

STRATAMARKETS ALMOND REPORT

GLOBAL MARKET PRICES, ANALYSIS AND NEWS

MARKET HIGHLIGHTS

- Record February shipments pull prices 1 to 4 cents higher across the complex.
- Demand for prompt-shipment NPIS stays strong with the new crop NPIS discount to current crop at 10 cents.
- Spot prices in Europe increase even as evidence builds of an over-supplied market.

ANALYSIS AND NEWS HIGHLIGHTS

- Shipments are increasing to China, which for many years was California's largest export market.
- Tariff reductions, a weaker U.S. dollar, and a recovery from Covid-19 shutdowns are driving near-term demand in the country, and observers are bullish on long-term demand there, too.
- "I think it's positive for the industry, but I think there's a long way to go before it makes an impact on the overall position for California," a packer in California says.

WEEKLY PRICE ASSESSMENTS, US FAS, \$/lb

ASSESSMENT PERIOD: MAR 9 - MAR 16
WEEKLY MARKET CLOSE (WMC) DATE: MAR 16

| ITEM | LOW | HIGH | WMC | WEEKLY CHANGE (WC) |
|------|------|------|------|--------------------|
| STDS | 1.78 | 1.82 | 1.80 | +0.02 |

NONPAREIL

| | | | | |
|-----------|------|------|------|-------|
| NPIS | 1.74 | 1.76 | 1.75 | +0.03 |
| NPX 30/32 | 1.92 | 2.00 | 1.93 | +0.03 |
| NPX 27/30 | 1.93 | 1.98 | 1.97 | +0.02 |
| NPX 25/27 | 2.00 | 2.05 | 2.05 | +0.03 |
| NPX 23/25 | 2.40 | 2.43 | 2.42 | +0.03 |
| NPX 20/22 | 2.88 | 2.90 | 2.89 | +0.03 |
| NPS 23/25 | 2.31 | 2.33 | 2.32 | +0.03 |

CALIFORNIA

| | | | | |
|---------------|------|------|------|-------|
| CAL SSR 30/32 | 1.82 | 1.84 | 1.83 | +0.01 |
| CAL SSR 27/30 | 1.85 | 1.87 | 1.86 | +0.01 |

BUTTE PADRE

| | | | | |
|--------------|------|------|------|-------|
| BP SSR 36/40 | 1.86 | 1.90 | 1.88 | +0.03 |
| BP SSR 30/32 | 1.90 | 1.92 | 1.91 | +0.03 |
| BP SSR 27/30 | 1.91 | 1.93 | 1.92 | +0.03 |

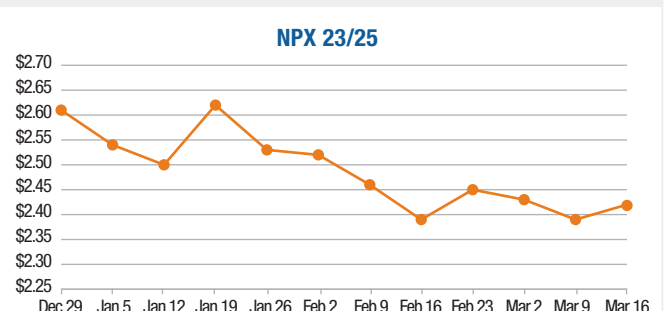
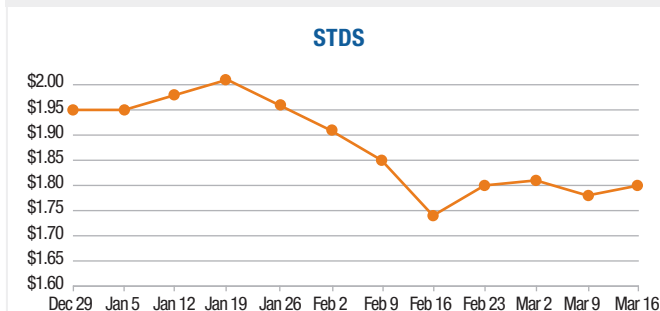
CARMEL TYPE

| | | | | |
|--------------|------|------|------|-------|
| CT SUP 27/30 | 1.87 | 1.89 | 1.88 | +0.03 |
| CT SUP 23/25 | 1.89 | 1.91 | 1.90 | +0.02 |

INDEPENDENCE

| | | | | |
|------------|------|------|------|-------|
| IIS | 1.56 | 1.58 | 1.57 | +0.04 |
| INDX 23/25 | 1.97 | 2.00 | 1.98 | +0.03 |

WMC PRICES, US FAS, \$/lb



WEEKLY MARKET RECAP

Prices Climb on Better Shipments

Firmer shipments pulled prices higher in the global almond market during the week ending Tuesday as inshell trading hummed.

Prices increased from 1 to 4 cents across the complex after the Almond Board of California (ABC) released a new position report showing record February shipments. The latest report relieved sellers who saw prices decline following lackluster January shipments.

"It stopped prices from going down, and for me that is a win," said a trader in California.

Continued talk of an inshell shortage in California kept trade active with India for much of the week. NPIS traded multiple times and ended the week 3-cents higher.

"It's more and more common knowledge that we're short of inshell and it's completely divergent from the kernel market," a packer said.

Buyers in India showed increasing interest in NPX 23/25 and NPX 27/30 kernel items as both kernel prices in the local market and inshell prices climbed. Though tariffs in India are higher on kernels compared with inshell, companies can profit by bringing kernels to India at the right time.

"Those tariffs can burn you if you don't play the game correctly," a packer said.

Prices for IIS increased, even though buyers continued to show less interest in the item compared with NPIS. The IIS price discount to NPIS ended the week at 18 cents. The price discount is typically between 10 and 15 cents.

"Independence inshell has been very thinly traded," a packer said. "Even with the spread increasing, buyers seem to be focused on Nonpareil."

Trades for new crop NPIS were verified at \$1.68/lb and \$1.69/lb CIF to India for August and September shipment, which convert to U.S. FAS prices of \$1.64/lb and \$1.65/lb – about a 10-cent discount to current crop prices.

Toward the end of the week, activity in India's domestic market slowed after a strong start as participants took a break to prepare for the end of the financial year, which closes there this month. Market observers expect activity to ratchet up again in early April as the wedding season approaches.

"Sentiments are bullish," said a broker in India. "The markets are looking good here."

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

| ITEM | WMC | WC |
|------|------|-------|
| STDS | 1.80 | +0.02 |

NONPAREIL

| | | |
|-----------|------|-------|
| NPIS | 1.68 | +0.06 |
| NPX 30/32 | 1.93 | +0.01 |
| NPX 27/30 | 1.97 | +0.01 |
| NPX 25/27 | 2.04 | 0.00 |
| NPX 23/25 | 2.42 | +0.01 |
| NPX 20/22 | 2.91 | +0.01 |
| NPS 23/25 | 2.32 | +0.01 |

CALIFORNIA

| | | |
|---------------|------|-------|
| CAL SSR 30/32 | 1.85 | 0.00 |
| CAL SSR 27/30 | 1.87 | +0.01 |

BUTTE PADRE

| | | |
|--------------|------|-------|
| BP SSR 36/40 | 1.88 | +0.01 |
| BP SSR 30/32 | 1.91 | +0.01 |
| BP SSR 27/30 | 1.92 | +0.01 |

CARMEL TYPE

| | | |
|--------------|------|-------|
| CT SUP 27/30 | 1.87 | +0.01 |
| CT SUP 23/25 | 1.89 | +0.01 |

INDEPENDENCE

| | | |
|------------|------|-------|
| IIS | 1.52 | +0.06 |
| INDX 23/25 | 1.99 | 0.00 |

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...

Supply picture in Europe muddy

In Europe, end-users appeared to be well supplied for the near term and showed little interest in testing sellers for new quotes following the February shipment numbers.

Market participants in California said some buyers in Europe last week asked sellers to delay scheduled shipments to the region due to a supply glut and a lack of warehouse space. A broker in California said a client in Europe asked to postpone four pistachio shipments. The broker said Europe-bound almond shipments he manages have not been delayed.

Adding to evidence of a well-supplied European market, a broker in the region said almond producers in Spain had sold less than half their crop. Almond sellers in Spain have typically shed most of their supply by this time of the year, the broker said.

However, buyers and sellers were active in Europe's spot market, where prices were between 5 and 15 cents higher than U.S. FAS prices – evidence of a tighter-supplied market, a packer said.

He added that the increase in spot prices in Europe could be due to the difficulty receiving product from California. Buyers unable to receive product on time from California because of shipping problems are turning instead to the local spot market to fulfill demand.

“The spot market in Europe has been very hot,” the packer said on Tuesday. “I’ve seen Europe wake up a little bit this morning. End users in Europe have contracted volume on their books, but their stocks aren’t coming.”

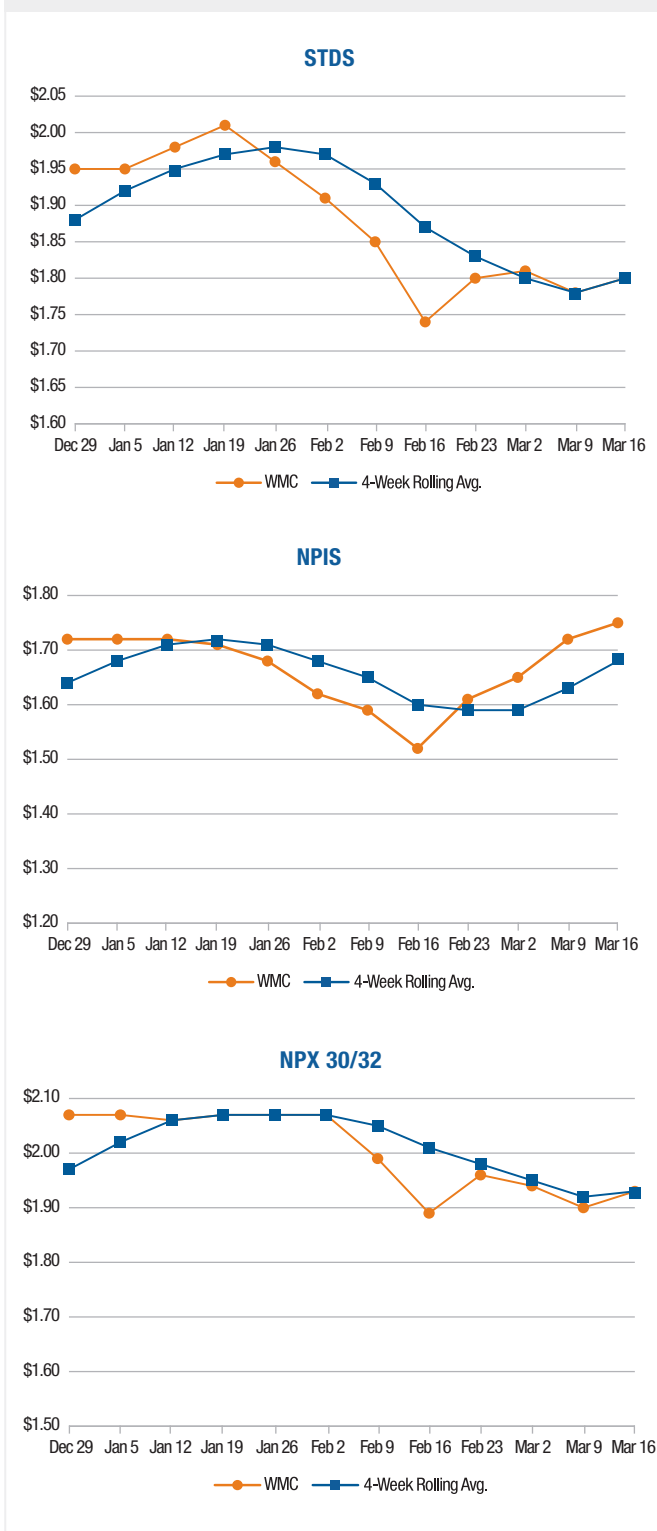
Prompt-shipment STDS climbed 3 cents on the week. Prices for STDS this month have averaged \$1.80/lb FAS, 3-cents lower from the February average price and 18 cents lower from the January average price.

The new crop STDS price premium to current crop STDS was about 5 cents, although trade for new crop STDS was thin. The new crop premium to current crop had been higher in previous weeks, and some packers said they were resistant to sell new crop at current price levels.

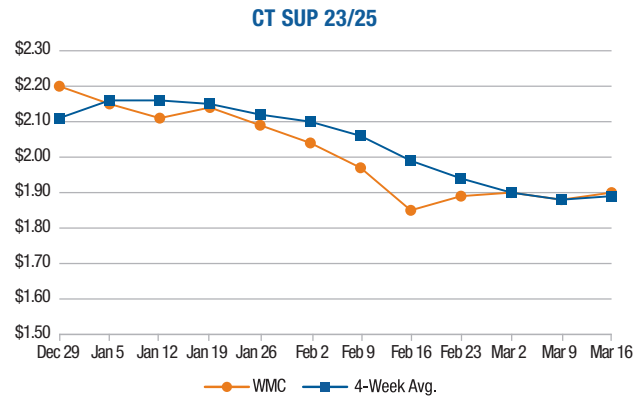
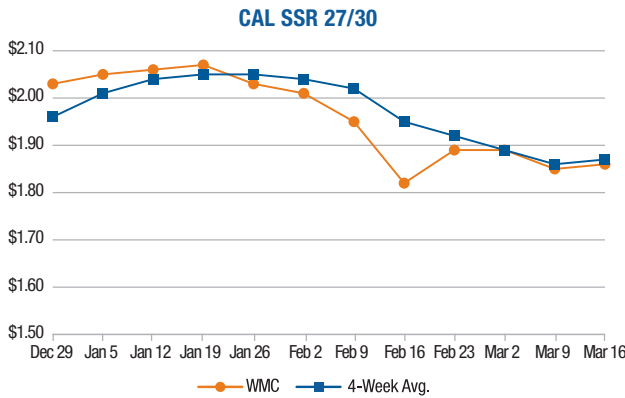
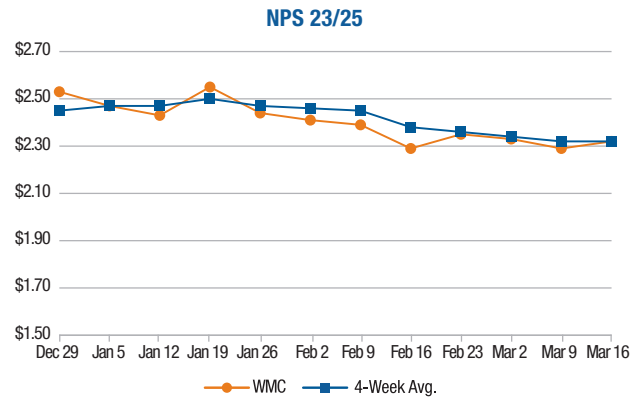
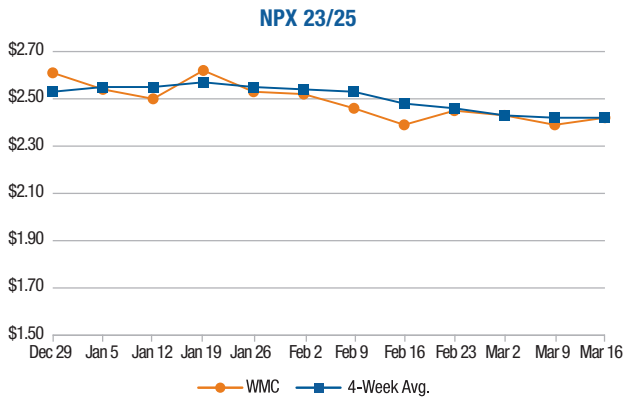
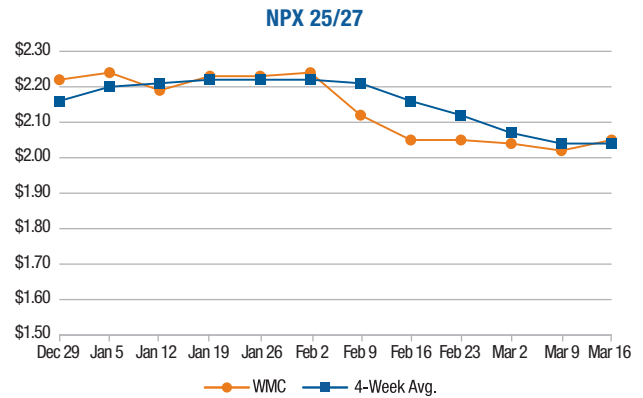
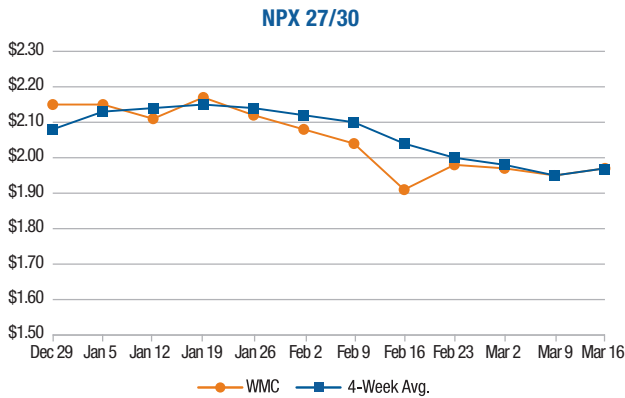
“A few people are tossing around \$1.83 for new crop,” a packer said. “For me, I’ve drawn a hard line at \$1.90.”

New crop trade is expected to pick up in April as European manufacturers look to cover for longer-term needs and as packers in California gain a better understanding of the size of the state’s new crop.

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



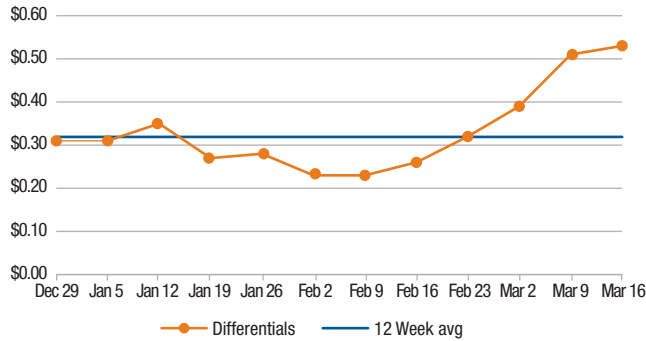
WMC VS 4-WEEK ROLLING AVERAGE, US FAS, \$/lb



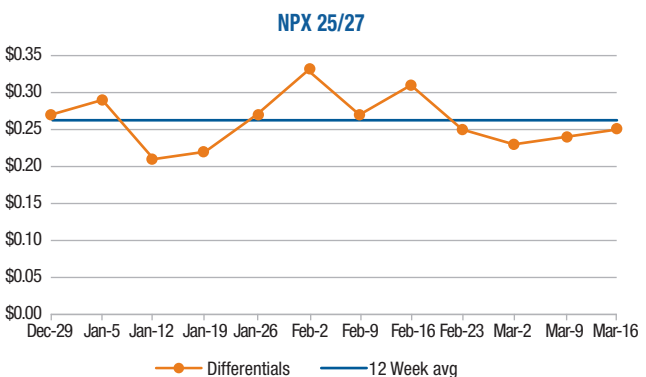
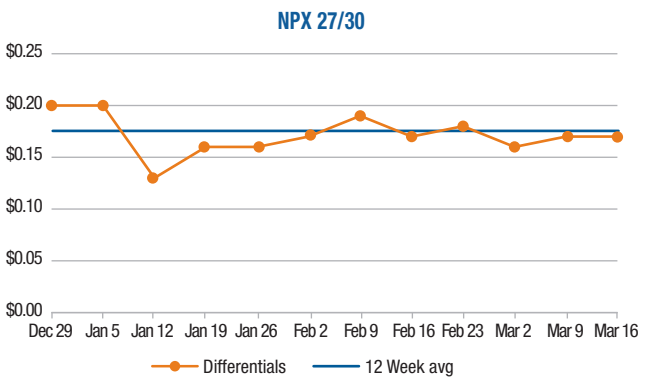
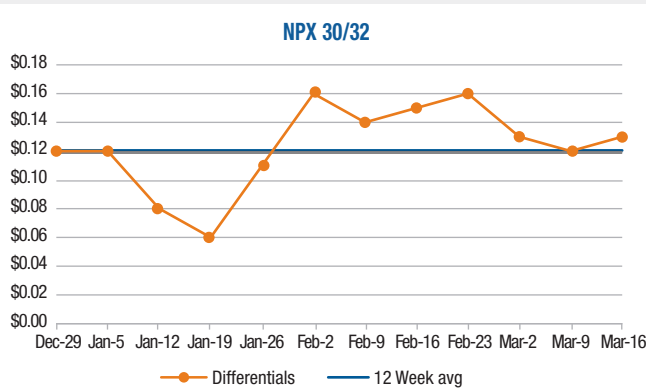
FORWARD PRICES FOR STDS, US FAS, \$/lb

| PROMPT | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR |
|--------|---------|-----|-----|---------|-----|-----|---------|-----|-----|---------|-----|-----|
| | Q2 2021 | | | Q3 2021 | | | Q4 2021 | | | Q1 2022 | | |
| \$1.80 | \$1.82 | | | \$1.83 | | | \$1.85 | | | \$1.87 | | |

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



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



MONTHLY PRICES, US FAS, \$/lb

| ITEM | DEC | JAN | FEB | CURRENT MONTH AVERAGE |
|------|------|------|------|-----------------------|
| STDS | 1.86 | 1.98 | 1.83 | 1.80 |

NONPAREIL

| | | | | |
|-----------|------|------|------|------|
| NPIS | 1.61 | 1.71 | 1.59 | 1.71 |
| NPX 30/32 | 1.94 | 2.07 | 1.98 | 1.92 |
| NPX 27/30 | 2.05 | 2.14 | 2.00 | 1.96 |
| NPX 25/27 | 2.13 | 2.22 | 2.12 | 2.04 |
| NPX 23/25 | 2.50 | 2.55 | 2.46 | 2.41 |
| NPX 20/22 | 2.93 | 3.04 | 2.94 | 2.89 |
| NPS 23/25 | 2.41 | 2.47 | 2.36 | 2.31 |

CALIFORNIA

| | | | | |
|---------------|------|------|------|------|
| CAL SSR 30/32 | 1.92 | 2.04 | 1.91 | 1.84 |
| CAL SSR 27/30 | 1.93 | 2.05 | 1.92 | 1.87 |

BUTTE PADRE

| | | | | |
|--------------|------|------|------|------|
| BP SSR 36/40 | 1.93 | 2.07 | 1.93 | 1.88 |
| BP SSR 30/32 | 1.95 | 2.08 | 1.96 | 1.91 |
| BP SSR 27/30 | 1.96 | 2.10 | 1.97 | 1.92 |

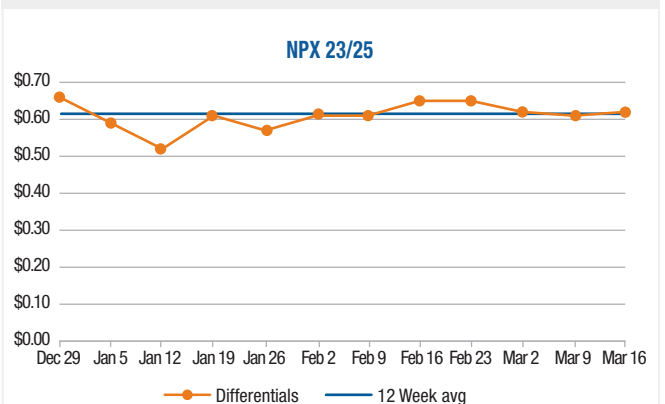
CARMEL TYPE

| | | | | |
|--------------|------|------|------|------|
| CT SUP 27/30 | 1.93 | 2.08 | 1.92 | 1.86 |
| CT SUP 23/25 | 2.08 | 2.12 | 1.94 | 1.89 |

INDEPENDENCE

| | | | | |
|------------|------|------|------|------|
| IIS | 1.48 | 1.53 | 1.42 | 1.52 |
| INDX 23/25 | 2.08 | 2.18 | 2.04 | 1.98 |

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



ANALYSIS AND NEWS

Can China Reclaim its Spot as California's Top Almond Export Market?

The headline from the latest Almond Board of California (ABC) position report was record monthly shipments, but data showing a continued increase in exports to China could be a more significant development for the global almond market.

Market observers say tariff reductions, a weaker U.S. dollar, and a gradual re-emergence in China from Covid-19 shutdowns are combining to increase almond demand in the country. The trend is significant given the demand potential from China.

"It's an encouraging sign that we're continuing to see a boost in kernels going in that direction," a California packer said.

The February 2021 position report released on Thursday put total global monthly shipments at 234 million pounds, up 16% from last February. February shipments included 6.9 million pounds that a handler failed to report for January, the ABC reported.

The report showed crop receipts increasing more than some observers had expected, bringing the ABC's crop receipt count to 3.087 billion pounds. The U.S. Department of Agriculture (USDA) crop receipt count was higher at 3.095 billion pounds.

Sellers greeted the new monthly shipment number with optimism, particularly given last month's shipments.

"I think it kind of rights the ship again," a packer said.

Sellers may also have reason to celebrate the latest China export data.

The report put exports to China in February at 6.4 million pounds, nearly three times exports last February. Crop year-to-date exports to China hit 126 million pounds, up 56% from the same period the previous crop year.

The chart below shows exports to China from August to February for the current crop year and four previous crop years:



A look back at exports to China underscores the country's potential. China was California's top export market from 2010 to 2012. It reached its peak in the 2011-2012 crop year, taking more than 236 million pounds from California, or 12% of California's almond production that year.

In the years that followed, exports to China fell and rose before beginning to fall again in the 2018-2019 crop year when China raised tariffs on California almonds to 55% as China and the U.S. became entangled in a trade dispute.

In the 2019-2020 crop year, exports to China fell to their lowest level on record, sinking to 99 million pounds, or 4% of California's almond production that year as tariffs made California almonds more expensive for buyers in China. Covid shutdowns in China also dented imports that year.

Last February, however, China's State Council Tariff Commission (SCTC) introduced a mechanism allowing importers in the country to apply for tariff relief, reducing tariffs from 55% to 25% for approved importers, according to a September 2020 USDA Foreign Agricultural Service report.

Coinciding with the tariff reduction mechanism, a weakening U.S. dollar against the Chinese yuan also made it less expensive for importers in China to buy almonds from California. Since last March, the U.S. dollar has fallen about 7% against the Chinese yuan.

Meanwhile, China's recovery from the coronavirus in recent months helped boost exports. The outbreak of Covid-19 in January 2020 dampened demand in China for almonds and other tree nuts, prompting temporary closures of nut processing facilities and retail outlets, and restricting travel and social gatherings, according to the USDA's report.

"As the pandemic situation has improved in China, tree nut consumption is expected to recover," the report said.

The report sees longer-term optimism for almond consumption in China, too. It notes that young professionals in China view tree nuts as nutritious and that a national health survey revealed that healthy eating is seen as more important than ever due to the pandemic. The report adds that manufacturers have developed new, nut-based products that build in almond demand.

Still, at least one packer said it could be awhile before China becomes California's biggest almond buyer once again.

"I think it's positive for the industry, but I think there's a long way to go before it makes an impact on the overall position for California," a packer in California said.

For the time being, then, India's spot as the top almond export market for California looks secure.

WMC ASSESSMENT RATIONALE**STDS**

Trades were verified at \$1.78/lb FAS for prompt shipment during the March 9 to March 16 assessment period. At the end of the period, a bid was verified at \$1.80/lb FAS for prompt shipment and a trade was heard but not verified at \$1.80/lb FAS. The market-clearing price was assessed at \$1.80/lb FAS.

NONPAREIL**NPIS**

Multiple trades were verified from \$1.74/lb to \$1.76/lb FAS for prompt shipment. At the end of the period, offers were seen from \$1.75/lb to \$1.78/lb FAS. The market-clearing price was assessed at \$1.75/lb FAS.

NPX 30/32

At the end of the assessment period, the item was bid at \$1.90/lb and offered at \$1.95/lb FAS for prompt shipment. A verified trade at \$2.04 CNF to the Middle East was seen as an outlier and did not influence the assessment. The market-clearing price was assessed at \$1.93/lb FAS.

NPX 27/30

Multiple trades were verified from \$1.93/lb to \$1.98/lb FAS for prompt shipment with prices increasing throughout the assessment period. The market-clearing price was assessed at \$1.97/lb FAS.

NPX 25/27

A trade was verified at \$2.00/lb FAS for April to June shipment early in the assessment period with prices climbing as the period progressed. At the end of the period, a trade for NPX 25/27 J-spec was verified at \$2.15/lb FAS, which converts to a USDA-grade value of \$2.05/lb FAS.

NPX 23/25

The item traded at \$2.40/lb and \$2.41/lb FAS early in the assessment period. At the end of the period, the item was bid at \$2.37/lb with the most competitive offer verified at \$2.43/lb FAS. The market-clearing price was assessed at \$2.42/lb FAS.

NPX 20/22

The item was offered at \$2.98/lb CIF to the Middle East at the end of the assessment period. The assessment was calculated based on the item's 47-cent premium to NPX 23/25 seen last week.

NPS 23/25

No trades, bids, or offers were verified. The assessment was based on the item's 10-cent discount to NPX 23/25 seen last week.

CALIFORNIA**CAL SSR 30/32**

The item traded at \$1.83/lb FAS for April, May, and June shipment with an offer at \$1.87/lb FAS for April shipment at the end of the period. The market-clearing price was assessed at \$1.83/lb FAS.

CAL SSR 27/30

An offer was verified at \$1.88/lb FAS for April shipment. No trades or bids were verified. The assessment was based on the item's 3-cent premium to CAL SSR 30/32 seen last week.

BUTTE PADRE**BP SSR 36/40**

Trades were verified at \$1.86/lb and \$1.87/lb FAS for April, May, and June shipment. A third trade was verified at \$1.94/lb CIF to Morocco, which converts to an FAS price of \$1.89/lb. The market-clearing price was assessed at \$1.88/lb FAS.

BP SSR 30/32

No trades, bids, or offers were verified. The assessment was based on the item's 3-cent premium to BP SSR 36/40 seen last week.

BP SSR 27/30

No trades, bids, or offers were verified. The assessment was based on the item's 1-cent premium to BP SSR 30/32 seen last week.

CARMEL TYPE**CT SUP 27/30**

No trades, bids, or offers were verified. The assessment was based on the item's 2-cent discount to CT SUP 23/25 seen last week.

CT SUP 23/25

The item traded at \$1.90/lb FAS for April shipment at the end of the assessment period. No bids or offers were verified.

INDEPENDENCE**IIS**

Two trades were verified at \$1.60/lb and \$1.61/lb CIF to India, which convert to FAS prices of \$1.56/lb and \$1.57/lb. At the end of the period, the item was bid at \$1.56/lb and offered at \$1.60/lb FAS. The market-clearing price was assessed at \$1.57/lb FAS.

INDX 23/25

No trades or bids were verified during the assessment period. At the end of the period, an offer was left at \$2.00/lb FAS for April shipment. The market-clearing price was assessed at \$1.98/lb FAS.

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