

# **MARKET RESEARCH: AMERICAN ALMOND (2020)**

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**01 FEBRUARY 2021**

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**Hispania Nuts Agents**

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# 1. Introduction

The Almond Board of California produces an annual report related to the United States almond industry. This document concludes the year 2020 and provides information, as of the 19-20 campaign, of the industry in California, a place where around 78% of almonds are produced in the world and sold and distributed throughout the planet. .

The 2020 report is summarized in this text. The role of the institution of the Almond Board of California in the sector is emphasized, indicating its contributions and its market development policies. An analysis of the Californian almond supply for the last 20 years is also provided as well as an analysis of the price and productivity in California. Similarly, relevant information is included to show an idea of what the Californian production of almonds is, its growth and its influence in the world today.

The text also includes the expectations from California for the next crop. It is too early for these valuations to have a real influence on the price. Said assessments will have to be verified over time.

**Consumers see food as a building block for the immune system. They seek to improve their physical and emotional health. The almond has a place in this.**

Lu Ann Williams.

## 2. American Almond Industry

The most important aspects to take into account, regarding the configuration of the industry, can be summarized in the following points:

- **Almond production in California is made up of 7,600 farmers**, 91% of them third or fourth generation families, who produce all varieties of American almonds. There are 102 processors in California
- The United States is the **largest almond producer** in the world (78%). Other relevant producers are Australia (7%) and the European Union (8%).
- 33% of the shipments (shipments of almond loads from California) of American almonds have a national destination and the **first export destination is India for the second consecutive year**. The top ten export countries represent 70% of destinations. It is currently sold to 100 countries. **The second export country is again Spain.**

In illustration 1 the different export destinations of American almonds are observed, with Spain and India as the main ones.

*Illustration 1: American Almond distribution*



Source: Almond Board of California July 2020 Position Report.

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## Almond Board of California (ABC)

This association, known as The Almond Board, represents California's farmers and most almond processors. In the same way, it supports the industry by developing international demand and researching to improve practices in agriculture. Members contribute a percentage of their sales to fund this association, which is the most influential and recognized in California.

This year has been celebrated 70 years of its constitution. Also, a new website (Almonds.com) has been created for 11 regions, which includes Spain. In addition, this year three relevant marketing campaigns have been developed (**UK, India, China**) in addition to CASP (The California Almond Sustainability Program).

It is important to note that 2020 will mark 15 years of investment in bee studies. In addition, the ABC has launched a 5-point plan for pollinator protection. Also, it is mentioned that ABC has joined forces with 'The Atlantic' to produce a documentary that reflects the good practices in agriculture of the American almond industry.

The budget of the Almond Board of California during this year has been invested 61% in market development. Another part goes to sustainable development and respect for the environment.

## Almond Orchard, 2025 goals

### **ALMOND ORCHARD** 2025 GOALS

The American almond community remains committed to goals of respect for the environment and the promotion of efficient and responsible production.

The objectives are the following:

- **Reduction of water consumption for production:** by 2025 a goal has been set to reduce water consumption by 20%, relying on improved irrigation systems. In the last 20 years, the water consumption necessary for the production of 1kg of almonds has been reduced by 33%.

**Progress in 2020:** This year progress has been made in irrigation maintenance systems. ABC, in collaboration with the California Department of Conservation, is helping farmers become efficient with their irrigation systems.

- **Reach zero residues in the field:** the objective is to use the double shell of the almond; they already have a market for it (electricity generation, recyclable plastics, fuels, livestock).

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**Progress in 2020:** A UC Davis study concludes that fully recycling a plantation improves soil health, increases irrigation efficiency, improves yields, and reduces greenhouse gas emissions.

- **Increase the use of pesticide tools that respect the environment by 25%:** it is developed through the introduction of favorable insects, control of ecosystems, monitor pesticides.

**Progress in 2020:** This year's advances are along the lines of disrupting the orange worm mating by using pheromones to confuse males, as part of the PEST program.

- **Improve air conditions during harvest:** reduction of dust generated at harvest by 50%.

**Progress in 2020:** Growers are exploring new systems to reduce emission during harvest, including the semi-trailer that involves harvesting a catch frame system that drops the almonds in rows, reducing dust. Researchers and farmers are experimenting with systems so that the crop does not fall to the ground, testing equipment from other regions of the world.

## Almond Board of California functions

In the **United States**, the quality of water and irrigated land are monitored. They also promote pesticide policies and farmers are encouraged to practice good practices.

In **India**, authorities are taught the differentiations between quality standards and food safety. In addition, the nutritional benefits of almonds are promoted.

In **China**, it is involved in developing phase 1 of the agreement for the export of pelleted shell from the USA.

In the **European Union**, the maximum of 1% of container inspections in customs is achieved through the EPEC agreement and the issuance of aflatoxin certificates that facilitate that there are not so many rejections in customs for aflatoxins. On the other hand, the Almond Board tries to help its almond exporters by facilitating the reprocessing of rejected containers. Also, this year, they have focused on facilitating networking in practices on sustainable development and pesticides between European and American companies

In **North Africa and the Middle East**, it intervenes in different countries such as Morocco, Algeria and Oman, which present abundant documentary problems and sudden market closures.

In **Japan**, strategies are being developed to avoid aflatoxin controls in ports and thus reduce container rejections.

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## Almond Board Marketing Programs

The Almond Board of California has 11 target markets in which it has marketing campaigns.

- USA, Mexico, Canada
- UK, Germany, France, Italy
- India, China, Japan, South Korea

The almond is positioned in each market differently in order to increase demand. What are the marketing adaptations according to the destination of the campaigns is summarized below.

### NORTH AMERICA



**USA:** almonds are sold as snacks for natural energy (derived from almond protein)



**MEXICO:** It is also positioned as snacks. Choosing the almond between the different snacks leads to great personal changes. One of the slogans they use is: "They give you energy to face your day." During 2020 they have used linking almonds and fitness.



**CANADA:** A targeted marketing for the use of almonds as a healthy snack.

### EUROPE



**UK:** The almond is positioned as a healthy, tasty, natural product and produced in a responsible way. In 2020 there was a campaign called: 'Do you Almond?', On the subway station panels, among others.



**GERMANY:** In this country, the almond traditionally related to marzipan and christmas. Campaigns have been carried out this year on social networks about the benefits of almonds regardless of the weather with the aim of trying to de-seasonalize it.




**FRANCE:** here it is sold as a healthy product. This year 2020 they have focused on public relations and the influence of health professionals to generate demand.





**ITALY:** the product is sold as a healthy and tasty snack.


### ASIA

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 **INDIA:** Its use is promoted as a snack that provides beauty, high social recognition and immunity. In the wake of societal concern for the immune system due to the pandemic, marketing will be directed toward improving the immune system.

 **CHINA:** It is sold as a snack that generates beauty and high social recognition.

 **JAPAN:** It is sold as a snack that generates beauty and high social recognition.

 **COREA:** sold as a snack that generates beauty and high social recognition

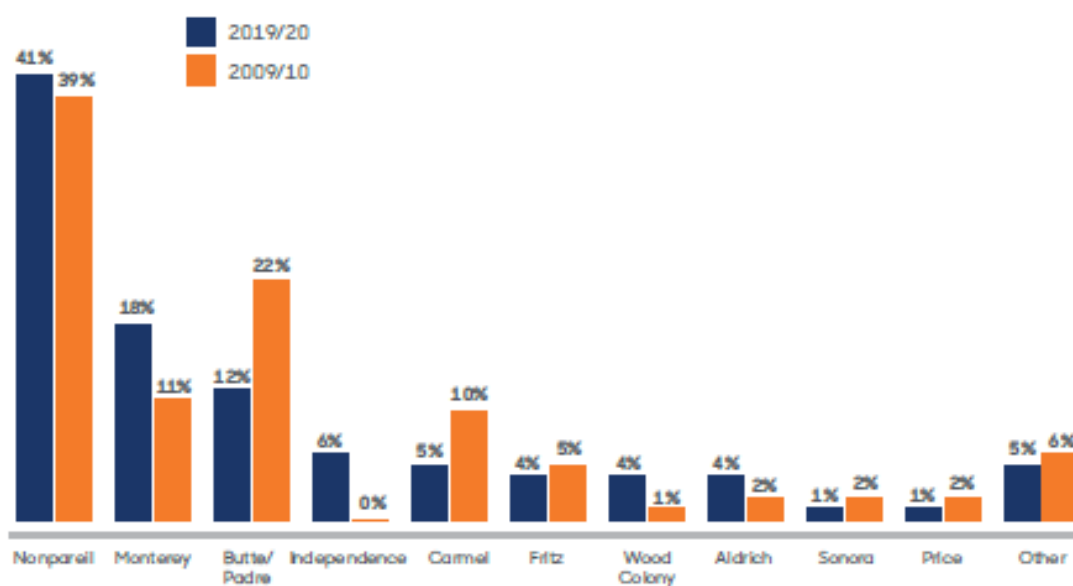


### 3. American Almond Offer

Illustration 2. Production of almond varieties

#### Top Ten Almond-Producing Varieties

crop years 2009/10 vs. 2019/20



Source: USDA Incoming Receipts. Note: The varieties Butte, Padre and Butte/Padre are combined under Butte/Padre. Totals may not add precisely due to rounding.

The previous graph shows a comparison of the harvest entry for the years 2009/10 and 2019/20.

It is observed how the importance of Non Pareil increases with respect to the total and both the Butte Padre and the Carmels decrease if we compare with the harvest of 10 years ago.

It does not necessarily mean that the amount of b / p and car decreases, rather that the increase in harvest and plantations has been focused on other varieties, highlighting Non Pareil and Monter

Illustration 3: Crop and production forecasts

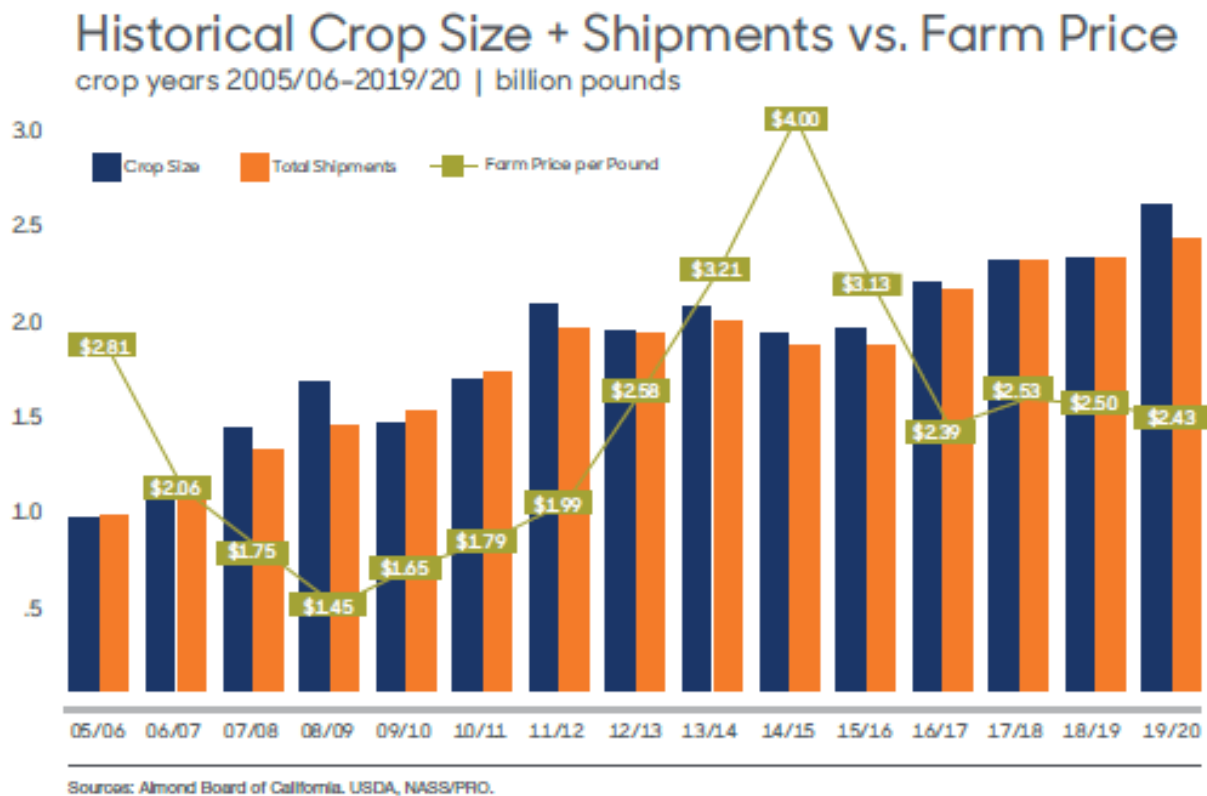


The 3rd illustration shows a comparative of the annual forecast almond production in California provided by the objective tests of the ministry, the subjective tests of the farmers and the data of the final harvest. There is no a final conclusion about which test is the right one. The error of the objective test of 19/20 is evident, but it is not the first time that there is a mistake like this one, since on 18/19 the objective test also made a significant mistake, but this time anticipating more crop of which there was.

In 6/9 of the last predictions there has been more crop than expected, both by objective and subjective tests and this year it seems that too. **If this were the situation, we would were saying that 70% of predictions for the harvest decline in the last 10 years.**

## 4. Price

*Illustration 4: Offer and price of American almonds*



The graph above shows how supply (blue bar) has been growing irregularly but steadily over time during the last 15 years. Shipments (orange bar), which would represent demand, continue this growth while generally increasing the price. The cycle consists of: higher supply, higher demand, higher price, bubble, drop. We are in the growth phase of a sector, which this year shows that it has a lot of potential, because with an incredible harvest, a huge growth in shipments is being generated, with a significant price correction.

Regarding the details in the growth of supply, there are growth cycles of 3 or 4 years and a subsequent decline the following year. This year will be the 5th of increase. No other growth cycle has lasted this long.

On the graph also shows two cycles, the price has reached large peaks in 2005-06 and 2014-15, collapsing later. It is observed how since 2015 the price has fallen although it has managed to stabilize the last three years, until this ...

The above graph does not reflect the price drop in 2020. Regarding this drop, down below there are the fundamental causes of it:

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- The 19/20 harvest was finished with a high Carrying. (Carrying: Crop that remains to be sold when the next harvest is available).
  - Great offer expected in 2020 of 3Blbs and a consensus that it was true by the industry, after the 'folly' in the previous year's forecasts.
  - Modification of distribution channels due to COVID and logistical problems due to different confinements, especially problems in INDIA and its closure of ports, as well as the number of long-term contracts not fulfilled. (800 was discussed).
  - Uncertainty of the global economy generated by COVID.
  - The final harvest of 2019 (2.55Blbs) was much higher than expected (2.20Blbs) and was selling a lot at very high prices with a crop that was discovered greater as it entered. The price was correcting during the first quarter of 2020 and later the COVID and the new crop estimates (3Blbs) appeared that accelerated the fall.

## 5. Productivity

Illustration 5: Crop years 2010 - 2021

### California Almond Acreage + Farm Value crop years 2011/12-2020/21

CROP YEAR	ACREAGE IN ACRES					YIELD		VALUE IN DOLLARS		
	BEARING	NON-BEARING	TOTAL	NEW PLANTINGS	AVERAGE TREES PER ACRE	BEARING ACRE YIELD (LBS.)	PRODUCTION* (MILLION LBS.)	FARM PRICE	FARM VALUE (\$1,000)	VALUE PER BEARING ACRE
2011/12	800,000	75,000	875,000	30,732	111	2,540	2,020	\$1.99	\$4,007,860	\$5,010
2012/13	820,000	110,000	930,000	27,832	112	2,300	1,884	\$2.58	\$4,816,860	\$5,874
2013/14	880,000	120,000	1,000,000	29,772	112	2,280	2,010	\$3.21	\$6,384,690	\$7,255
2014/15	930,000	170,000	1,100,000	35,464	114	2,010	1,868	\$4.00	\$7,388,000	\$7,944
2015/16	950,000	240,000	1,190,000	42,824	114	2,000	1,894	\$3.13	\$5,868,750	\$6,178
2016/17	970,000	300,000	1,270,000	37,575	116	2,210	2,136	\$2.39	\$5,052,480	\$5,209
2017/18	1,030,000	330,000	1,360,000	33,421	117	2,200	2,260	\$2.53	\$5,603,950	\$5,441
2018/19	1,090,000	300,000	1,390,000	26,261	119	2,090	2,270	\$2.50	\$5,602,500	\$5,140
2019/20	1,180,000	350,000	1,530,000	16,924	122	2,160	2,551	\$2.43	\$6,094,440	\$5,165
2020/21†	1,260,000	‡	‡	‡	122	2,380	3,000	§	§	§

Source: USDA, NASS/PRO. Note: Almond Board does not track prices. \*Production numbers provided by Almond Board of California. †Estimated as of July 7, 2020. ‡Acreage statistics will be available in April 2021. §Value statistics will be available in July 2021.

The graph above shows how in the last ten years the growth of the crop (bearing) in fertile land in the United States is permanent. The performance of this crop only has a better precedent in recent years.

Despite the fact that in general there has been great growth in new plantations, since 2015 there has been a downward trend at the level of them. However, the average number of trees per acre continues to grow steadily. In this way, it is concluded that productivity increases.

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## 6. Crop expectations for 2021

### BUDSET, BLOOM, WEATHER

Below is some recent information on the different points of view for the new crop. These comments are provided from Offer side.

Different agents of the industry indicate that it is being observed that the tree comes with many luminous buds. Which can generate a lot of almond and a great yield.

Other opinions contribute the yield has to be lower next year since when high yields are reached the following year it drops between 9% and 18%. If we continue like this, we are going to a historical yield in the 2020 harvest, at the level of 2011 and 2008, whose yields in subsequent years fell by 10% and 18%.

Regarding the rains, it is said that there are not many expected and that it has been a dry winter with approximately 1/3 of the normal rain. They add from California, that we have a serious drought problem.

A big buyer tells us that there is not much snow in the mountains and that can affect the groundwater.

Some opinion indicates that there have been destruction of plantations, due to the lowest prices in 11 years. Some producers take the opportunity to recycle trees and plant again. Remember that the tree has a life cycle of 25 years. They indicate that in 2021 the harvest will have the worst increase in area since 2015.

### CROP 2021

Some packers say that the next crop of 2021 will be between 2.70 - 2.90blbs and that the current crop will end at around 3.05-3.10Blbs. To distribute the new harvest and leave the next year 2022 a low Carryin they would only need a 0-5% increase in shipments. (Even so, we have a year of record shipments month by month, it will be difficult to make any increase next year).

TNT (Terranova Trading) released its carry out number for this year (550MLBS) and its crop number for 2021 (between 2.70 and 2.80Blbs).

A trusted packer expected the final harvest of this year and the next as shows below:

#### **Crop 2020**

450M lbs Carryin

3.05 - 3.1B lbs Cosecha (3.00 – 3.05B NET)

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3.45 – 3.5B +/- TOTAL SUPPLY

**Crop 2021**

600M lb Carryin

2.9B lbs Cosecha (2.85B NET)

3.45B +/- TOTAL SUPPLY

## **7. Conclusions**

- The United States is the higher almond producer in the world (78%). Other relevant producers are Australia (7%) and European Union (8%).
- The Almond Board of California represents California farmers and most processors. This group supports the industry by developing international demand and researching to improve practices in agriculture.
- The American almond community remains committed to goals of respect for the environment and the promotion of efficient and responsible production.
- The Almond Board of California has 11 target markets in which there are marketing campaigns. USA, Mexico, Canada, UK, Germany, France, Italy, India, China, Japan and South Korea.
- The offer has an irregular but sustained growth over time during the last 15 years. There are growth cycles of 3 or 4 years and a subsequent decline the following year. This year will be the 5th of increase. No other growth cycle has lasted as long.
- The fundamental causes of the price drop in this year 2020 are that the 19/20 harvest has ended with a high Carrying, adding to the large planned supply and the uncertainty generated by COVID. In addition, we must not forget that last year the final crop was much larger than expected and that a lot was being sold at very high prices with a large harvest that was gradually discovered as it entered.

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## **Bibliography**

Almond Board of California (2020. Annual Report. California.)

Puede leer el informe completo:

2020 Almond Almanac.pdf ([almonds.com](https://almonds.com))