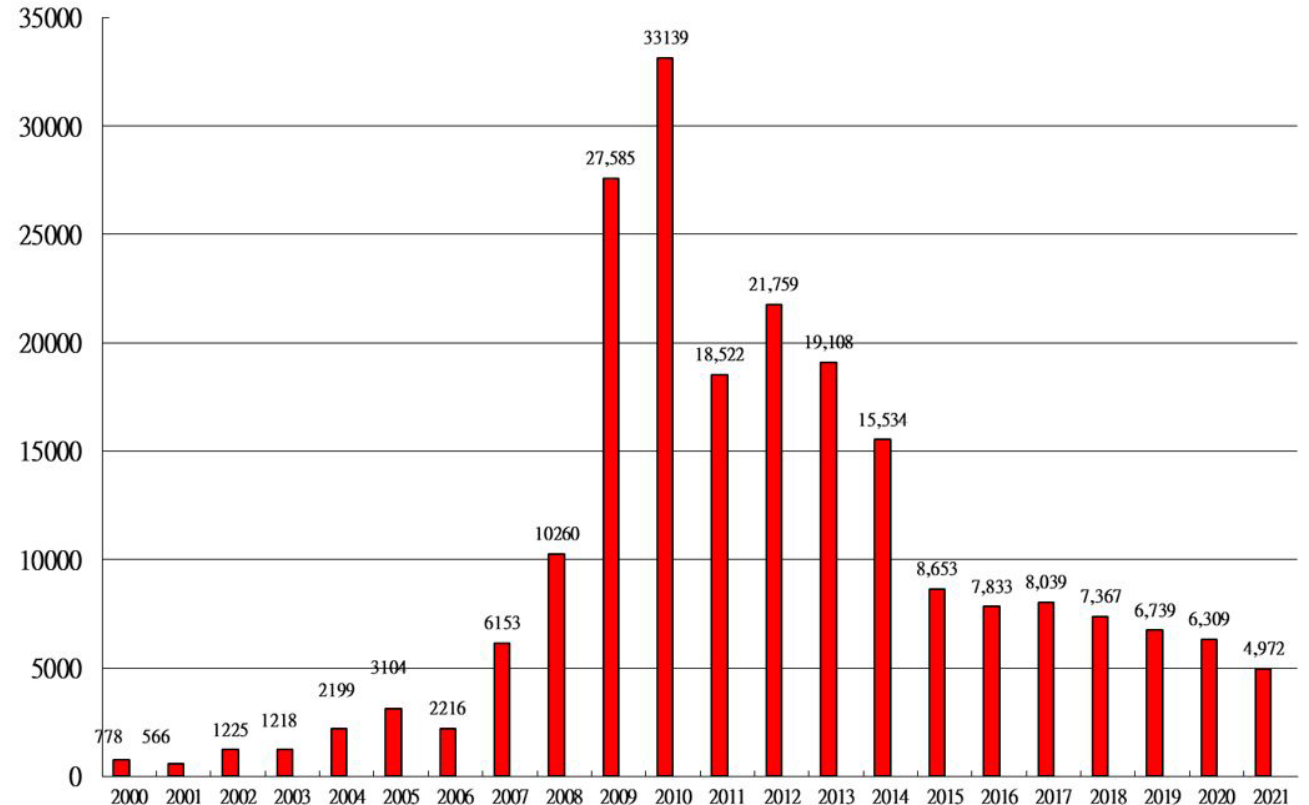
Chinese Crop Update

- There are more than 50 Walnut varieties grown in China's 21 provinces and autonomous regions, producing over 50% of the total world crop. China is the biggest Walnut grower in the world and it is still expanding.
- China needs to promote more extra light and less tannin taste varieties to meet the local demand such as Chandler, Serr and Hartley.
- Weather was excellent from the beginning of 2022. There is enough snow, rain and chilling hour in all growing areas. If there is no frost in the coming weeks, walnut crop this year will achieve to 1,400,000 metric tons in shell basis which is back to normal.
- The normal Chinese crop under favorable climate is at the range of 1,500,000 m/t. In past 3 years crop were short because to frost and draught impact during bloom season.



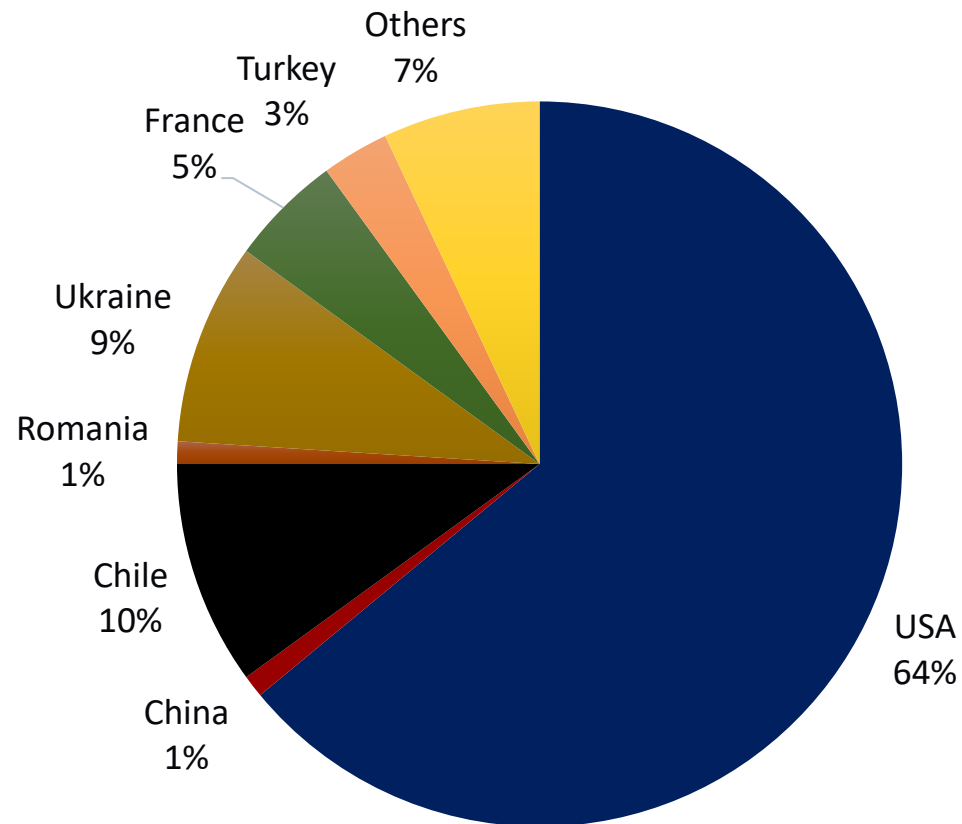
World Trade

China imports have had a dramatic swing over the past 20 years, and have dropped significantly since peaking in 2010

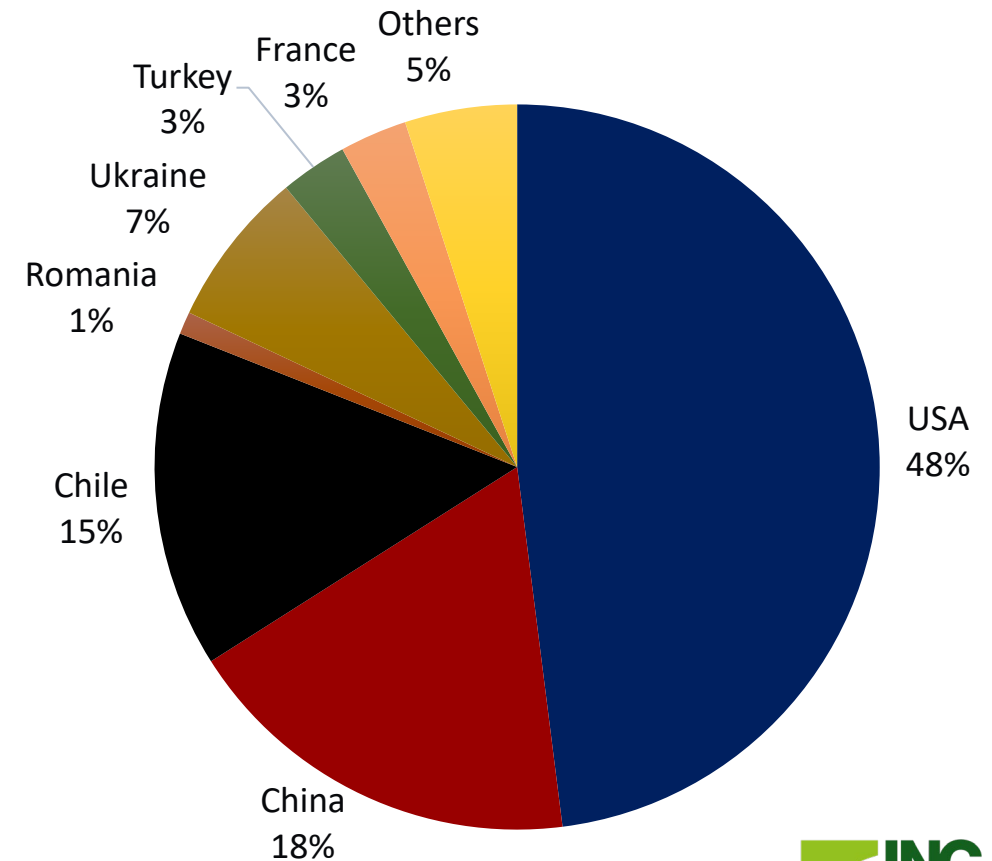


World Trade – Past 5 Years

2016/17 Crop Year



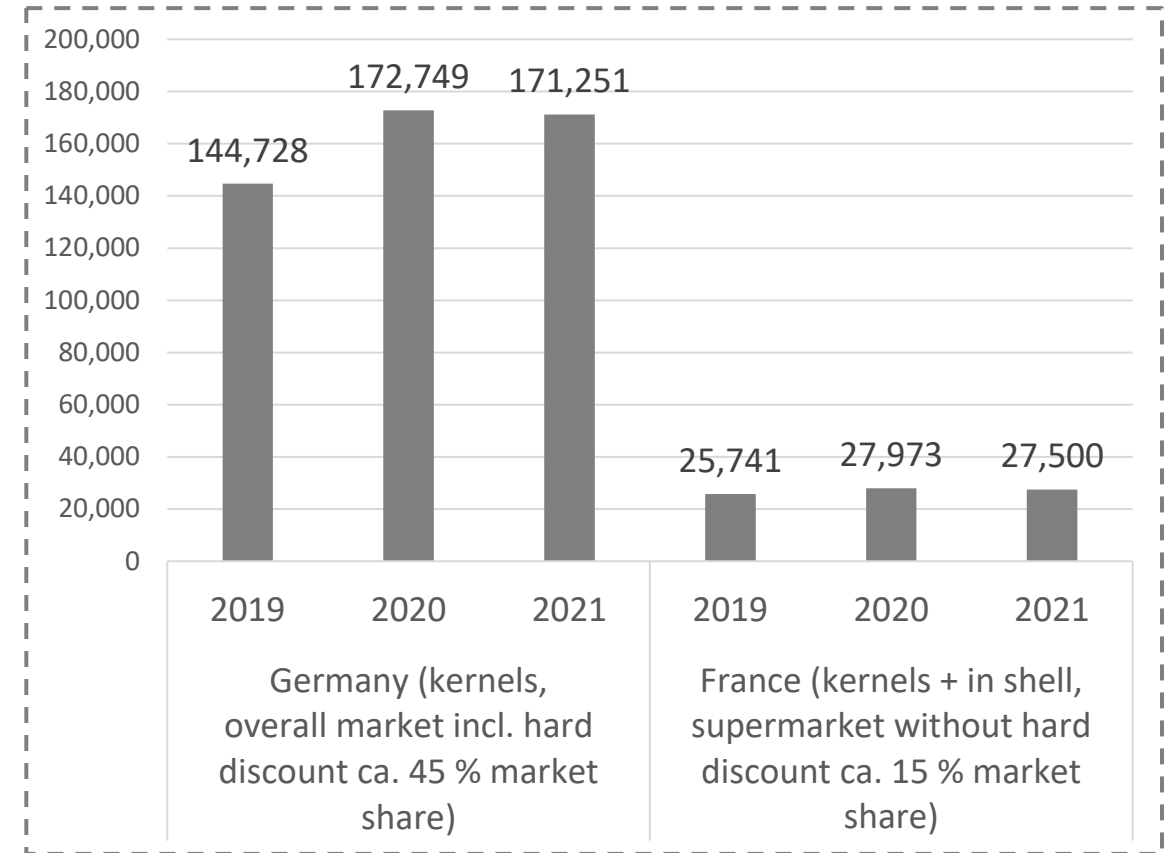
2020/21 Crop Year



Source: TDM Exports to the World, year ending August 31

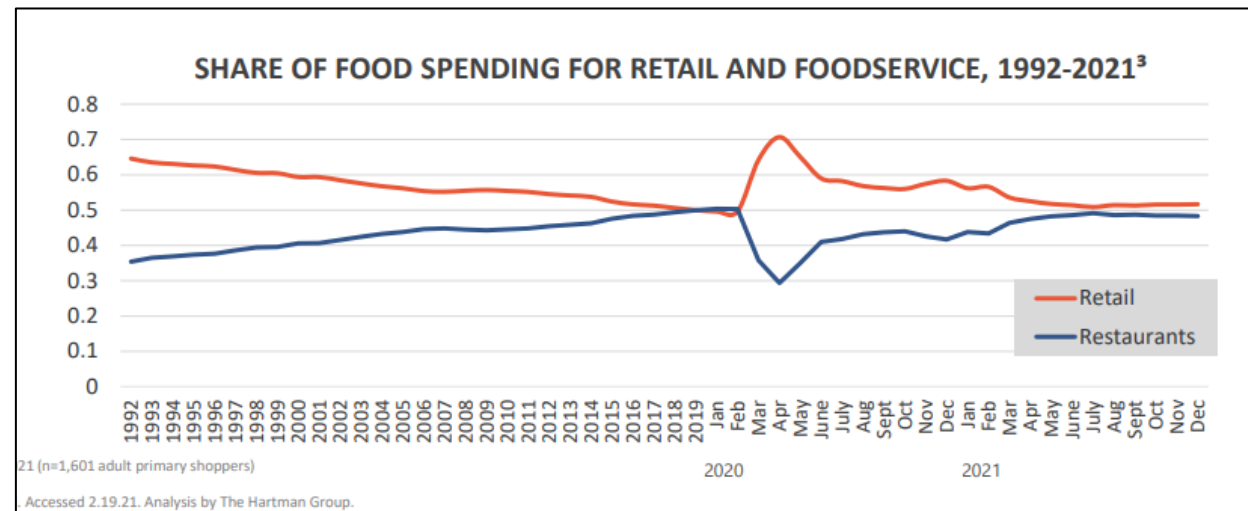
European Consumption Trends

- Consumer climate shows a dramatic drop since January 2022
- Turning point or short-term decline in Confectionary Sales?
- Main drivers: health, convenience, sustainability, premium, enjoyment.
- Climate change and plastic pollution are still the growing main concerns in time of pandemic.
- Consumer trends are changing in times of instability: Price overrules other trends in 2022?
- Organic sales volume increased double digit in 2021, BUT percentage share is still very low (>10%)



U.S. Consumption Trends

- Estimated consumption of 0.559 kg of kernels per year (19.7 ounces)¹
- Hartman Group data² (see chart below) shows the impact of COVID on food spending at retail and restaurants
 - Consumption patterns for walnuts are normalizing after the panic-buying that took place at retail in 2020
- 97% of Americans snack daily³ and snacking is the top way walnuts are used (followed by baking)⁴ – several companies have launched seasoned walnuts and walnut butters
- Plant-forward eating continues to grow, creating greater interest in walnut “meat” tacos and other recipes/products where walnuts take on the texture of ground meat
- 9 out of 10 people believe walnuts are healthy⁴ and the nutritional content and health benefits continue to drive consumer purchase (i.e. American Heart Association Heart-Check mark)

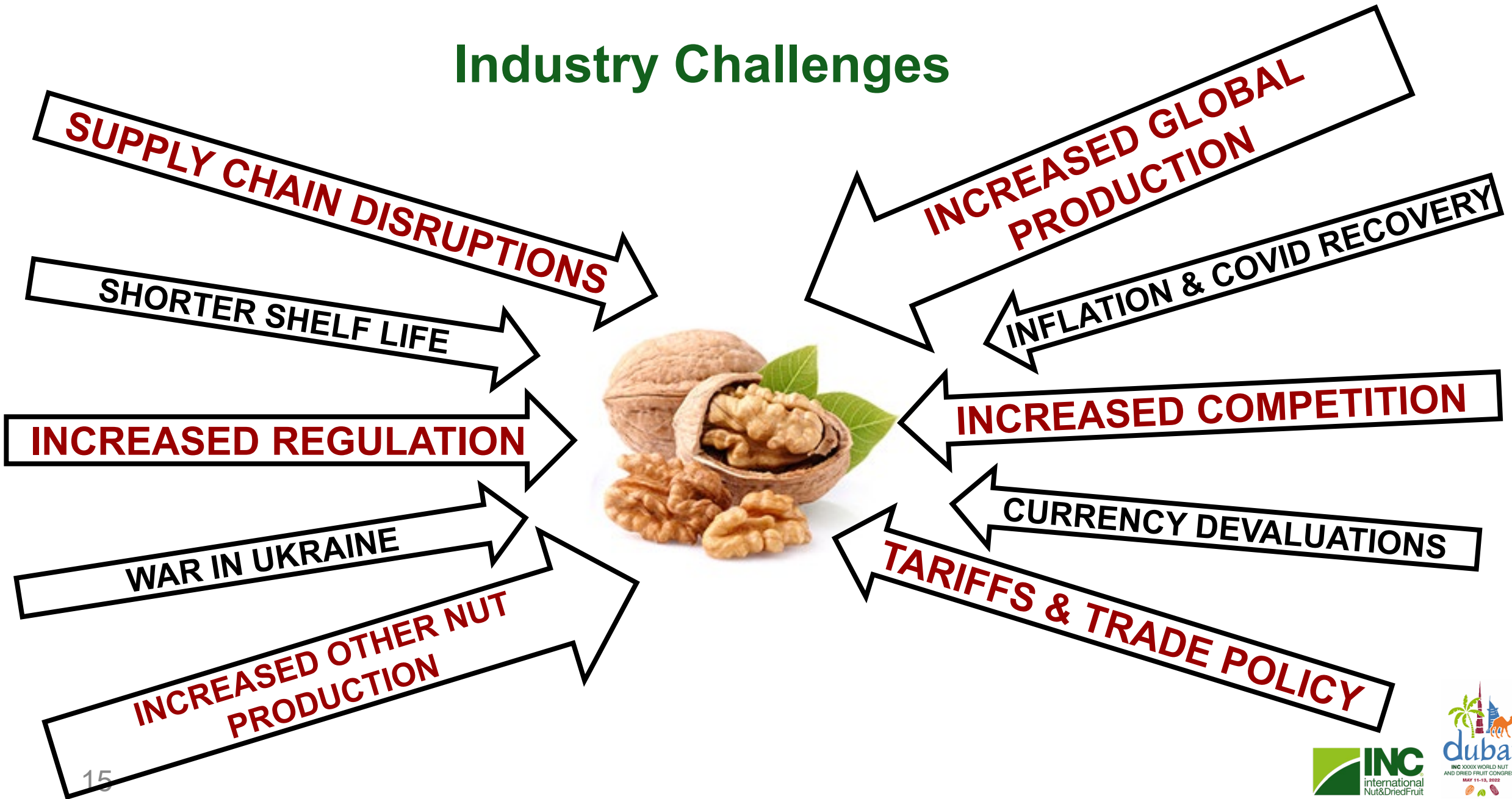


Consumption Trends

China Trends

- 1) Snack sale of different taste and flavour on kernel and in shell have been increasing recently. Retails online and offline are both going well and fast in China.
- 2) Export volume especially in the tradition market on kernel and in shell have been enlarged tremendously.
- 3) Walnut milk business is under promotion. This is a special item for Chinese consumer.
- 4) Walnut Paste Market is expending. This is also a special Chinese diet habit.
- 5) Change the tradition walnut quarters and pieces into different sizable pieces such as 3-5mm, 5-8mm, 8-12mm, 12-15mm etc to meet the special requirements from bakeries, confectionaries, daily nuts, food ingredient sales, ice cream manufacturer etc. There is more inquiries from walnut end users.
- 6) Blanched Walnut Meat is well developed and strengthened. Market is expending. It is very good for daily nuts and a beneficial treatment for those lower quality amber and dark kernel. It is considered as a value added product.
- 7) Walnut oil business for Chinese cooking and Chinese salad is also expending. Walnut powder is being introduced to kids' foods.
- 8) Walnut kernel is more and more used in Chinese herbal medicine dosage. This is a traditional use of walnut kernel.
- 9) Enlarge the sales of Chinese Organic Walnut Kernel locally and worldwide.
- 10) Promote the market of hand playing with walnut. This is very special and traditional in China. It is good for health benefit.

Industry Challenges



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Any questions?

