

Market crunch

By **LEN RICHARDSON**

IN light of growing anxiety over the almond crop, Douglas Youngdahl, president and CEO of Blue Diamond Growers, asks, "What will the weather be like during the 2009 crop bloom and what will be the impact of California's water crisis?"

Weather is something growers deal with year in and year out, but all remember the 2005 crop potential being reduced by nearly 25% due to inclement weather, Youngdahl says.

For the Northern Sierra, this spring and summer were the driest on record since 1921. In addition, 2007 and 2008 made up the ninth driest two-year period in 88 years for the Northern Sierra. Statewide precipitation for the six-month period of February through July 2008 was 45% of average — the fourth driest of 114 years on record.

2009 unease

"After three record crops in a row, it is reasonable to at least consider that conditions next spring may be less than ideal," Youngdahl says.

Of 250,000 almond acres in jeopardy due to the water crisis, roughly 20% are already negatively affected by water shortage and stress. This percentage could have been much higher if large tracks of row crops had not been fallowed in order to transfer water to permanent crops such as almonds, Youngdahl says.

"The affected acres will yield lighter kernels for the 2008 crop and a much lighter bud set for 2009," he projects. "If the drought and pumping constraints continue, we could see reduction in future almond production projections, leading to a much tighter supply picture. The result of this could be turbulent prices and lost consumption.

"We will do all we can to avoid such circumstances and to perform in the best interest of our growers and the industry," Youngdahl adds.

Market levels for the 2008 crop are trading at higher prices than the 2007 crop was this same time last year. And just as market prices firmed throughout most of the 2007 crop year, there are many reasons 2008 crop prices should track in a similar fashion. Chief among these is unrelenting global demand.

Export trends

2007 almond shipments to overseas markets increased to 866.4 million pounds, up 24% over the previous year, led by strong growth in Europe, Asia and the Middle East. Notably, almond exports have achieved new monthly records for the past 13 consecutive months. Western Europe and Asia remain the top two export destinations on a regional basis, with shares of 54% and 23%, respectively. Exports to Western Europe grew 24% over the previous year, while exports to Asia grew 20%, driven by strong demand in markets such as India,



WATER COLLECTION: Shasta Dam, the state's largest reservoir, provides water for almonds from the snowmelt of Mount Shasta and other ranges.

NEED SNOW: Mount Shasta towers above northern California almond trees. Its snow is much needed in this dry year.

Key Points

- Water-affected almonds will yield a lighter bud set for 2009.
- 2007 almond exports increased 24% over the previous year.
- Water constraints and booming demand could lead to a tight supply in the future.



2009 WARNING: Douglas Youngdahl, president and CEO of Blue Diamond Growers, says acres affected by reduced water will yield lighter kernels for the 2008 crop and a much lighter bud set for 2009.

China and Korea where new shipment highs were recorded.

"The growers and handlers of California almonds have set the stage for this unprecedented growth with forward-thinking, strategically sound programs administered by the Almond Board of California. From the research in the field aimed at creating a more sustainable environment for growing almonds to the investment in research to understand almond nutritional benefits, the entire almond community has been focused on making record crops and record demand a reality," says Almond Board President and Chief Executive Officer Richard Waycott.

An Almond Board position report covering 2007 crop activity through June 2008 revealed the 11th straight month of record shipments. 2007 crop shipments are on track to reach 1.26 billion pounds, a little more than 18% above record 2006 shipments. 2008 crop shipments are conservatively projected to increase by about 12% to 1.41 billion pounds.

Carry-in inventory for 2008 was around 210 million pounds on July 31, or 17% of the 2007 crop year shipments.



DELTA WOES: Additional judgments that will protect Delta and river salmon may add to the almond market crunch. U.S. District Court Judge Oliver Wanger in Fresno continues hearings on protecting endangered and threatened salmon species between now and March, when a new biological opinion is expected to be released. This opinion will likely result in negative water flows from the Delta.

This working inventory will support the continuation of record shipments into the 2008 crop year, feeding the growing global demand for almonds.

However, if both the water supply and crop are diminished in 2009, as expected, the industry will not be able to support this kind of demand.

Food market sales

Almond-containing food products continue to grow. According to Information Resources Inc., sales of energy and health bars with almonds grew more than the overall energy bar category, with an increase in sales from 97 million

in 2006 to 104 million in 2007. Almond granola bars' share of the granola bar category increased in 2007, averaging 41% of sales in this \$1.5 billion category. Dollar share of pure almond products has doubled from 2002 to 2007.

According to USDA, almonds lead the nation's increase in tree nut consumption. Per-capita almond consumption doubled in the U.S. between 1999 and 2007, fueled by the almond industry's marketing programs. In the most recent Consumer Awareness, Attitudes and Usage survey conducted by Sterling-Rice Group, 87% of consumers rated almonds good or excellent for being nutritious.