

2020 Almond Market - COVID-19 Impact Expectations

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Preliminary estimates for the 2019/20 almond crop of 2.2 million pounds proved to be low, and the actual production figures were recently revised upward to 2.5 million pounds. California has produced record almond crops in each of the past four consecutive seasons, and the unexpected size of the latest crop – estimated at about 10 percent higher than last season’s record production – led to a price decline in February 2020. Sources have noted this decline at about \$0.30 to \$0.50 per pound prior to any apparent impact from COVID-19.

The impact of the COVID-19 pandemic on almonds, like nearly every commodity, is extremely complicated and largely unknown at this point, though some observations can be made.

California dominates global almond production, growing approximately 80 percent of the world's crop, of which about 70 percent is exported to over 100 countries. The two largest import markets, India and China, purchase about 28 percent of exported almonds. Both of these countries have experienced significant COVID-related congestion at their ports, creating supply chain disruptions that have reverberated across the globe. These logistical issues are expected to be the biggest coronavirus-related headwind facing the almond market. As of the end of April, almond prices were reported to be around \$2.10 to \$2.20 per pound; however, prices are expected to rise throughout the year as cargo offtake at importing countries' freight terminals gains traction and shipping becomes more normalized.

Almonds benefit from two distinctive advantages that should help the crop weather the pandemic better than many fresh or feed crops: they are a shelf-stable commodity and they offer excellent product optionality. In a time when consumers have been stocking up on supplies and minimizing trips to stores, almonds have benefitted from strong retail demand due to their exceptionally long shelf life and favorable nutrition profile. Additionally, this nut enjoys further demand from processors who create numerous other products such as almond milk, butter, flour, etc. for which other competing nuts are less conducive. The greater utility of almonds also insulates them from being treated and dismissed as a discretionary "luxury"-type commodity – a clear advantage over some more expensive competing nuts with limited additional uses.

As the global economy recovers in 2020, we expect almond prices to return to the mid-\$2 per pound range, allowing growers to remain profitable. If prices unexpectedly remain soft, we would anticipate seeing replants of older or less productive trees (roughly 10.5 percent of plantings are over 20 years old) earlier than growers may have initially planned; in the long-run, this would be beneficial to nut pricing and orchard profitability.

Despite the recent turmoil created by the COVID-19 outbreak, we expect almond orchards will remain a highly desirable asset class that will rebound well and the industry will maintain its strength and steady growth for the foreseeable future.