



Market Update

May 2024

May's [Position Report](#) showed another strong month of shipments from California almond handlers who shipped over 226 million pounds in May, increasing tonnage +15.5% on net from a year ago. Domestic shipments saw the largest year over year increase in May and were up +19.5%. On net,

Domestic shipments are up +2.33% on the crop year. Export shipments were also up, increasing +14% YoY in May and now tracking +6.35% on the crop year.

Current crop year commitments are off a modest -4.58%, while new crop commitments are more than +3X the levels seen a year ago. For added context, total committed inventory currently falls between 2018/19 and 2019/20 pre-pandemic crop years suggesting that the commitment levels we are observing are relatively in line with historical benchmarks.



Market Round-up

This time last year **India** had imported 291 million pounds. A year later it has imported nearly 354 million pounds and is up +21% through the crop year. India has already surpassed the volume it imported in the full 21/22 crop year, its previous largest volume year. Diwali is nearly two weeks early this year falling on November 1st. This will put pressure to supply the holiday demand with what's left over the transition with a push to start the new crop year. India surpassing the 400 million pound threshold by the end of the crop year is certainly within reach and will likely lead early export growth into the new year.

Western Europe imported -16.4% less in May than it did a year ago. It slowed from the +8% annual growth rate it was pacing in April to a rate of +5%. This relative slow down YoY aligns with a full return to a normalized buying pattern in Europe and annual figures still show solid growth. All top EU markets were down YoY in May. The **Netherlands** and the **UK** are both up +27% on the year however. **Italy** is now up just +1% on the year and **Germany** is flat. **Spain**, as the largest almond market in Europe, is down -3% on the year.

The **Middle East** on the other hand more than doubled its shipments in May YoY. The region has rebounded from an uneven start to the year and is now +11% ahead of where it was a year ago. The **UAE** increased shipments in May from 2.6 million pounds a year ago to 13.7 million pounds this year. **Turkey** also outperformed last May doubling its shipment, figure while **Saudi Arabia** was up +59.2% compared to a year ago.

As recently as February, **Morocco** was pacing -1% growth on the crop year. In May, it rose to see an +18% annual growth rate. For the 22/23 crop year, Morocco grew +57% having imported 63 million pounds. Some emerging markets have trouble sustaining growth, especially when that growth is rapid. While Morocco certainly raised some questions concerning ongoing growth this year, the last few months suggest that perhaps it still has plenty of growth left in the tank.

China came closer to matching import figures from a year ago than it has in recent months, but still fell short. China is now -24% below where it was a year ago on net with the bulk of the shortfall coming in the form of inshell product. Fully capturing China's promise as a consumer powerhouse, at least when it comes to the consumption of almonds, has long been elusive. How much geopolitics influences almond consumption is also difficult to ascertain, but it's clear that the current political situation will do little to spur additional demand.



The Return of the Bulls

The oversupply scenario that has plagued the almond industry since the record setting harvest in 2021 is officially over. Currently, computed inventory is reported at -23.75% below this time last year. However actual inventory figures should be reduced an additional -2% to account for the high level of rejects reported this year widening the difference in inventory between this year and last. As such, we estimate actual available inventory to sit closer to 867 million pounds. Already the reduction in on-hand inventory has put upward price pressure on select sizes and grades, with smaller kernels seeing significant price gains recently.

With two months left in the crop year, averaging just 200 million pounds for the next two months would drop the carry forward into next year to 467 million pounds. A 200 million pound average however seems rather conservative considering California handles haven't shipped less than 212 million pounds in a given month all year. That said, a 200 million pound average producing a 467 million pound carry forward would represent 17.9% of annual shipments. For each additional 10 million pounds that the industry ships above 200 million per month in June and July the stock-to-use ratio would fall about -1.5% points. This is significant as a 20% ratio has historically marked supply and demand balance and the further below 20% it falls, the more significant the upward pressure on prices.

We project that the industry is likely targeting a carry forward below 450 million pounds. Some internal conversations have been suggested closer to 400 million pounds. We certainly feel that the demand is there. At some point however, industry will simply not be able to continue to ship and deplete carry forward any further, so there is a practical limit to how low carry forward can go. Nonetheless, 400-450 million pounds is our working estimate.

Whatever the outcome, prompt shipments ahead of harvest will begin fetching added premiums. Supplies will be strained in a way where new crop will not immediately ease supply bottlenecks. With empty warehouses handlers will be working to simply keep up with pent up demand and what inventory is on hand will continue to be allocated judiciously, further adding pressure on prices.



Putting the Bear to Rest

The [Subjective Forecast](#) projects a 3.0 billion pound harvest a year after California growers worked hard to harvest 2.45 billion pounds. This would be a +22% increase in harvested pounds. With such an increase in supply the tight inventory scenario will be short lived you might retort. In the words of Christopher Robin: “silly old bear.” Let’s explain -

With a 3.0 billion pound future harvest and the assumption of a return to a 2% loss and rejects rate, marketable inventory would come in at 2.94 billion pounds. Let’s also assume our previous scenario conservatively estimating an average of 200 million pounds in shipments and a carry forward of 467 million pounds. This would yield a total of 3.407 billion pounds of marketable

inventory. This would represent a +6.77% increase over the marketable supply of 3.191 billion pounds seen this year. If we instead split the middle of our expected 400-450 million pound carry forward and project out using this figure, the marketable supply for the year would increase just +5.5%. In both cases, this is significantly less than a roughly +22% increase you'd calculate simply comparing a 3.0 billion pound harvest to that of a 2.45 pound harvest this year, but is much more reflective of actual market conditions.

The question then turns to demand and whether demand trends could accommodate an additional +6.77% increase in supply. Shipments are currently up +5.25% on the crop year. This growth puts shipments on pace to top 2.7 billion pounds and rank as the second largest shipment total for a single crop year. Shipment totals may fall short as handlers grapple with tighter inventories, but lower shipment totals due to supply restrictions is a much different reality than shipment shortages due to demand falloff. Demand is healthy and has been for quite some time. Shipments have surpassed 200 million pounds this crop year for a record 10 months in a row. A forward scenario that continues to see modest growth in shipments in the historically typical 3-5% range seems entirely realistic going into the new year. This would quickly erode the modest supply side gains of 6.77%.



Still on The Fence?

Forecasts should always be viewed as a range. So instead of using a 3.0 billion pound harvest, perhaps you want to use 3.1 billion pounds. But while you're at it, try 2.9 billion. There isn't any denying that at the very least the oversupply scenario no longer exists. And in such a situation where would you want to place your chips? Or better yet, how well has the Subjective Forecast factored in years of suboptimal growing practices? Sure there might be more nuts on the trees this year, but are we adequately capturing years of below optimal nutrient levels, subpar pest management regiments, and reduced maintenance? Not only are there real concerns about the full capacity of trees, but there remains real concern of continued high rates of loss and rejects due

to high levels of pests. It might be prudent to temper expectations regarding eventual yields in such conditions.

Wherever you fall, all eyes will be on the Objective Forecast scheduled for July just ahead of the next position report. Should the forecast project significantly lower figures than the Subjective Forecast, price will only increase faster. If you're one to look even further ahead, almond acreage has plateaued with new plantings dwindling. If we return to a steady 3-5% growth rate year over year demand will quickly surpass the industry's ability to supply. It might be time to change your perspective.



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