

Market Report

Tim Jackson
Group Sales and Marketing Manager



18th Australian Almond Conference

Pullman Hotel Melbourne, Albert Park, Victoria

October 30th - November 1st, 2018



SUPPORTED BY:
Horticulture Innovation Australia Ltd



HOSTED BY:
The Almond Board of Australia



Thank You and Congratulations

2006: 16,000 tonnes



2018: 80,000+ tonnes



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The rise and rise of Australian almonds



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- Now shipped to over 50 countries
- Recognised as clean and green
- Big enough to supply
- Very little difference in variety to California
- Counter-seasonal
- Highest valued horticultural export commodity
- One of most co-operative peak bodies in horticulture
- Consistent messaging – Commitment level high

Snapshot of the almond market



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- 1. Global production: Supply v Demand**
- 2. Market trends**
- 3. Grower returns**
- 4. International trade**
- 5. Australian market**

Supply



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WORLD PRODUCTION 2017



GLOBAL ALMOND PRODUCTION (KERNEL) Source: IAC

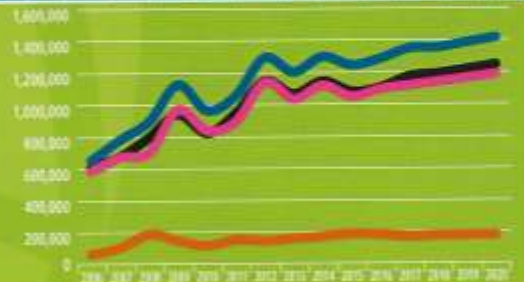
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
COUNTRY	ha (x1000)	TONNES	ha (x1000)	TONNES	ha (x1000)	TONNES	ha (x1000)	TONNES	ha (x1000)	TONNES	ha (x1000)	TONNES
Colt	22	18,000	19.8	9,000	17.6	8,000	22.9	10,000	22.9	18,000	22.9	18,000
China	3	1,500	2.2	1,000	1.8	800	2.4	1,100	2.6	1,200	-	-
Greece	24	12,000	26.5	12,000	17.6	8,000	17.6	8,000	17.6	8,000	11.0	5,000
India	2	1,000	2.4	1,100	2.2	1,000	2.5	1,100	2.4	1,100	-	-
Iran	22	9,000	22.9	18,000	22.9	18,000	26.5	12,000	26.5	12,000	22.9	18,000
Italy	22	14,000	21.1	12,000	12.2	6,000	12.2	6,000	26.5	12,000	27.6	12,000
Morocco	18	8,000	17.6	8,000	19.8	9,000	19.8	9,000	19.8	9,000	13.2	6,000
Others Countries	42	20,000	41.7	20,000	41.7	20,000	44.1	20,000	44.1	20,000	44.1	20,000
Spain	46.34	30,000	77.2	25,000	132.1	49,000	77.2	25,000	104.2	50,000	99.2	45,000
Syria	11	2,000	15.4	7,000	11.0	5,000	11.0	5,000	11.0	5,000	11.0	5,000
Tunisia	22	18,000	22.9	18,000	26.5	12,000	26.5	12,000	27.6	12,000	26.7	12,000
Turkey	21	9,500	26.9	9,500	38.3	12,500	25.3	14,000	25.3	14,000	22.9	18,000
Total	223	142,148	211.3	140,300	248.0	170,200	275.9	142,558	266.0	144,457	266.0	144,457
United States	1,117	504,527	1,303.0	627,318	1,616.6	732,370	1,405.4	637,376	1,616.2	736,129	2,020.2	914,392
Australia	59	26,000	57.3	23,000	80.2	34,400	80.2	34,400	83.0	37,600	109.3	49,500
TOTAL World Production	1,409	675,254	1,751.4	794,424	2,075.0	939,300	1,891.9	826,826	2,076.0	945,425	2,576.7	1,146,779



Total global almond production in 2017 was 1.17 million tonnes

WORLD ALMOND SUPPLY VS DEMAND

SUPPLY
CONSUMPTION
PRODUCTION
CARRY-OUT



1. Supply - Demand



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1. **Since 2014 California almond orchards increased by approx. 44,000ha**
2. **Australia's total orchards covered 39,662ha last year**
3. **In the season just completed California produced 1,025,900 tonnes**
4. **Australia to produce just over 80,000 tonnes for 2018 season**
5. **In the not too distant future this could exceed 1,300,000 tonnes**
6. **Australia is expected to be 130,000 tonnes within 5-7 years**

Sources: ABC, USDA cited by ABA Insights, ABA

Increasing demand...



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Protein source

Heart health

Beauty

Gluten free

Exercise recovery

Cognitive function

Diabetes

Skin care



Weight loss

Cereals

Beverages

Baking

Snacks

Health bars

Confectionery

Chocolate

Ingredients

Latest food trends



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Plant based milks
US\$16 billion globally 2018

- Bloomberg



Plant based foods – the rise of the Flexitarian



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US\$162m – Up 55%



US\$124m – Up 43%



US\$109m – Up 131%



Source: Bloomberg

But that's not all....



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Keeping global demand on track with production



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california
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The price of Australian almonds



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Pricing



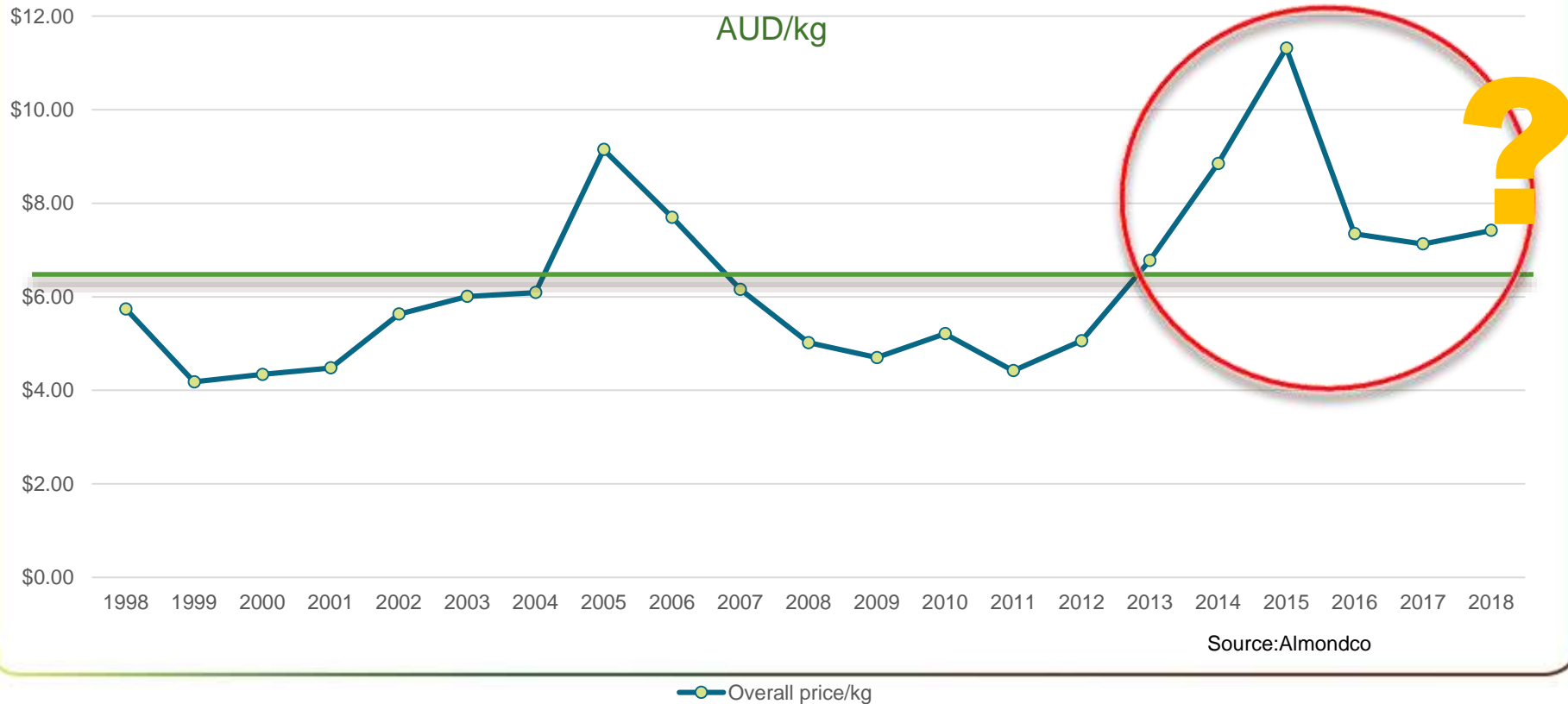
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Estimated grower returns over past 20 years



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Exchange rate: Australian dollar v USD ?



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Oct 15

FINANCIAL REVIEW

Home Markets Commerce

Oct 15 2018 at 1:00 PM
Updated Oct 15 2018 at 3:05 PM

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Bank of America Merrill Lynch sees Aussie dollar rallying to US\$1.4e

Bank of America Merrill Lynch's Thomas Vinterklaus says that the tide is set to turn for the Australian dollar.



The tide is set to turn for the Australian dollar, says Bank of America Merrill Lynch's head of G&D foreign exchange strategy Thomas Vinterklaus.

The strategist is calling for the Australian dollar to hit US\$1.40 by the end of next year, a move that would take it more than 10% above its current level of just under 71c.

"We are relatively optimistic," Mr Vinterklaus said.

The Australian dollar has spent most of 2018 falling and is currently trading around 9% out below where it started the year.

The medium forecast among economists polled for The Australian Financial Review's latest quarterly economist survey was for the Australian dollar to continue to struggle and to trade at about US\$1.30 by March next year.



Oct 8

FINANCIAL REVIEW

Oct 8 2018 at 11:51 PM
Updated Oct 8 2018 at 9:10 PM

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Aussie dollar is set to struggle to hold US\$0.70e

A drop in foreign direct investment could further pressure an Australian dollar. Alamy Stock Photo



by Sarah Turner

The Australian dollar will likely struggle to hold onto the US\$0.70 mark in the short term, with the currency caught in a downward of heightened trade tensions, rising US interest rates and sluggish investment from China.

The Australian dollar recently traded at US\$0.65e and is threatening to break through the US\$0.70e level after hitting a new 2018 low on Friday. The Australian dollar is down 9.7 per cent this year and is now trading around February 2016 levels.

In contrast, the US dollar is powering along, fuelled by a tax cut that threw fuel on the fire of an already blazing US economy.



How important is the AUD?



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If Californian NP price is US\$3/lb....

AUD	0.65	0.70	0.71	0.72	0.73	0.74	0.79	0.84
\$/kg	\$10.20	\$9.45	\$9.30	\$9.20	\$9.05	\$8.90	\$8.40	\$7.90

2.30/kg difference

Our export program



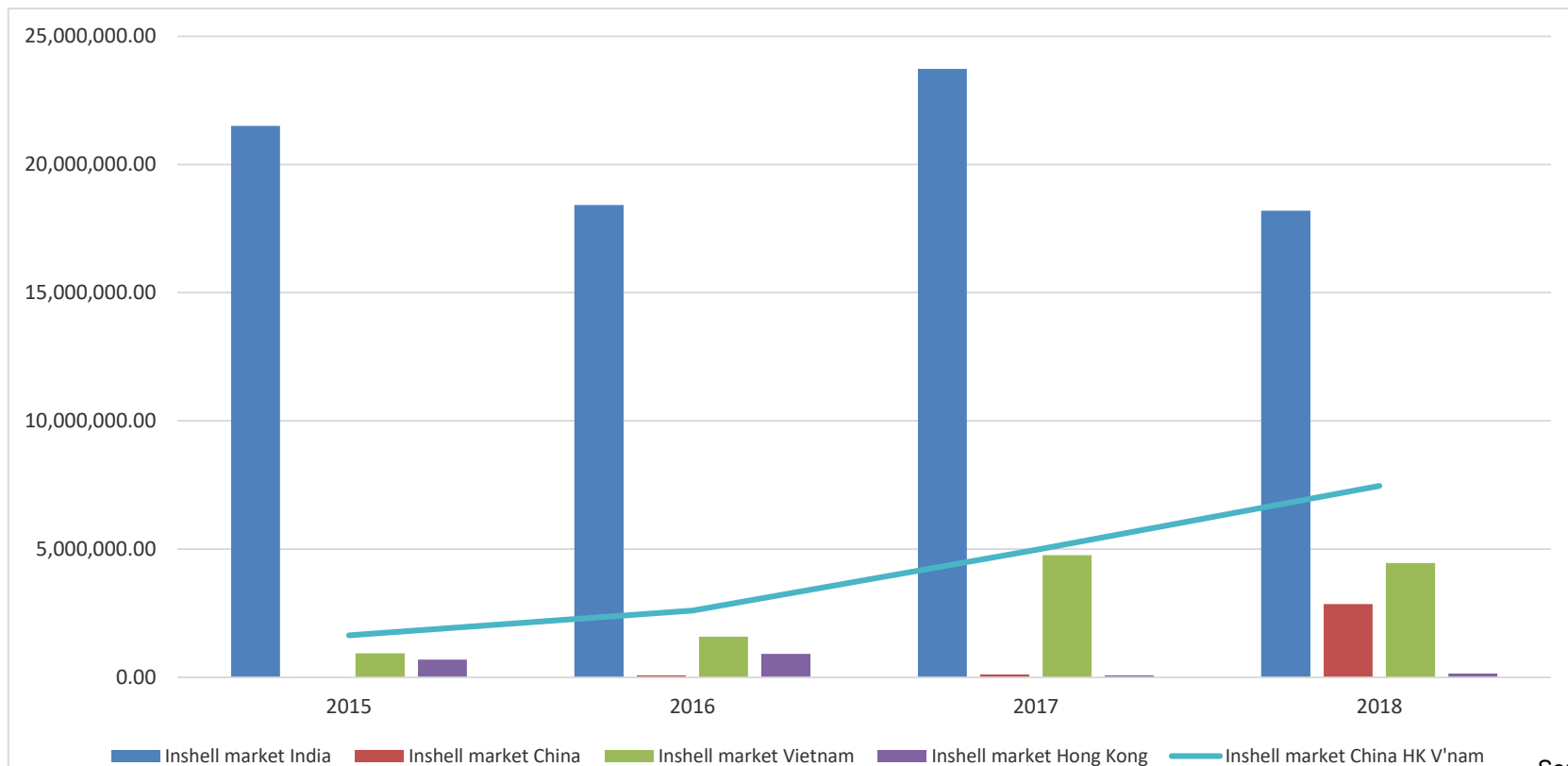
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Australian inshell: India v China-Vietnam-Hong Kong



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Source:ABS

China sales growth



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- China v India inshell stats... history-making month

- **August 2018**

	— Inshell	Kernel	Totals
• India	2022mt	18mt	2040mt
• China	2121mt	751mt	2872mt

Update: Chine ABS figures 2016-18



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- **January to September 2018 = 6405mt***
- Jan to May 2018 - before US sanctions = 391mt*
- **Jan-Dec 2017 = 611mt***
- **Jan-Dec 2016 = 267mt***

Uncertainties



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An extreme scenario mapped out by finance policymakers at the International Monetary Fund meetings in Bali last week was the possibility of Trump eventually escalating his economic attacks on China by pushing for Iran-style multilateral sanctions. Such an acute move, however improbable, **would force countries such as Australia to choose between doing business with China (our biggest trade partner partner) and the US (our biggest military partner)....**

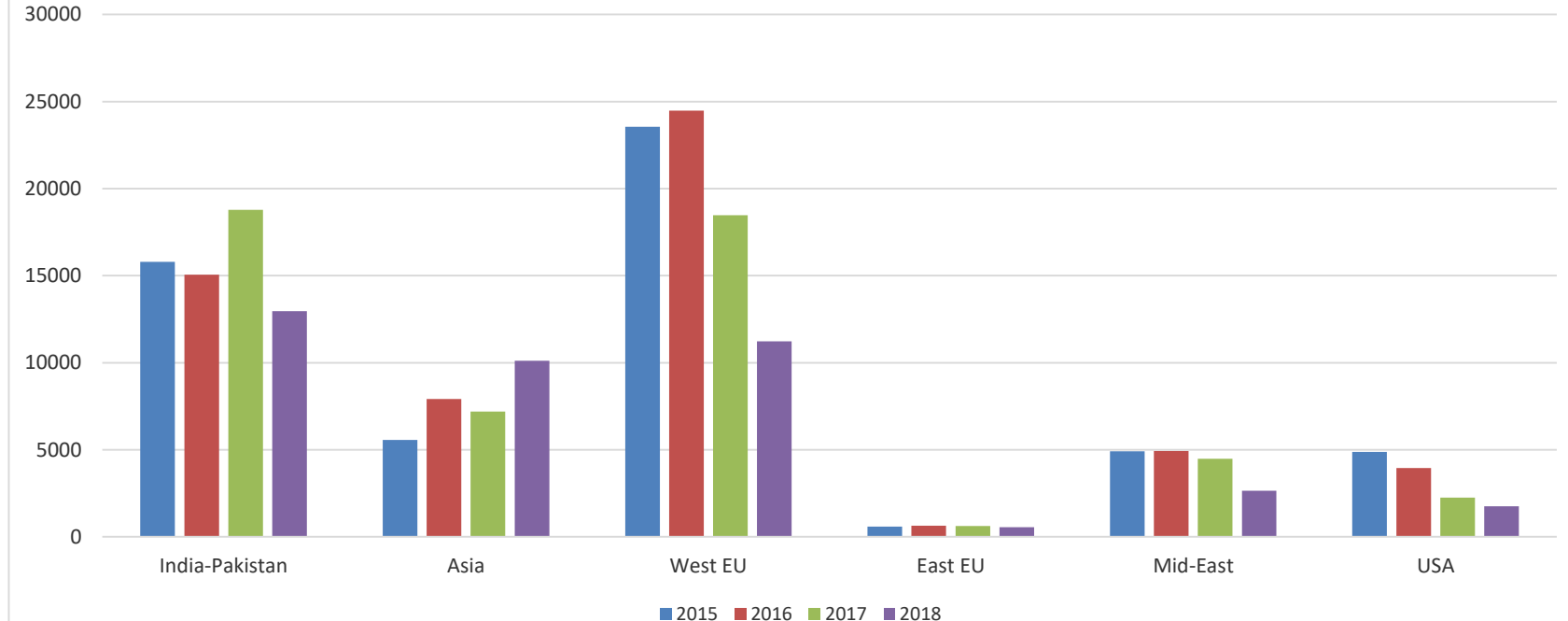
The Guardian, October 15, 2018

Australian almond export (ABS) 2015-2018 STD



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Key export regions 2015 to 2018 STD



Source:ABS

Demand for carmel rising



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- Global demand for carmel increasing
- Supermarkets becoming more educated on varieties and identifying cheaper versions that still meet consumer expectations...
- Australia still planting carmels ...

Carmel 23-25 v NPX 23-25 pricing this year

2018	February	October
Carmel	\$3.00	\$2.80
NPX	\$3.60	\$3.10

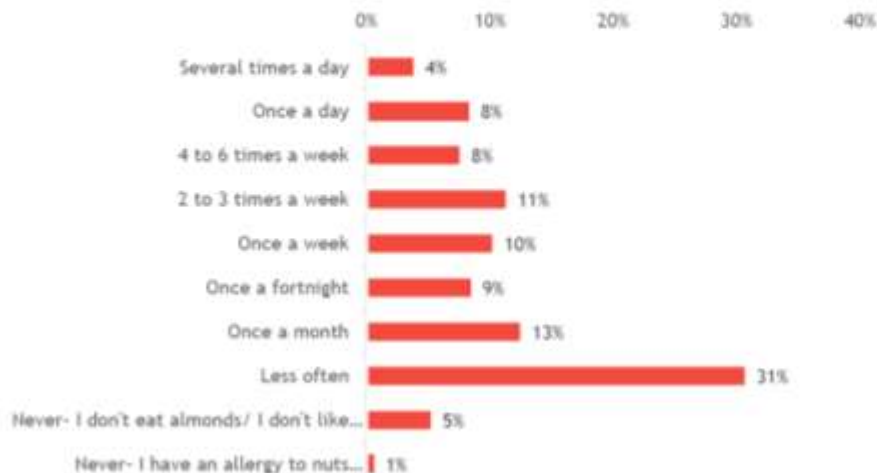
Back home - New ABA consumer research



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— Main Findings... (cont)

- Nearly 11.5 million Australians eat almonds at least once a month, with over 7.5 million eating almonds at least once a week.



Base: Total n=1,936

Q84. How often do you eat almonds? This can include snacking on raw, roasted or salted almond kernels, in a instant bag with other nuts or fruit, in other foods such as chocolate, or included as an ingredient in a recipe.

YouGov Galaxy

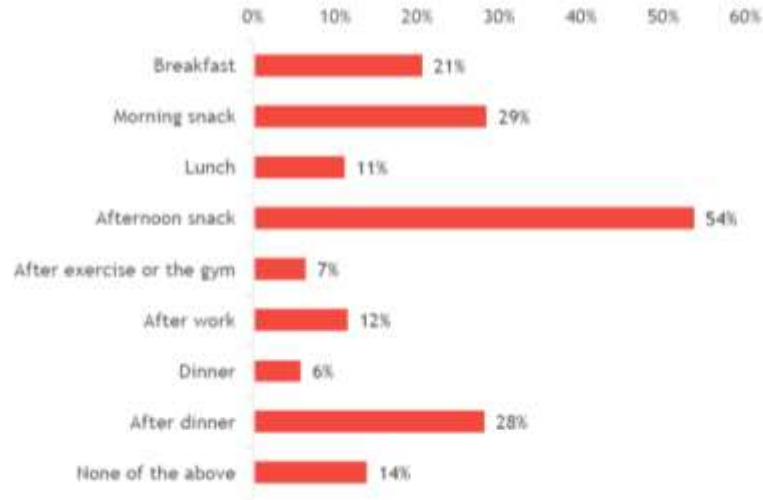
The nut for all occasions



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— Main Findings... (cont)

- Almonds are most commonly enjoyed as an afternoon snack (54%). Other popular consumption occasions include as a morning snack (29%) and after dinner (28%).



Base: Total n=1,817

Q86. Over the past month, please indicate all occasions where you have eaten almonds.

YouGov Galaxy

Australian market: Almonds in every aisle



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