**Grower Partner Pre-Harvest Communication 2020**

Welcome to the 2020 Crop Year. It’s a busy time of year as we all gear up for harvest, but hope you can share a few moments with us, as there is a lot to talk about.

**2019 Crop Year Market Review and Outlook**

It’s no secret that almond prices have plummeted of late. This has understandably caused some angst, but it’s important to remember where we came from. The 2018-2019 transition was a tight one. Coming off of successive years of modest supply growth, fueled predominantly by an increase in bearing acres, demand had continued to keep pace adding pressure to California’s ability to deliver. The 2019 crop had been forecasted to continue the trend of suppressed supply growth reining in demand. Most in the industry had been acting accordingly. This had kept prices relatively stable with some upward pressure through the fall. Our pricing data shows NPS 23/25 peaked in November at about $3.30/lb and Std. 5% peaked around $3.00 also in November.

Come the end of fall, it was clear that the 2019 crop had exceeded forecasted expectations. This eased concern about California’s capacity to supply the industry and prices crested. By bloom the idea of an oversized 2020 crop had already begun taking shape. The holiday push was over and many buyers were holding off to access bloom. Prices began softening as early as January and picked up steam throughout the spring season as excellent weather persisted during bloom up and down the valley.

Terra Nova was first to publicly express an expectation of an oversized 2020 crop publishing their 2.95 billion pound expectation in mid-March. This helped accelerate price declines. A true industry consensus on eventual crop size wouldn’t come until May when the Subjective report reinforced the large crop expectation forecasting 3.0 billion pounds. With the July Objective forecast echoing the 3.0 billion pound expectation prices have begun to stabilize, but not before losing -$1.25/lb on average off their November highs.

Covid-19 has also presented a lot of upheaval industry wide. Since March we have seen supply chain disruptions both domestically and internationally include delays at ports and issues booking transportation. Wide spread lockdowns have also wreaked havoc on almond buyer’s capacity to pick up shipments or even process what’s on hand despite demand from consumers. Perhaps most impactful, many international buyers were forced to seek payment delays with operations, supply chains and revenue streams all disrupted. While many lockdowns have been lifted and businesses are finding better ways to mitigate the upheaval, Covid-19 remains a dynamic situation and will continue to be a major factor in the global marketplace for the foreseeable future.

Looking ahead there are certainly reasons to feel anxious. Covid-19 continues to create dynamic market conditions not just in the US but across the globe. With the July Objective forecast reinforcing the notion of a 3 Billion pound harvest, there is certainly worry if demand can keep up. We won’t see prices return to the pre-bloom level this year, unless something dramatically changes the supply outlook, but there is plenty of reason to be optimistic. Almonds continue to be front and center for product introduction on a global scale. They also remain top of mind for many important consumer trends like plant-based eating, low carb diets and general health. All of these trends have only been accelerated with the shifts Covid-19 has forced upon households.

It would also be our expectation that the eventual 2021 crop would see a yield under that which we’re expecting this year. The two primary pieces of rationale to back that statement is the expectation that orchards will simply not have the same virility in 2021 coming off such a uniformly strong yields in 2020. It’s also plausible to expect a higher orchard removal rate under suppressed pricing scenarios. Together it paints a picture of a softer supply in 2021. Of course, that doesn’t change the current situation, nor does it guarantee a future where prices rebound.

China remains a wild card. With low prices, and a huge consumer market, China will find a way to consume almonds. But major barriers remain in place with tariffs and escalating geopolitical tensions seeming on an endless roller coaster. With a thawing of trade restrictions, China could be a significant driver in demand; however, there is little reason to expect that landscape to change and this will only suppress the full demand from this high-potential market.

Through all of this, it is also important to remember that food is a consumer-spend in any economic situation. Demand for almonds has remained steady through any recent economic down turn and there is no reason to expect any different. Furthermore, low prices alone can be a significant driver of demand. That’s Econ 101. But if you’re looking for real world examples, price sensitive markets like India have already responded in a very tangible way, and retailers who had paused new product R&D with almonds are no longer going to be hesitant with ingredient prices suppressed. It is still a tall order to move the coming volume, that’s a reality, but there is real reason to be optimistic of a future that has demand fueled by accessible pricing. Time will tell.

**What Else do You Need to Know?**

Will all of that said regarding 2019 market conditions, we expect to continue to provide competitive returns for our upcoming Final Crop Year Payment. We are planning a September dispersal. We will provide additional information as we near.

For the 2020 crop year, we have made small changes to the Quality Schedule that you should be aware of. We recommend reviewing the schedule in its entirety, but note specifically inshell moisture levels as something different this year. We will also be accessing a -$.15/lb deduction on inshell varieties delivered outside of our approved varieties. This is necessary to account for the increased handling and shelling costs associated with these deliveries. The quality schedule follows this letter and will be posted in our new online [Grower Resource](https://selectharvestusa.com/grower-resources/) Page for future reference. More on that later. Any questions, please reach out to your field reps.

**Delivery Base Price** are reflective of the current market conditions for 2020 crop and are as follows:

Nonpareil: $.35/lb\*

All Other Varieties: $30/lb\*

Peerless Inshell: $.10\*

\*Plus Quality Assessment

**How to Get More Information**

Information is king. Want to feel like a king? Then know how to stay informed! We’ve made a lot of changes and will be rolling out more this year. Here’s a short list of resources and things you can do while sitting on your throne (or a chair in front of a computer).

We’re Launching a new **GROWERS RESOURCE PAGE**. This will include all the important documents like quality schedule and receiving hours, updated as changes happen! No more worry about whether you have the current version. At time of writing, we’re still putting on the finishing touches. You’ll have access though by Mid-August and can view it at [selectharvestusa.com/grower-resources](https://selectharvestusa.com/grower-resources/)

Give us your **email address**, if we don’t already have it. No seriously, we like email. It’s quicker that snail mail. We’ll send you monthly market updates, occasional industry news and we’re launching a regular newsletter to keep you informed of everything Select Harvest from product launches to timely and insightful podcasts. Get involved now by emailing us at [info@selectharvestusa.com](mailto:info@selectharvestusa.com). Put in the Subject Line: ‘Grower Newsletter’.

**Social Media!** Did you know we’ve relaunched our social media? Find us on [Facebook](https://www.facebook.com/Select-Harvest-USA-LLC-101446637935390) and [LinkedIn](https://www.linkedin.com/company/30715029/admin/) for company news and happenings, fun marketing activities and sneak peaks into our consumer engagement. We’re going to have lots of fun this year, we think you will to. Join us!

Our [**Market Report**](https://selectharvestusa.com/california-almond-market-update/) archive is online! So too our [past Podcasts](https://selectharvestusa.com/nut-news-podcast/), [Industry News](https://selectharvestusa.com/industry-insights/), blogs, articles and more. You can find these from our home page selectharvestusa.com under the navigation tab ‘News & Resources’.

Know your **Field Rep!** Get in touch with them today.

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Happy Harvest!

Sincerely the Select Harvest Team,