

STRATAMARKETS ALMOND REPORT

GLOBAL MARKET PRICES, ANALYSIS AND NEWS

MARKET HIGHLIGHTS

- Prices decline in the U.S. FAS market for the third consecutive week as global demand languishes.
- Benchmark STDS lose 6 cents on the week; NPIS drops 3 cents with buyers in Europe and India on the sidelines.
- As market prepares for January position report, some packers are already looking ahead to the February shipment number.

ANALYSIS AND NEWS HIGHLIGHTS

- With bloom days away, farm advisors say it's becoming harder than ever to use it to predict almond crop output in California.
- "In my experience, the correlation of a good bloom versus crop size at harvest is rather poor," a farm advisor tells Stratamarkets.
- Almond exports from Australia more than double in December 2020, with the U.S. reaching number two on the list of top destinations for country exports.

WEEKLY PRICE ASSESSMENTS, US FAS, \$/lb

ASSESSMENT PERIOD: FEB 2 - FEB 9
WEEKLY MARKET CLOSE (WMC) DATE: FEB 9

ITEM	LOW	HIGH	WMC	WEEKLY CHANGE (WC)
STDS	1.85	1.88	1.85	-0.06

NONPAREIL

NPIS	1.58	1.60	1.59	-0.03
NPX 30/32	1.99	2.03	1.99	-0.08
NPX 27/30	1.99	2.10	2.04	-0.04
NPX 25/27	2.11	2.13	2.12	-0.12
NPX 23/25	2.46	2.57	2.46	-0.06
NPX 20/22	2.94	2.96	2.95	-0.06
NPS 23/25	2.39	2.42	2.39	-0.02

CALIFORNIA

CAL SSR 30/32	1.93	1.95	1.94	-0.06
CAL SSR 27/30	1.94	1.96	1.95	-0.06

BUTTE PADRE

BP SSR 36/40	1.95	1.97	1.96	-0.06
BP SSR 30/32	1.98	1.97	1.99	-0.06
BP SSR 27/30	1.99	2.01	2.00	-0.06

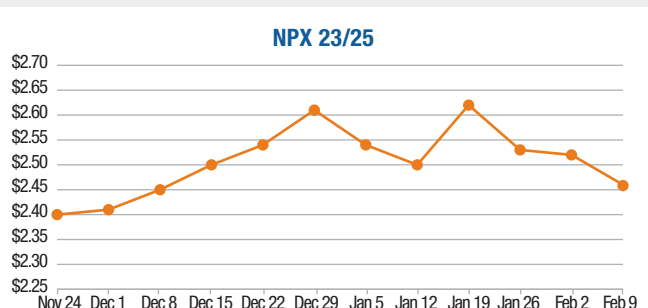
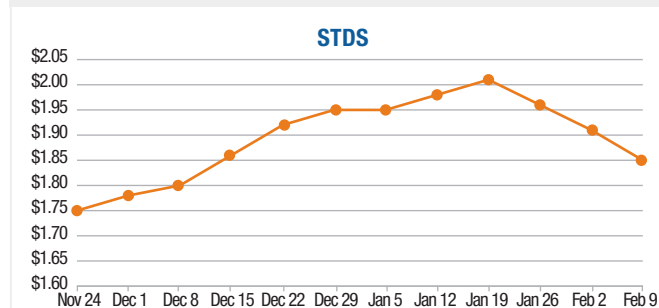
CARMEL TYPE

CAR SUP 27/30	1.94	1.96	1.95	-0.07
CAR SUP 23/25	1.96	1.98	1.97	-0.07

INDEPENDENCE

IIS	1.40	1.42	1.41	-0.03
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WMC PRICES, US FAS, \$/lb



WEEKLY MARKET RECAP

Prices Slide Ahead of New Position Report

Prices dropped for the third consecutive stretch in the U.S. FAS market during the week ending February 9 as global demand faded.

All 16 items assessed by Stratamarkets showed losses on the week. NPX 25/27 registered the steepest drop, shedding 12 cents. Benchmark STDS and NPIS lost 6 cents and 3 cents, respectively.

Buyers in the Middle East, Japan, and South Korea showed mild interest last week. Purchasing from the Middle East comes ahead of Ramadan, a month-long observance that starts in April.

Elsewhere, buyers showed little interest.

In India, NPIS almonds purchased at \$1.45/lb FAS-level prices last November are only now arriving, keeping pressure on wholesale prices in India and limiting new demand for California almonds. The local market is also dealing with large quantities of stock and slack demand with temperatures warming and the wedding season, a demand driver for almonds, weeks away.

"The sentiments are weak," said a broker in India on Monday. "It will take a bit of time for the market to come back."

No trades from India were verified for NPIS or IIS. Even though NPIS prices slipped, they're still fetching kernel-weight equivalent values of \$2.27/lb.

In Europe, two large retailers reportedly issued tenders to purchase large quantities of almonds, but details could not be verified. Nougat manufacturers in Europe were testing prices for Q4 shipments. STDS for Q4 shipment were pegged at \$1.99/lb FAS, a 14-cent premium to prompt-shipment STDS.

Still, buyers in Europe and the U.K. remained mostly absent from the market. A U.K.-based distributor attributed the weak demand in the region partly to lockdown measures designed to contain coronavirus.

"Everybody's customers are a little bit quiet," the distributor said, referring to the companies he sells to. "They don't know when they really need stock."

Buyers in China were testing price levels ahead of the Chinese New Year last week but were not purchasing.

Also in the export market, shipping challenges continued to cause frustration. One packer said his customers typically contact his logistics staff when shipping problems arise. Last week, customers contacted him

FOUR-WEEK ROLLING AVERAGE, US FAS, \$/lb

ITEM	WMC	WC
STDS	1.93	-0.03

NONPAREIL

NPIS	1.65	-0.03
NPX 30/32	2.05	-0.02
NPX 27/30	2.10	-0.02
NPX 25/27	2.21	-0.02
NPX 23/25	2.53	-0.01
NPX 20/22	3.03	-0.01
NPS 23/25	2.45	-0.01

CALIFORNIA

CAL SSR 30/32	2.00	-0.03
CAL SSR 27/30	2.02	-0.03

BUTTE PADRE

BP SSR 36/40	2.03	-0.03
BP SSR 30/32	2.05	-0.02
BP SSR 27/30	2.06	-0.02

CARMEL TYPE

CAR SUP 27/30	2.03	-0.04
CAR SUP 23/25	2.06	-0.03

INDEPENDENCE

IIS	1.47	-0.03
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STRATAMARKETS

PRICE ASSESSMENT GUIDE

Stratamarkets utilizes a transparent procedure for gathering price information and producing our price assessments. We created and maintain a document, the *Stratamarkets Price Assessment Guide*, to explain this procedure. The document also explains item abbreviations and the market locations, timing, and trading terms and conditions that our price assessments reflect. To request a copy, please send an email to hello@stratamarkets.com.

Weekly Market Recap cont'd...

directly, underscoring buyers' frustration with late-arriving or canceled shipments. Another packer said there is no end to the shipping problems.

"Our shipping staff is just burned," he said.

The U.S. domestic market appeared quiet, with most of the buying interest focused on manufactured products. A broker in the U.S. said California packers were reluctant to respond to requests for quotes as prices fell.

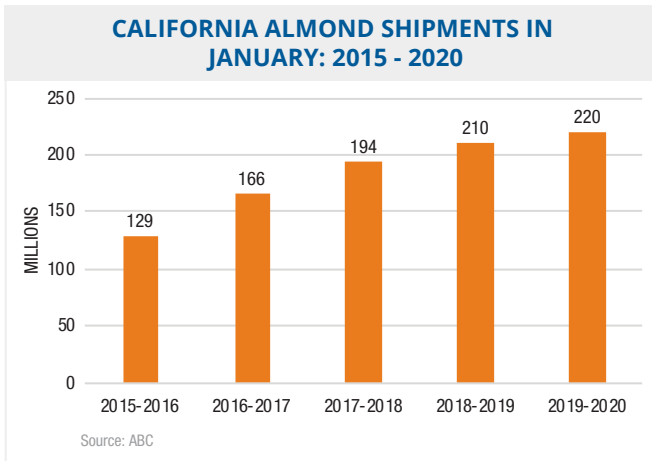
Losses pile up

Since the week ending January 19, prices for benchmark STDS have lost 16 cents. Packers said they'd like to hold the line at \$1.85/lb FAS. STDS hit a low for the calendar year in August when prices fell to \$1.71/lb FAS.

The price retreat comes ahead of bloom and the scheduled release of the January 2020 position by the Almond Board of California (ABC).

Market participants had expected the upcoming position report to show January shipments of 250 million pounds. Many participants now believe the shipment number will be less, yet still expect it to be higher than the 220 million pounds shipped last January.

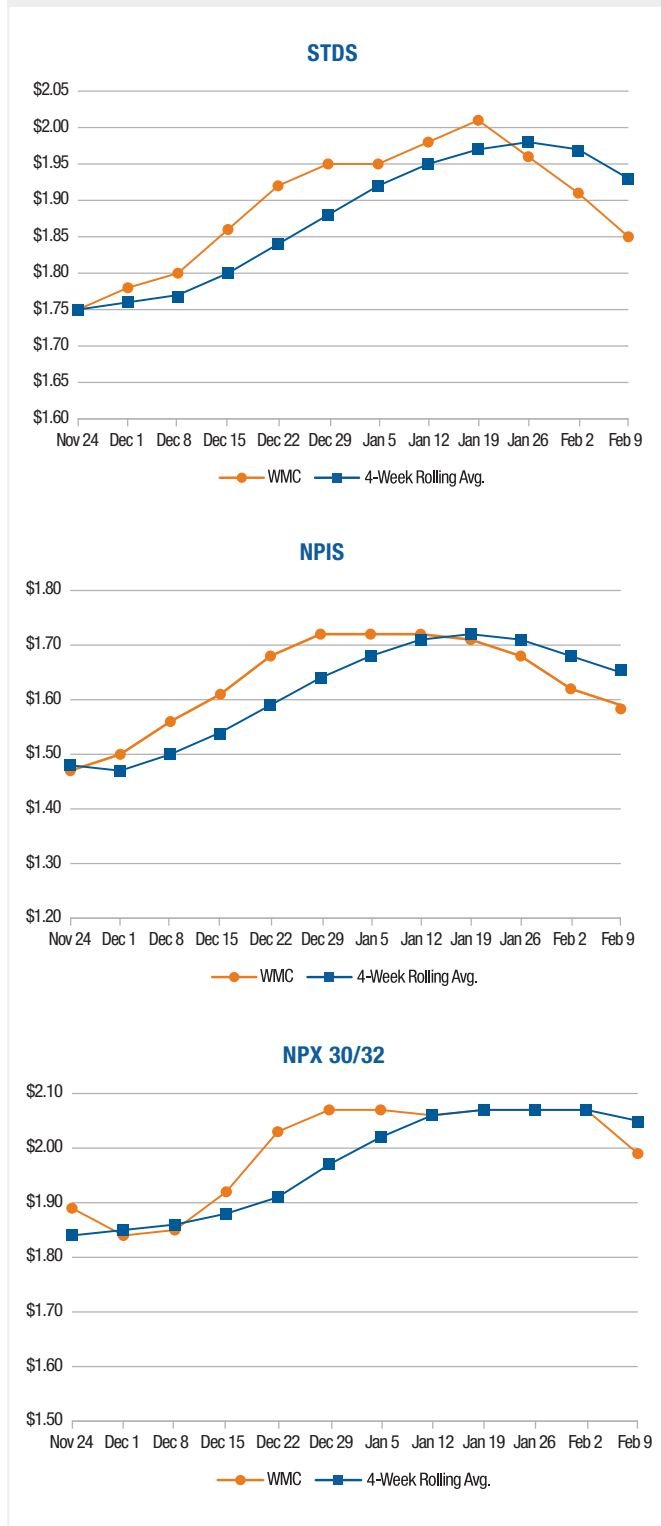
The chart below shows January shipments for the previous five years:



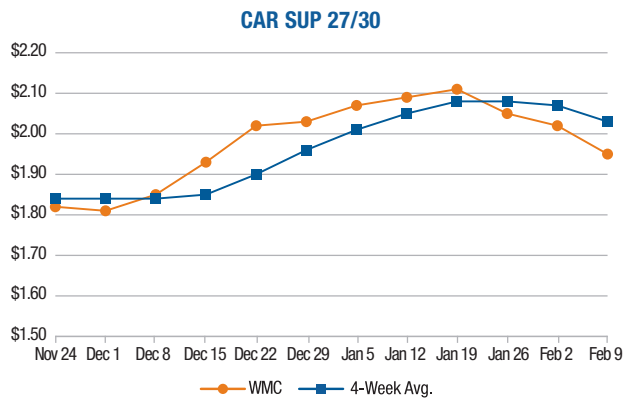
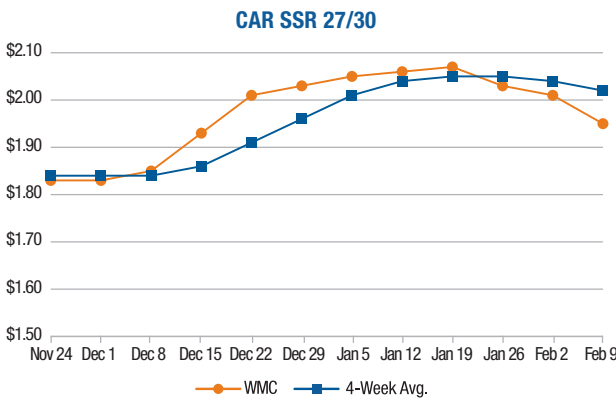
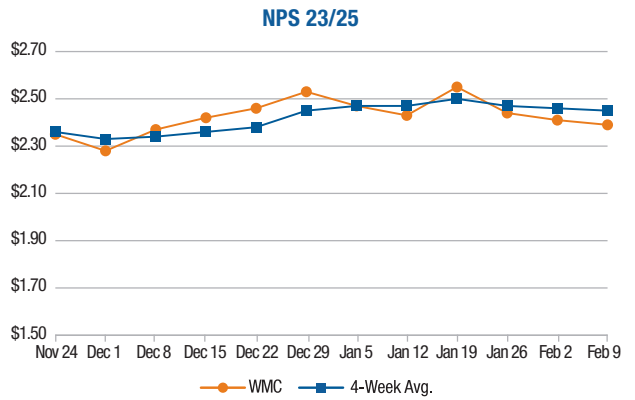
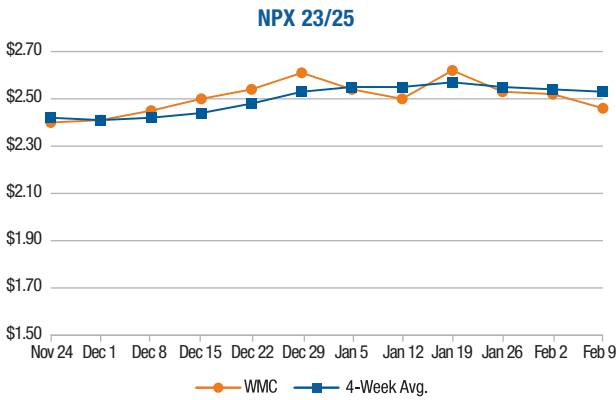
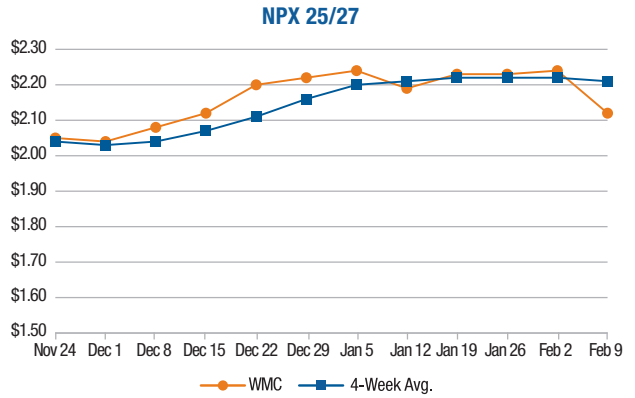
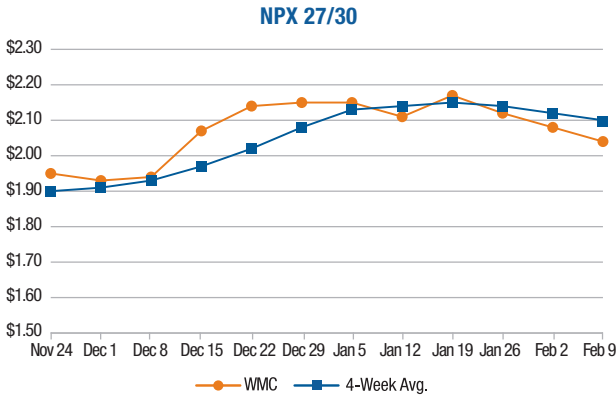
Even with the market still waiting to see the January position report, some packers are already discussing expectations for February shipments. Some packers expect February shipments to be strong thanks to purchases made earlier in the year.

"My shipment schedule for February looks like it will probably be the single biggest month ever in the history of my company," said a packer on Tuesday.

WMC VS 4-WEEK ROLLING AVERAGE, US FAS, \$/lb



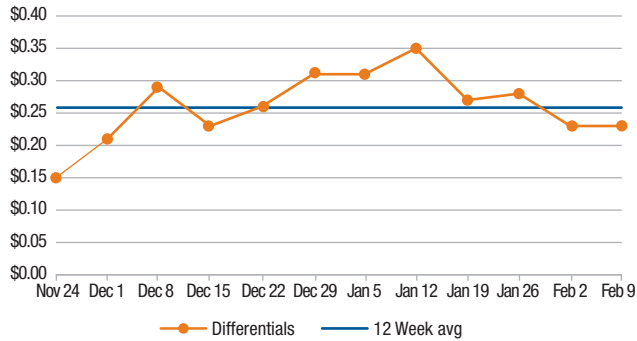
WMC VS 4-WEEK ROLLING AVERAGE, US FAS, \$/lb



FORWARD PRICES FOR STDS, US FAS, \$/lb

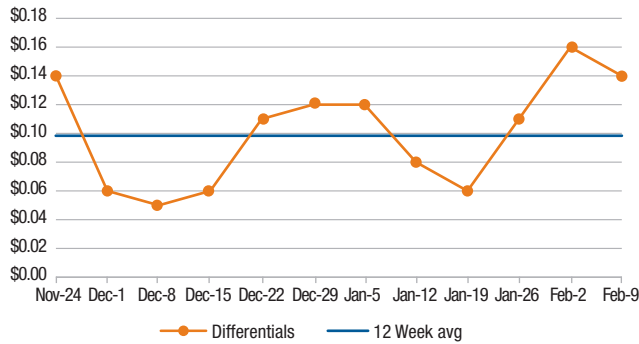
PROMPT	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR
	Q2 2021			Q3 2021			Q4 2021			Q1 2022		
\$1.85	\$1.90			\$1.94			\$1.99			\$2.04		

NPIS 70% KERNEL DIFFERENTIAL TO NPX 27/30, US FAS, \$/lb

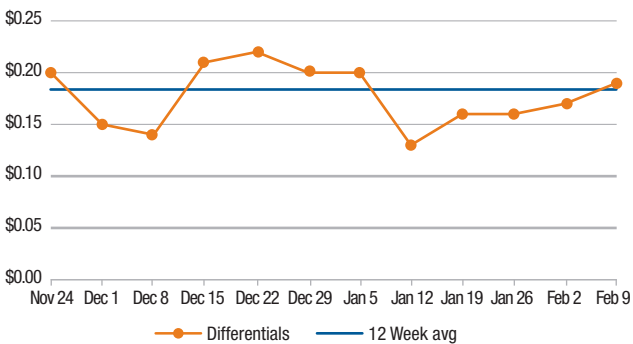


PRICE DIFFERENTIALS TO STDS, US FAS, \$/lb

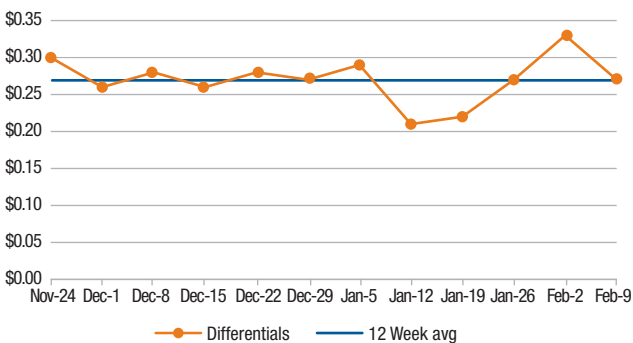
NPX 30/32



NPX 27/30



NPX 25/27



MONTHLY PRICES, US FAS, \$/lb

ITEM	NOV	DEC	JAN	CURRENT MONTH AVERAGE
STDS	1.75	1.86	1.98	1.88

NONPAREIL

NPIS	1.48	1.61	1.71	1.61
NPX 30/32	1.84	1.94	2.07	2.03
NPX 27/30	1.90	2.05	2.14	2.06
NPX 25/27	2.04	2.13	2.22	2.18
NPX 23/25	2.42	2.50	2.55	2.49
NPX 20/22	2.72	2.93	3.04	2.98
NPS 23/25	2.36	2.41	2.47	2.40

CALIFORNIA

CAL SSR 30/32	1.83	1.92	2.04	1.97
CAL SSR 27/30	1.84	1.93	2.05	1.98

BUTTE PADRE

BP SSR 36/40	1.82	1.93	2.07	1.99
BP SSR 30/32	1.84	1.95	2.08	2.02
BP SSR 27/30	1.85	1.96	2.10	2.03

CARMEL TYPE

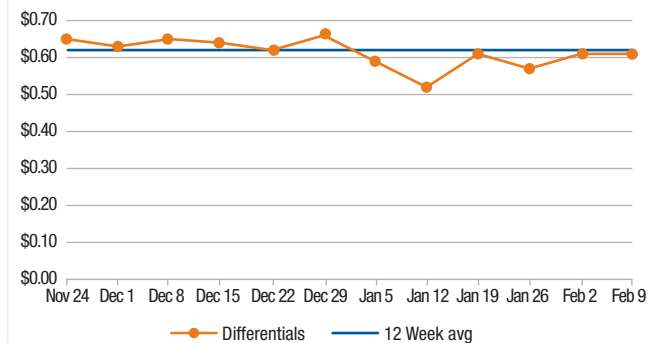
CAR SUP 23/25	1.84	1.93	2.08	1.99
CAR SUP 25/27	1.91	2.08	2.12	2.01

INDEPENDENCE

IIS	1.39	1.48	1.53	1.43
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PRICE DIFFERENTIALS TO STDS, US FAS, \$/lb

NPX 23/25



ANALYSIS AND NEWS

Bloom is Here. What Will It Tell You?

Traders thrive on price volatility, and in the global almond market, few events can move prices quite like bloom, the period starting soon when almond trees in California produce blossoms for pollination.

Market observers see bloom as a crystal ball of sorts – a window into the size of the upcoming almond crop in California and therefore a predictor of price. If bloom looks good, the thinking goes, the trees will make lots of almonds, supply will increase, prices will drop. If it looks bad, the opposite will happen.

“Bloom is everything,” said a long-time almond trader in California, who recalls previous blooms in vivid detail. “Last year’s bloom was the best I’ve ever seen in my career. It was perfect. The weather was clear, dry – just lovely. Bees were buzzing everywhere.”

Given bloom’s impact on prices (following last year’s bloom, prices tanked), it’s no surprise that over the next few weeks all eyes will be focused on every detail and metric of California’s almond tree bloom: The number of flowers per tree, temperatures, precipitation levels. Yet even though the market has every reason to pay close attention, some almond farm advisors say bloom might be less critical to crop size than many people realize.

They offer several explanations. The percent of blossoms that produce nuts varies year to year, and not all blooms will produce nuts. This means a tree with relatively few blossoms can still make lots of almonds, and a tree packed with blossoms might make few. Moreover, they point out that as the state’s almond-producing region has spread, a remarkable bloom in one area doesn’t mean a remarkable bloom in all areas, and vice versa.

“In my experience, the correlation of a good bloom versus crop size at harvest is rather poor,” said Joseph Connell, farm advisor emeritus at the University of California Cooperative Extension (UCCE) in Butte County.

Connell has thought a lot about bloom. In addition to his role at UCCE – a network of scientists and educators who research agriculture – Connell is a member of the almond working group at the University of California Division of Agriculture and Natural Resources.

Connell cautions against predicting future crop output based on the number of flowers per tree during bloom. If the number of blossoms on a tree is small, but the weather is good, a higher percentage of flowers may set nuts. And if the number of blossoms on a tree is large, but the weather is bad, a smaller percentage of flowers may set nuts.

A sprawling crop

The expansion of the state’s almond-producing region has also changed things. Twenty years, there were 500,000 bearing-acres of almond trees growing in a relatively compact area of the state. When bad weather hit the area, it affected the whole crop.

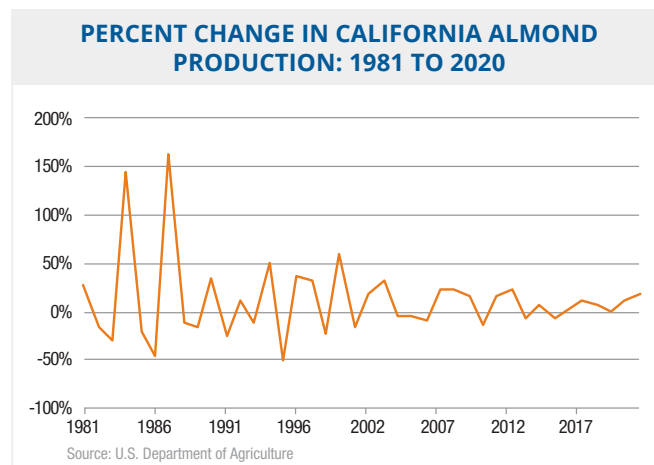
Decades ago, it wasn’t unusual to see almond buyers for large companies touring the state’s production region during bloom to get a sense for the coming crop’s size, said Thomas Gradziel, a professor in the department of plant scientists at the University of California at Davis.

“It was, at the time, a smart move,” Gradziel said.

Fast forward to today, and that becomes difficult. California now has more than 1.2 million acres of almonds standing in a large, growing region. Foul weather in one area may have no impact on another.

“It’s so diverse, with almonds planted across the state, and up and down the state, that bloom isn’t that important anymore,” a packer said on Monday.

This is one reason why percent changes in the state’s annual almond production are flatter now than they used to be, as shown in the chart below. The larger production base also helps flatten the line:



Still, no one doubts that bloom will capture the market’s attention when it begins next week.

Even though a good bloom or lousy bloom in a single region may have fewer consequences for overall crop production than it once did, it can have enormous implications for individual growers – the difference between a great year and a financially-devastating year. It will also have significant consequences for bets market participants have riding on bloom.

“It’s always going to be a big event,” said the packer referred to earlier, who is selling a lot this week. “I got to believe we’re going to have an excellent bloom.”

Analysis and News cont'd...

Monthly Almond Exports from Australia Climb

Australian almond exports more than doubled in December 2020 compared with December 2019, increasing to 13.5 million pounds from 5.1 million pounds, new data from the Australian Bureau of Statistics (ABS) shows.

December 2020 shipments bring Australia's 2020-2021 marketing year-to-date exports to 163.4 million pounds, about equal to the 163.5 million pounds exported during the same period the previous marketing year. Australia's marketing year begins in March and ends in February.

China remained Australia's largest export market in December 2020, taking 3.9 million pounds of almonds. The chart below shows the top 10 destinations for the country's almond exports in December 2020:



Shipments to the U.S. for the month hit 3 million pounds, the highest on record. Market observers said it can be less expensive to ship almonds to the U.S. East Coast from Australia than from California.

Observers also note that packers in California have reinforced their larger-size almond supplies with imports from Australia. Large-size California almonds have been in short supply this crop year.

WMC ASSESSMENT RATIONALE

STDS

At the close of the February 2 to February 9 assessment period, the item was offered at 1.86/lb FAS and bid at \$1.85/lb FAS for prompt shipment. Earlier in the period, a trade was verified at \$1.88/lb FAS for prompt to September shipment.

NONPAREIL

NPIS

The item was offered at \$1.60/lb and bid at \$1.58/lb FAS for prompt shipment throughout the assessment period. No trades were verified.

NPX 30/32

The item was offered at \$2.03/lb FAS for prompt shipment at the start of the period. Later in the period, the offer fell to \$2.00/lb FAS for prompt shipment. No trades or bids were verified.

NPX 27/30

Two trades were verified at \$2.10/lb FAS for prompt shipment. At the close of the assessment, an offer was verified at \$2.05/lb FAS for March or April shipment. The assessment was based on the closing offer.

NPX 25/27

Two trades were verified at \$2.10/lb and \$2.17/lb FAS for March shipment. A third trade for NPX 25/27 J spec was verified at \$2.19/lb FAS for April, May, and June shipment, which equates to a prompt-shipment USDA grade value of \$2.08/lb FAS. The assessment was based on the average of the three values.

NPX 23/25

Verified offers for the item were seen at \$2.47/lb and \$2.48/lb FAS for prompt shipment. A verified trade for NPX 23/25 K spec at \$2.67/lb for prompt shipment, which equates to a USDA value of \$2.57/lb FAS, was seen as above market value and did not influence the assessment.

NPX 20/22

No trades, bids, or offers were verified. The assessment was based on the item's 49 cent price premium to NPX 23/25 seen the week prior.

NPS 23/25

Verified offers were seen at \$2.40/lb and \$2.42/lb FAS for prompt shipment. No trades or bids were verified.

CALIFORNIA

CAL SSR 30/32

The assessment was based on the item's 1 cent price discount to CAL SSR 27/30 seen last week. A verified trade at \$2.00/lb FAS for March shipment was seen as above market value. No bids or offers were verified.

CAL SSR 27/30

An offer was verified at 1.96/lb FAS for prompt shipment. No trades or bids were verified.

BUTTE PADRE

BP SSR 36/40

No trades or bids were verified. Verified offers were seen as above the market-clearing price. The assessment was based on the item's 1 cent price premium to CAL SSR 27/30 seen last week.

BP SSR 30/32

No trades or bids were verified. Verified offers were seen as above the market-clearing price. The assessment was based on the item's 4 cent premium to CAL SSR 27/30 seen last week.

BP SSR 27/30

No trades, bids, or offers were verified. The assessment was based on the item's 5 cent premium to CAL SSR 27/30 seen last week.

CARMEL TYPE

CAR SUP 27/30

No trades, bids, or offers were verified. A trade for a similar item, CAR SSR 27/30, was verified at \$1.90/lb FAS for March shipment. The assessment was calculated by adding 5 cents to that trade to account for the Superior-grade price premium to U.S. Select Sheller Run grade.

CAR SUP 23/25

No prompt-shipment trades, bids, or offers were verified. The assessment was based on the item's 2 cent price premium to CAR SUP 27/30 seen last week.

INDEPENDENCE

IIS

No trades, bids, or offers were verified. The assessment was based on the item's 18 cent discount to NPIS seen last week.



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